

Registered Company number: 07492165

NORTH EAST LEARNING TRUST LIMITED
(a company limited by guarantee)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 August 2017

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**NORTH EAST LEARNING TRUST
FINANCIAL STATEMENTS
Year ended 31 August 2017**

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NORTH EAST LEARNING TRUST
REFERENCE AND ADMINISTRATIVE DETAILS
Year ended 31 August 2017

Members	Mr R Simpson Mrs D Nicholson Mr J Cameron
Trustees	Mrs L Powell -CEO and Accounting Officer Mrs M Saxton - Chair Mrs S McDonnell Mr D Gibson (appointed 12 December 2016) Mrs B Waugh (appointed 12 December 2016) Mrs S Mason (appointed 8 March 2017) Mrs A Moon (appointed 29 June 2017) Ms J V Gorchach (resigned 8 March 2017)
Executive Principal	Mrs Lesley Powell
Company Secretary	Mr Lee Alexander
Senior Management Team	
Chief Executive Officer (CEO)	Mrs Lesley Powell
Deputy CEO	Dr Janice Gorchach
Deputy CEO	Ms Toni Spoors
Head of School – Shotton Hall	Mr Brian Burlinson
Head of School – Browney Academy	Mrs Catherine Harris
Head of School – Teesdale Academy	Mrs Claire Ellis
Head of School – Easington Academy	Mrs Jane Martin
Head of Financial Services	Mr Lee Alexander
Head of Human Resources	Mrs Deborah Piggett
Head of Administrative Services	Mrs Debra Livingston
Head of Communications	Miss Alix Borthwick
Head of Governance	Mrs Joanne Barker
Head of Estates	Mr Andrew Crosby
Head of IT Services	Mr Don Balmer
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 2017**

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2017. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The Trust currently operates one primary and three secondary academies across County Durham. Its academies have a combined total of 2582 on role as per the October 2016 census. A further two primary schools and one secondary school have joined post year end. In addition, we are working with other schools, which are potentially to join our trust in due course.

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. 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, Browney Primary Academy, Teesdale Academy and Easington 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.

Trustees indemnities

Companies Act 2006 s236 requires disclosure concerning qualifying third party indemnity provisions. As required in the Academy's Articles of Association indemnity insurance with Zurich has been taken out to cover the liability of Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the Trust. Provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard of whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Governors in their capacity as Trustees.

Principal activities

The Trust'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 trustees

The Members of the Trust comprise of the three signatories to the Memorandum and any person appointed under article 15A, provided that at any time the minimum number of members shall not be less than 3.

Details of the members and trustees of the board are shown in the Reference and Administration details. The members may appoint by ordinary resolution up to eight Trustees and the total number of Trustees including the Chief Executive Officer who are employees of the Academy Trust shall not exceed one third of the total number of Trustees. The quorum for meetings of the Trustees will be three voting Trustees and the term of office for all Trustees will be four years, save that this time limit shall not apply to any post which is held ex-officio.

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The Trustees are responsible for the performance of each Academy within the MAT, however, a range of responsibilities may be delegated to Local Academy Councils (LAC). The levels of delegation will be decided by the Trustees and the Executive Board and will be dependent upon the strength and capacity of the Academy. The Secretary of State may appoint such Additional Trustees

as he thinks fit under Article 62, 62A, 62C or 68A. The Chairs of the Trustees will be elected at the first meeting of the academic year and must be ratified by members prior to taking up the position.

Policies and procedures adopted for the induction and training of governors

The Trust is fully committed to the development of effective governance and provide training to assist Trustees and LAC Governors in undertaking their role. A regular skills audit is carried out which enables the trust to ensure that Trustees and LAC governors have the necessary skills and experience to carry out their governance roles. Trustees and LAC Governors are provide with regular statutory updates and also have access to the website and a Governor Information File to assist in their continuous professional development.

Organisational Structure

The management structure consists of four levels; The Board of Trustees, the Local Academy Councils, Executive Board and Academy Senior Leadership.

The Board of Trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the Trust by the use of performance figures, budgets and making strategic decisions regarding Trust development, capital expenditure and senior staff appointments.

The day to day operations of the Trust are delegated to the Chief Executive Officer (Accounting Officer) and Executive Board of senior management. Local Academy Council's act as advisory body to the Board of Trustees and have delegated powers depending on their Ofsted grading or MAT evaluation. Each individual Academy Senior Leadership team has certain delegated powers for budgetary control, Parental Engagement, Achievement, Quality of Teaching, Pupil Discipline and Appeals.

Trust Management Structure

North East Learning Trust - Trustees

Terms of Reference

- Delivering the charitable objectives of the Trust.
- Strategically controlling the organisation and managing the charitable assets.
- Ensuring compliance with the Trust's duties under company law and charity law and agreements made with the DFE including the funding agreement.
- The determination and educational character and mission of the Trust.
- Ensuring the solvency of the Trust company and charity and safeguarding its assets and delivering its charitable outcomes.
- Ensuring the continued charitable status of the Trust.
- Setting key strategic objectives and targets and reviewing performance against these.
- Determining the Trust development plan and reviewing all Academy development plans.
- The approval of all statutory policies that are common to all Academies within the Trust.
- Ensuring that the year-end accounts are submitted to members for approval.
- Entering all contracts on behalf of the Trust.
- The approval of annual estimates of income and expenditure for the Trust at the beginning of the academic year.
- To authorise income and expenditure in line with the Scheme of Delegation.
- The appointment or dismissal of the CEO, Deputy CEO, Executive Principal, Principal and Finance Director. In the case of Principals representatives of the Local Academy Council may be involved.
- Intervening as appropriate in any Academy at risk of underperformance.
- Determination of the establishment, constitution, membership, proceedings and delegated powers and functions of the Local Academy Council and committees and their annual review and revision.

North East Learning Trust – Local Academy Council

The levels of delegation will be decided by the Trustees and the Executive Board and will be dependent upon the strength and capacity of the Academy. The strength and capacity of the Academy will be based on the most recent Ofsted grade or an internal review undertaken by the MAT.

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2017**

Where an Academy joins the MAT with grade four from Ofsted/MAT review, the existing Governing Body will be replaced by an Interim Executive Board (IEB) if appropriate. The Trustees and Executive Board will be responsible for determining the members of the IEB and in some instances, where their skills will add to capacity may include some members of the existing Governing Body.

Where an Academy joins the MAT with grade three or grade two from Ofsted/MAT Review which has confirmed there are some areas of significant weakness, the LAC will have some delegated responsibilities along with a clear remit to provide support to the Headteacher/Head of School. All governors of such an Academy will re-apply to continue as Governors within twelve months of joining.

Where an Academy joins the MAT and the most recent Ofsted/MAT review grade is two with no areas of weakness or a grade one, then the LAC will have additional delegated responsibilities except for finance, although they will be invited to work in partnership with the Trustees and the Finance Team in planning the Academy budget.

Where an Academy is deemed to be at risk of failing its pupils/students, the Trust will exercise the right to reconstitute the LAC and appoint the majority of its members to ensure that the identified weaknesses can be effectively addressed. This may include the implementation of an IEB.

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 Business Support Services team.

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 Trust pay policy which is supported by our performance review and appraisal policy.

Related parties and co-operation with other organisations

The Trust 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.

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 furtherance of Education in the North East of England, specifically establishing, developing, maintaining and managing its academies, offering broad provision from Early years through to Sixth form provision.

The vision of the North East Learning Trust is that each child experiences excellence every day. The Trust is founded on deeply held principles that every child has the right to an excellent education and all Academies within the Trust are committed to:

- Pursuing excellence
- Encouraging all young people to aim high and make the most of their talents
- Providing an education that enables every young person to achieve their full potential and learn with confidence
- Providing a safe environment where young people are cared for
- Creating a healthy, happy, disciplined and supportive environment which promotes an independent work ethic and a love of learning
- Engendering respect for individuality and difference
- Nurturing a sense of social responsibility and spiritual and personal development
- Fostering integrity, resilience, creativity, good manners and sensitivity to the needs of others.

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2017**

Strategic Objectives

Raise achievement

- Primary academies to exceed expected standards in national tests and achieve at least good or better value added scores in reading, writing and mathematics.
- Secondary academies to achieve positive Progress 8 value added scores overall and in each block comprising English, mathematics, Ebacc and the open block. They will meet challenging targets for Attainment 8, English and mathematics which will be above national averages.
- Pupil premium funding to be utilized to improve performance and remove any differences in achievement between pupil premium and non-pupil premium students.

Build and Develop Capacity

- Ambitious and strong governance to be the foundation stones of all academies.
- Further improve governor training and development as well as transform information sharing via 'Pod'. This initiative will enable meetings to become paperless and governors will have enhanced access to training and resources.
- Expand the central services team, particularly in the areas of finance and communications.
- Enhance and expand the trust senior leadership/intervention teams to ensure expertise in being developed so that the next generation of leaders are ready to take up opportunities as the trust expands.
- Continue to develop a pathway from ITT to NPQH so as to ensure a high-quality pipeline of teachers at all levels of responsibility.

Finance, HR, Estates and technology to be managed efficiently to deliver excellent value for money

- Develop roles within the finance team to support academies in managing all aspects of their finance and delivering best value.
- Build on current ICT support systems in terms of both infrastructure and delivery platforms to ensure speed, functionality and opportunities for collaboration and development.
- Continue to develop the estates strategy, including compliance, life cycle models, utilities, health and safety.
- Aggregation of procurement and provision as appropriate to ensure value for money is achieved.

Systematic Approach to Academy Improvement.

- Ensure Trust Development Teams are tailored to each individual academy in response to accurate and timely due diligence.
- Ensure Trust teaching and learning, marking and feedback, target setting, tracking, assessment, intervention, literacy and numeracy, curriculum and planning strategies are developed and embedded in all schools.
- Continue to develop bespoke programmes of professional development to run alongside trust development programmes in all academies.
- Effective trust monitoring and accountability procedures to be utilized in all academies.
- Performance management policies and procedures in place, ensuring improvement is driven forward.
- Accurate self-evaluation and improvement planning to be supported by senior trust leaders.
- Trust wide ICT strategy and development of Office 365 trust wide platform and 'pod', to facilitate sharing of expertise, training and development for senior leaders, middle leaders, teaching and non-teaching staff, governors and board members.
- Ensure a broad and balanced curriculum is in place in each academy which is fit for purpose in terms securing strong academic outcomes. Ensure the curriculum is vibrant, relevant and provides opportunities for enrichment and extra-curricular development.
- Ensure that all academies are financially viable.
- Embed and develop trust behaviour management systems and procedures.

Embed and develop systems for safeguarding and pastoral care in line with trust policies and procedures.

Trustees have approved each academy's admissions code which is published on teach academies website. 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

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2017**

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 Trustees 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. The Teaching School also contributes to the next generation of teachers, which has created greater opportunity for adults training in the North East of England.

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 lead school. Shotton Halls' success has contributed to the overall development of North East Learning Trust allowing us to attract new Academies to the Trust, develop greater school to school support, whilst creating excellent career opportunities for staff and excellent pathways for students of all ages.

All three trust secondary schools (Shotton Hall, Easington and Teesdale) had a positive Progress 8 in 2016/2017 and were above nationals in all key measures as listed below. This is despite an overall profile of above average deprivation.

Performance Measure	2016/17 Achieved	2016/17 National
Trust average 9-5% Basics	43.0%	39.1%
Trust average 9-5% Basics Pupil premium	27.3%	
Trust average 9-4% Basics	67.4%	58.8%
Trust average 9-4% Basics Pupil premium	54.7%	
Trust average A8	49.7%	44.2%
Trust average A8 Pupil premium	43.1%	
Trust average Ebacc 9-5/A*-C	25.4%	21.5%

In addition, Browney Primary Academy performed well and was awarded an Ofsted grade of Good with many outstanding features in February 2017. With a year 6 cohort of only seven children data analysis has no statistical significance for this school.

Diamond Hall Juniors joined the trust in October 2017 and is a high performing junior school working in an area of high deprivation. Outcomes were above national averages and the school is thriving.

Sacriston Academy (Primary) and Ashington Academy (Secondary) joined in September and November of 2017. Both schools were inadequate previously, as judged by Ofsted, and have joined the trust as they start their journeys to outstanding.

Financial and risk management objectives and policies

The Trust 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 will feature in the financial risk register as the main areas of concern.

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.

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2017**

Key Performance Indicators

Expenditure ratios	2017	2016
Total staff costs/GAG Income	94%	70%
Teaching staff costs/GAG Income	69%	61%
Support staff costs/GAG Income	22%	9%
Liquidity ratio		
Current assets/current liabilities	1.5	2.3

Financial Review

During the year ending 31st August 2017 total income of £31,584k (2016: £9,185k) represented an increase in income from last year of £22,399k, mainly due to the addition of two Academies in to the Trust. The most significant additional income of £15,802k reflects the recognition of transferring net reserves, assets and pension liabilities associated with the in year acquisitions of both Teesdale and Easington academies (see note 26). Otherwise the majority of the Trust Income is obtained from the DfE in the form of recurrent grants, made up of General Annual Grant £12,006k (2016: £7,004k), Start-up and capacity grants of £522k (2016: £100k), Pupil premium of £642k (2016: £485k) and National College/Teaching School grants of £985k (2016: £739k), 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 2017.

The increase in the total expenditure of £16,671k (2016: £9,542k) is mainly due to the additional academy transfers during the year. The excess of income over expenditure for the year excluding fixed assets and donated pension deficit liabilities before other recognised gain and losses was £1,912k (2016: £-145k). Therefore, the net in year surplus has increased the closing reserves to £18,125k (2016: £790k).

Net current assets are £3,785k (2016: £1,904k), with the increase primarily relating to the surpluses inherited on Teesdale and Easington Academies joining the Trust during the year. Cash balances are strong at £4,712k (2016: £2,386k).

The North East Learning Trust

The Trust has developed its growth strategy and has obtained additional capacity support funding of £235k (2016: £100k). An additional support grant of £130k has been received during the year specifically for Teesdale Academy, which has been fully utilised in year to support restructuring. Additional start up grants of £158k for Sacriston Academy, Ashington Academy and Bedlington Academy, including £8k accrued income to match against legal fee expenditure for grants not yet received. Significant steps have been taken to ensure the Trust has sufficient capacity, including new staff appointments to support the growth and development strategy. The Trust recognised the need to upgrade our support systems and have invested in a new financial system, which better suits the needs of a Multi Academy Trust. This was fully implemented in November 2016 and RSM Risk Assurance Services LLP have carried out an assurance visit to review the transfer of balances between the old and new financial systems. The Trust has also invested in a new payroll system again to better suit the needs of our Trust and implementation is expected to occur by April 2018.

During the year Teesdale and Easington Academy joined the trust and the following Academies have or are expected to transfer during 2017/18:

Sacriston Academy (transferred 1/9/2017)

Diamond Hall Academy (transferred 1/10/2017)

Ashington Academy (transferred 1/11/2017)

Bedlington Academy (expected to transfer 1/1/2018)

The Academy at Shotton Hall

During the year the school has invested £74k to improve the Design and Technology teaching rooms including an additional Food Technology kitchen and a new product design space. The Academy successfully secured grant funding from the Wolfson foundation which has subsidised the new Food Technology kitchen. The Trust received contributions from the DfE on behalf of Shotton Hall as part of GAG funding of £559k to bridge the "Affordability Gap" in the LA Private Finance Initiative for the building of the school premises.

**NORTH EAST LEARNING TRUST
GOVERNORS' REPORT
Year ended 31 August 2017**

Browney Primary Academy

Following the success of the 2015 and subsequent Ofsted visit where the school secured a very strong Good Ofsted grade, the school is growing to be the school of choice in the area. Furthermore, the school recognised the areas of inadequate provision of that compared to other schools in the area and has invested £75k in new facilities which include a woodland playground and an internal refurbishment project to improve safeguarding. The school is now developing strategic plans to manage the impending growth due to the schools' success.

Teesdale School and Sixth Form

Teesdale School and Sixth Form joined the Trust on the 1st September 2016. The predecessor academy was in special measures, since then the Trust has focused on rapid improvement. The academy has undergone significant change during the year, which includes investment in new furniture, facilities, safeguarding improvement and staff organisational transformation. The Trust secured £130k sponsor capacity funding which has largely been utilised to support staff restructuring and compliance.

Easington Academy

Easington Academy joined the Trust on the 1st March 2017. The predecessor academy was judged as Good by Ofsted in 2016 and the academy chose to join NELT to further strengthen the Trust vision and add capacity. There was significant resource allocated to the transfer of Easington as there was no lease in place for the existing academy, of which the legal costs were significant and exceeded the ESFA £25k support grant funding.

Diamond Hall

The Trust has been committed to the transfer of Diamond Hall throughout the period, however there has been significant delay in relation to the land title transfer and subsequent lease associated with Diamond Hall and the neighbouring school. Therefore the legal costs associated with this transfer also exceeded the £25k grant funding provided by the EFA. Diamond Hall transferred to NELT on 1st October 2017.

The Shotton Hall School Centred Initial Teacher Training (SCITT) continues to generate additional income of £741k (2016: £576k). The SCITT was accredited as Outstanding by Ofsted 2015 and the continued success has resulted in 82 (2016: 62) graduates for the 2016/17 cohort, 52% (2016: 75%) of student teachers were judged to be outstanding, 91% (2016: 98%) were judged to be good or better and 76 out of 82 were in fulltime employment upon completion of the course.

During the year the Trust has further developed Teaching School activity providing additional income of £994k (2016: £739k), resulting in a surplus of £23k (2016: £6k).

The Trust Scheme of delegation and 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 many changes have been made as the Trust continues to develop policies and procedures appropriate for the size and composition 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 students 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.

The Trust has gone through a period of rapid growth, which has been managed effectively with the added support of additional capacity funding. Some schools that have joined the Trust currently have deficit budgets, and the Trust are actively reviewing the medium term plan to identify areas of financial risk that need to be addressed. Also the nature of the schools and previous poor performance does impact on pupil recruitment, therefore future funding is always at risk where there is active competition, however the Trust are that rapid improvement will be made and these schools will soon be attracting all students.

Reserves policy

It is intended that the Trustees 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 academy intends to invest in further facilities for dining, physical education and is developing a long-term IT and asset replacement strategy to identify key lifecycle milestones. It is clear for most Trust academies that significant IT lifecycle replacement is needed in the next 1-2 years.

A long term pension deficit exists at 31 August 2017 of £4,831k (2016: £2,905k).

**NORTH EAST LEARNING TRUST
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Year ended 31 August 2017**

The level of free reserves at the year ended 31 August 2017 was £3,741k (2016: £1,390k), of which £828k (2016: £439k) is restricted and £2,913k (2016: £1,390k) is unrestricted. The Trust target reserves are 3 months expenditure which is £1,314k. The additional reserves held will allow the IT replacement needed across 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. During the year short term deposits for Teesdale and Easington acquired upon transfer, ended and are now centrally held in the main bank account. No cash deposits existed at the year end, however Trustees have now requested an investment proposal as a consequence of the sizeable cash balances now held.

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 the development of best practice within all Trust schools, for the benefit of the wider trust. The Trustees are committed to raising the profile and standards of all Trust schools in order to increase pupil numbers and improve the learning outcomes. The Trust intends to continually grow the teaching school activities and is dedicated to providing high quality training for future SCITT trainees and apprentices.

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

Employee Consultation and Disabled Employees

The Academy is committed to ensuring equality of opportunity for all who learn and work in its academies. We respect and value differences in race, gender, sexual orientation, ability, class and age. We strive to remove conditions which place people at a disadvantage and we actively address bigotry and discrimination.

The Academy considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment within the Academy continues. The Academy's policy is to provide training, career development and opportunities for promotion, which are, as far as is possible, identical to those for other employees.

The Academy works with employee trade unions and professional associations across all of its academies and engages in consultation, as required, to ensure that all aspects of the company affecting its employees, including financial and economic factors, are discussed, conveyed and consulted on with them.

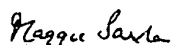
Auditors

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.

Approved by order of the Governing Board at its meeting on 22.12.17 and signed on its behalf by:



Maggie Saxton
Chair

**NORTH EAST LEARNING TRUST
GOVERNANCE STATEMENT
Year ended 31 August 2017**

Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that North East Learning Trust 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 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 3 times during the year. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings Attended	Out of a Possible
Mrs L Powell	3	3
Mrs M Saxton	3	3
Mrs S McDonnell	2	3
Mr D Gibson (appointed 12 December 2016)	1	2
Mrs B Waugh (appointed 12 December 2016)	2	2
Mrs S Mason (appointed 8 March 2017)	1	2
Mrs A Moon (appointed 29 June 2017)	1	1

Governance review

During the year, the Trust employed a governance manager. A key part of their role during the year, was to review the governance structure and scheme of delegation, to confirm that they are 'fit for purpose'. Updates were made to the scheme of delegation to ensure there is continual improvement.

The Finance and Premises committee is a subcommittee of the main governing body, its purpose is to review the financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;

- Assisting the decision-making process of the Trust, by enabling more detailed
- consideration to be given to the finances and resources.
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006, Charity Commission requirements and the DfE guidance issued to Academies.
- Reporting directly to Trustees.
- Compliance with financial regulations and standing orders of the Trust.
- Considering all personnel management procedures.
- To apply the Performance Management Scheme for the Principals and Executive Principals of the Academies.
- To make recommendations on these matters to the Trustees.

Attendance at the meetings in the year was as follows:

Governor	Meetings Attended	Out of a Possible
Mrs M Saxton	2	2
Mr D Gibson (appointed 12 December 2016)	2	2
Mrs B Waugh (appointed 12 December 2016)	2	2
Mrs A Moon (appointed 29 June 2017)	1	1

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.

**NORTH EAST LEARNING TRUST
GOVERNANCE STATEMENT
Year ended 31 August 2017**

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:

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.

The Trust has also invested in a new financial system which allows self-service purchasing which irradiates some paper procedures and improves efficiency and flow of information throughout all schools in the trust. Work is underway to align all Trust academy contracts for supplies and services and an exercise to standardise and limit suppliers is ongoing which will ultimately provide a Trust supply catalogue of approved items. The central Finance function negotiates contracts on behalf of the Trust enabling us to secure greater value for money through the increased purchasing power and time saved at local academies no longer needing to be involved in detailed price negotiations.

During the year the Trust invested in a new Wi-Fi solution to replace assets no longer supported and to deliver new services to Academies that did not have adequate provision. This investment of £152k covering the next 11 years of support would not have been affordable without the combined purchasing power of all Trust schools and we believe we have made a saving of potentially 50% based on an individual's schools purchase.

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 2017 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 2017 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.

**NORTH EAST LEARNING TRUST
GOVERNANCE STATEMENT
Year ended 31 August 2017**

The Governing Body has considered the need for a specific internal audit function and has decided to engage RSM Risk Assurance Services LLP 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.

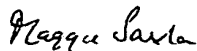
Specific reviews undertaken during the year related to transfer of balances from the old accounting system to the new system and general financial controls. There were no significant findings from these reports.

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 reviewer
- 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 22.12.17 and signed on its behalf by:



Maggie Saxton
Chair



Lesley Powell
Accounting Officer

NORTH EAST LEARNING TRUST
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
Year ended 31 August 2017

As Accounting Officer of North East Learning Trust I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with ESFA 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 2016.

I confirm that I and the academy trust board of trustees 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 2016.

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 ESFA.



Mrs Lesley Powell
Accounting officer

NORTH EAST LEARNING TRUST
STATEMENT OF GOVERNORS' RESPONSIBILITIES
Year ended 31 August 2017

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 2015 and Academies Accounts Direction 2016-17;
- 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 22.12.17 and signed on its behalf by:


Maggie Saxton
Chair

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NORTH EAST LEARNING TRUST LIMITED
Year ended 31st August 2017**

Opinion on financial statements

We have audited the financial statements of North East Learning Trust (the "academy trust") for the year ended 31 August 2017 which comprise state primary financial statements such as the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

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 2017 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 requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Governors Report and the Incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Governors' Report and the Incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NORTH EAST LEARNING TRUST LIMITED
Year ended 31st August 2017**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' Report and the incorporated Strategic Report.

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

- adequate accounting records have not been kept by the charity, 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.

Responsibilities of Governors

As explained more fully in the Statement of Governors' responsibilities, the governors (who act as trustees for the charitable activities of the charitable company 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, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

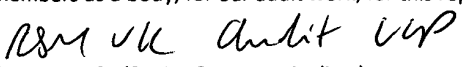
In preparing the financial statements, the governors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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


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

22 Dec 2017

NORTH EAST LEARNING TRUST
STATEMENT OF FINANCIAL ACTIVITIES
(Including income and expenditure account)
for the year ended 31 August 2017

		Unrestrict ed Funds	Restrict ed General Funds	Restrict ed Fixed Asset Funds	Total 2017	Total 2016
	Note	£'000	£'000	£'000	£'000	£'000
Income and endowments from:						
Donations and capital grants	4	238	84	103	425	281
Transfer from academy trusts	26	1,114	(3,171)	17,859	15,802	-
Charitable activities:						
Funding for the academy trust's educational operations	2	-	13,588	-	13,588	7,743
Teaching Schools	2	-	985	-	985	739
Other trading activities	5	776	-	-	776	419
Investment Income	6	8	-	-	8	3
Total		2,136	11,486	17,962	31,584	9,185
Expenditure on:						
Raising funds	7	522	16	-	538	373
Charitable activities:						
Academy trust educational operations	8	92	14,168	895	15,155	8,438
Teaching schools	8	-	978	-	978	731
Total		614	15,162	895	16,671	9,542
Net Income / (expenditure)		1,522	(3,676)	17,067	14,913	(357)
Transfers between funds	18	-	(282)	282	-	-
Other recognised gains / (losses):						
Remeasurement of net defined benefit Obligations	27	-	2,422	-	2,422	(1511)
Net movement in funds		1,522	(1,536)	17,349	17,335	(1868)
Reconciliation of funds						
Total funds brought forward		1,391	(2,467)	1,866	790	2,658
Total funds carried forward		2,913	(4,003)	19,215	18,125	790

NORTH EAST LEARNING TRUST
(Company number: 07492165)
BALANCE SHEET
for the year ended 31 August 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	13	19,171	1,791
Current assets			
Stock	14	13	-
Debtors	15	1,125	887
Cash at bank and in hand		4,712	2,386
		<u>5,850</u>	<u>3,273</u>
Liabilities			
Creditors: amounts falling due within one year	16	(2,065)	(1,369)
Net current assets		<u>3,785</u>	<u>1,904</u>
Net assets (excluding pension liability)		<u>22,956</u>	<u>3,695</u>
Pension scheme liability	27	(4,831)	(2,905)
Net assets (including pension liability)		<u>18,125</u>	<u>790</u>
Funds of the Trust:			
Restricted funds			
Restricted fixed Asset fund	18	19,215	1,866
Restricted general fund	18	828	439
Pension fund	18	(4,831)	(2,905)
	18	<u>15,212</u>	<u>(600)</u>
Unrestricted fund			
General fund	18	2,913	1,390
Total funds	18	<u>18,125</u>	<u>790</u>

The financial statements on pages 18 to 41 were approved by the Governors and authorised for issue on 22.12.17 and signed on their behalf by:

Maggie Saxton

Maggie Saxton
Chair

**NORTH EAST LEARNING TRUST
CASHFLOW STATEMENT
for the year ended 31 August 2017**

	Notes	2017 £000	2016 £000
Cash flows from operating activities			
Net cash provided by (used in) operating activities	25	872	(112)
Cash flows from investing activities	25	1,454	(86)
Cash flows from financing activities	25	-	-
Change in cash and cash equivalents in the reporting period		<u>2,326</u>	<u>(198)</u>
Cash and cash equivalents at 1 September 2016		2,386	2,584
Cash and cash equivalents at 31 August 2017	25	<u>4,712</u>	<u>2,386</u>

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1 STATEMENT OF ACCOUNTING POLICIES

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:

General Information

North East Learning Trust is a Charitable Company (the 'Academy Trust'). The address of the Trust's principal place of business is given in the 'Company Information' pages. The nature of the Academy Trust's operations are set out in the Governors' Report.

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 presented in sterling which is also the functional currency of the Academy Trust.

Monetary amounts in these financial statements are rounded to the nearest £1,000 except where otherwise indicated

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

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

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.

Transfer of existing academies into the trust

Where assets are received on the transfer of an existing academy into the trust, the transferred net assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the trust, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised for the transfer of an existing academy into the trust within Donations and capital grant income. The amounts are recognised and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Interest receivable

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

Resources expended

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

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.

Building Schools for the Future

The Trust occupies a building which was 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 Trust's balance sheet. The revenue payment for service costs are recognised in the SOFA.

When the Trust 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.

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.

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

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
• ICT 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.

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.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Operating leases

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

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 Academy Trust 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), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

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.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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 27, 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 net income are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised as other comprehensive income.

Agency arrangements

The Academy Trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the Trust does not have control over the charitable application of the funds. The Trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities.

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.

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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 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. 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.

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 £895k.

Critical areas of judgement:

Land and buildings - certain Land and buildings are held under a 125 year lease from Durham County Council. These assets are included on the balance sheet of the Trust 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 Trust could use them without major modification.

2 CHARITABLE ACTIVITIES

	Unrestricted funds £'000	Restricted funds £'000	2017 Total £'000	2016 Total £'000
DfE/ESFA REVENUE GRANTS				
General annual grant (GAG) (note 3)	-	12,006	12,006	7,004
Start up grants	-	522	522	100
Other DfE/ESFA grants	-	861	861	555
Teaching School	-	985	985	739
	-	14,374	14,374	7,659
OTHER GOVERNMENT GRANTS				
Local authority grants	-	81	81	24
Other grants	-	118	118	60
	-	199	199	823
	-	14,573	14,573	8,482
2016	-	8,482	8,482	

3 GENERAL ANNUAL GRANT (GAG)

The funding agreement for all academies within the trust have no restriction on GAG carry forward.

4 DONATIONS AND CAPITAL GRANTS

	Unrestricted Funds £000	Restricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Other income	233	84	-	317	252
Capital grants	-	-	69	69	28
Other donations	5	-	34	39	1
	238	84	103	425	281
2016	132	121	28	281	

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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5 OTHER TRADING ACTIVITIES

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Catering income	570	-	570	354
School trips	183	-	183	45
Income from lettings	8	-	8	8
Sale of merchandise	6	-	6	2
Teaching school income	9	-	9	10
	<u>776</u>	<u>-</u>	<u>776</u>	<u>419</u>
2016	<u>419</u>	<u>-</u>	<u>419</u>	

6 INVESTMENT INCOME

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Short term deposits	8	-	8	3
	<u>8</u>	<u>-</u>	<u>8</u>	<u>3</u>
2016	<u>3</u>	<u>-</u>	<u>3</u>	

7 EXPENDITURE

	Staff Costs £000	Non Pay Expenditure		Total 2017 £000	Total 2016 £000
		Premises £000	Other £000		
Expenditure on raising funds	-	-	538	538	373
Academy's educational operations:					
Direct costs	8,628	895	884	10,408	6,320
Allocated support costs	2,678	-	3,048	5,725	2,849
	<u>11,306</u>	<u>895</u>	<u>4,470</u>	<u>16,671</u>	<u>9,542</u>

Expenditure on raising funds was £538k (2016: £373k) of which £522k (2016: £329k) was unrestricted and £16k (2016: £44k) was restricted general fund.

Income/(expenditure) for the period includes:

	2017 £000	2016 £000
Depreciation	895	240
PFI service cost	956	981
Fees payable to auditor for:		
Audit	18	12
Other assurance services	1	2
Other non-audit	22	6
Net interest on defined benefit pension liability	<u>108</u>	<u>47</u>

**NORTH EAST LEARNING TRUST
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8 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS

	Total 2017 £000	Total 2016 £000
Direct costs		
Educational operations	10,408	6,320
Support costs		
Educational operations	5,725	2,849
	<u>16,133</u>	<u>9,169</u>

Analysis of support costs	Educational operations £000	Total 2017 £000	Total 2016 £000
Support staff costs	2,678	2,678	695
Maintenance of premises & equipment	201	201	128
PFI costs	956	956	981
Rates	191	191	62
Insurance	46	46	29
Recruitment & support	22	22	12
Bank Interest & charges (Incl. FRS 102, S28)	114	114	50
Staff Insurance	40	40	27
Travel & Subsistence	97	97	31
Transport	105	105	18
Work Related	104	104	187
Subscriptions	39	39	22
Printing/Photocopying	77	77	45
Service Contracts	354	354	243
Governance costs	175	175	90
Cleaning Costs	73	73	10
Other Support Costs	453	453	219
Total support costs	<u>5,725</u>	<u>5,725</u>	<u>2,849</u>

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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9 STAFF COSTS

a)	2017 £'000	2016 £'000
Staff costs during the period were:		
Wages and salaries	8,607	4,827
Social security costs	835	430
Pension costs	1,698	769
Apprenticeship Levy	13	-
	<u>11,153</u>	<u>6,026</u>
Supply teacher costs	86	67
Staff restructuring costs	67	47
	<u>11,306</u>	<u>6,140</u>

b) Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £67k (2016: £47k).

Individually they were £1,888, £3,330, £3,512, £17,000, £20,000, and £21,000 were made in the year.

c) Staff numbers

The average number of persons (including senior management team) employed by the Academy Trust during the year ended 31 August 2017 was as follows:

	2017 No.	2016 No.
Teachers	156	97
Administration and support	142	65
Management	20	9
	<u>318</u>	<u>171</u>

d) Higher paid staff

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

	2017 No.	2016 No.
£60,001 - £70,000	2	1
£70,001 - £80,000	1	1
£80,001 - £90,000	-	1
£90,001 - £100,000	-	-
£100,001 - £110,000	1	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	-
£130,001 - £140,000	-	1
£140,001 - £150,000	-	-
£150,001 - £160,000	-	-
£160,001 - £170,000	1	-

e) Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 3. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £906,799 (2016: £757,164).

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

10 CENTRAL SERVICES

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

- Human Resources
- Financial Services
- Legal Services
- Education Support Services
- Marketing
- Estates and Health and Safety Management

The trust charges for these services on a combination of direct apportioned time and residual values are on a per pupil number basis.

The actual amounts charged during the year were as follows:

	£'000	Total 2017 £000	Total 2016 £000
The Academy at Shotton Hall – Academy only	581		-
Shotton Hall SC/IT	23		-
Teaching School	10		-
The Academy at Shotton Hall		614	
Browney Primary Academy		16	-
Teesdale Academy		233	-
Easington Primary Academy		159	-
		<u>1,022</u>	<u>-</u>

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 £145,802 (2016: £133,533) and pension contributions paid in the year was £23,896 (2016: £22,006). The annual salaries of staff trustees were £460,006 excluding pension costs (2016: £224,307 excluding pension costs).

During the year ended 31 August 2017 the trustees were reimbursed expenses relating to travel and subsistence expenses of £802 (2016: £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.

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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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 2016	1,856	181	255	52	2,344
Transfer on Conversion (note 26)	17,799	19	35	6	17,859
Additions	208	25	184	-	417
Disposals	-	-	-	-	-
At 31 August 2017	<u>19,863</u>	<u>225</u>	<u>474</u>	<u>58</u>	<u>20,620</u>
Depreciation					
At 1 September 2016	305	108	127	13	553
Charged in year	780	39	62	15	896
Disposals	-	-	-	-	-
At 31 August 2017	<u>1085</u>	<u>147</u>	<u>189</u>	<u>28</u>	<u>1,449</u>
Net book values					
At 31 August 2016	1,551	73	128	39	1,791
At 31 August 2017	<u>18,778</u>	<u>78</u>	<u>285</u>	<u>30</u>	<u>19,171</u>

14 STOCK

	2017 £000	2016 £000
Catering	<u>13</u>	<u>-</u>
	<u>13</u>	<u>-</u>

15 DEBTORS

	2017 £000	2016 £000
Trade debtors	11	14
VAT recoverable	83	92
Other debtors	35	11
Prepayments and accrued income	<u>996</u>	<u>770</u>
	<u>1,125</u>	<u>887</u>

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Trade creditors	1,396	882
Other taxation and social security	247	129
Other creditors	-	-
Accruals and deferred income	<u>422</u>	<u>358</u>
	<u>2,065</u>	<u>1,369</u>
Deferred Income	2017 £000	2016 £000
Deferred income at 1 September 2016	168	35
Released from previous years	(168)	(30)
Resources deferred in the year	<u>133</u>	<u>163</u>
Deferred income at 31 August 2017	<u>133</u>	<u>168</u>
Accruals	<u>288</u>	<u>190</u>
Total accruals and deferred income	<u>421</u>	<u>358</u>

At the balance sheet date the Trust was holding funds received in advance for NCTL teaching school grants of which the conditions have not yet been fulfilled and trip income for the following year.

17 FINANCIAL INSTRUMENTS

	2017 £000	2016 £000
Carrying amount of financial assets Measured at amortised cost	<u>160</u>	<u>40</u>
Carrying amount of financial liabilities	<u>1,684</u>	<u>1,072</u>

NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

18 FUNDS

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	13	12,006	(12,310)	(252)	(542)
Transferred on conversion	-	646	-	-	646
Start Up Grant	-	522	(250)	(30)	242
Pupil Premium	-	643	(644)	-	(1)
DfE revenue	302	218	(192)	-	328
Other income	-	81	(81)	-	-
Other government grants	49	202	(176)	-	75
Teaching School income	74	985	(978)	-	81
Pension reserve	(2,905)	(3,817)	(531)	2,422	(4,831)
	(2,467)	11,486	(15,162)	2,140	(4,003)
Restricted fixed asset funds					
Transfer on conversion	425	17,858	(780)	-	17,503
DfE/EFA capital grants	714	69	-	-	783
Capital expenditure from GAG	727	-	(115)	282	894
Donations	-	35	-	-	35
	1,866	17,962	(895)	282	19,215
Total restricted funds	(601)	29,448	(16,057)	2,422	15,213
Total unrestricted funds	1,391	2,136	(614)	-	2,913
Total funds	790	31,584	(16,671)	2,422	18,125

Analysis of movement in funds – previous year

	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

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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18 FUNDS (continued)

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, Teesdale and Easington Academy land and buildings as at the transfer date less accumulated depreciation, DfE capital funding mainly from the ACMF fund and GAG transfers to capital. During the year GAG fund transfers of £282k were made matching against capital expenditure incurred for improvements to premises at Teesdale including classroom and library refurbishment; Easington including replacement guttering to sports hall; Shotton Hall food technology refurbishment and the purchase of the Meraki Wi-Fi system for the benefit of all Trust schools. Restricted fixed asset donations includes accrued capital grant funding awarded by Wolfson Foundation, which is to be received in 2017/18.

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 for Shotton Hall and the subsequent Academy reserves from transferring academies.

Analysis of academies by fund balance

Fund Balance as at 31 August 2017 were allocated as follows:

	2017 £'000	2016 £'000
The Academy at Shotton Hall	1,866	1,670
Teaching school	80	57
Shotton Hall SCITT	20	17
	<hr/> 1,966	<hr/> 1,744
Browney Primary Academy	42	85
Teesdale Academy	464	-
Easington Academy	1,028	-
North East Learning Trust (central services)	241	-
Total before fixed assets and pension reserve	<hr/> 3,741	<hr/> 1,829
Restricted fixed asset fund	19,215	1,866
Pension reserve	(4,831)	(2,905)
Total	<hr/> 18,125	<hr/> 790

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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18 FUNDS (continued)

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	4,402	529	387	1,856	7,174
Browney Primary Academy	286	59	24	129	498
Shotton Hall SCITT	262	28	2	433	725
Teaching School	19	4	1	196	220
Teesdale Academy	2,096	510	233	502	3,341
Easington Academy	1,510	288	99	294	2,191
North East Learning Trust (central services)	366	947	3	311	1,627
The Trust	8,941	2,365	749	3,721	15,776

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £'000	Restricted General Fund £'000	Restricted Fixed Asset Fund £'000	Total 2017 £'000
Tangible fixed assets	-	-	19,171	19,171
Current assets	2,913	2,893	44	5,850
Current liabilities	-	(2,065)	-	(2,065)
Pension liability	-	(4,831)	-	(4,831)
Total net assets	2,913	(4,003)	19,215	18,125

Analysis of movement in funds – previous year

	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	1,391	(2,467)	1,866	790

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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20 CAPITAL COMMITMENTS

	2017 £'000	2016 £'000
Contracted for but not provided for in the financial statements	10	52
	<u>10</u>	<u>52</u>

21 OPERATING LEASES

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

	2017 £'000	2016 £'000
Land and buildings:		
Expiring within one year	402	402
Expiring within two and five years inclusive	1,712	1,712
Expiring in over five years	7,729	8,167
	<u>9,843</u>	<u>10,281</u>

The PFI contract expires in 2036.

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

	2017 £'000	2016 £'000
Apollo Studio Academy (Apollo)	35	103

During the year the Trust provided teaching staff, finance, marketing and IT services to Apollo totalling £35k. The requirement for teaching staff has reduced for 2016/17 and therefore staff recharges charged at cost have decreased. All other costs are charged as per agreed service level agreements. North East Learning Trust is a sponsor of Apollo Studio Academy and has a common Chair.

24 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
NOTES TO THE FINANCIAL STATEMENTS
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25 a RECONCILIATION OF NET INCOME TO NET CASHFLOW FROM OPERATING ACTIVITIES

	2017	2016
	£000	£000
Net Income/(expenditure) for the reporting period (as per the statement of financial activities)	14,913	(357)
Adjusted for:		
Depreciation (note 13)	896	240
Capital grants from DfE and other capital income	(103)	(28)
Interest receivable (note 6)	(8)	(3)
Amounts inherited on conversion	(15,802)	-
Defined benefit pension scheme cost less contributions payable (note 27)	423	28
Defined benefit pension scheme finance cost (note 27)	108	47
(Increase)/decrease in stocks	(13)	4
(Increase)/decrease in debtors	(238)	36
Increase/(decrease) in creditors	696	(79)
Net cash provided by / (used in) Operating Activities	872	(112)

b. Cash flows from Investing activities

	2017	2016
	£000	£000
Dividends, interest and rents from investments	8	3
Purchase of tangible fixed assets	(417)	(117)
Capital grants from DfE/EFSA	69	28
Capital funding received from sponsors and others	34	-
Cash inherited on conversion	1,760	-
Net cash provided by / (used in) Investing activities	1,454	(86)

c. Analysis of cash and cash equivalents

	At 31 st August 2017 £000	At 31 st August 2016 £000
Cash in hand and at bank	4,712	2,386
Net cash provided by / (used in) Investing activities	4,712	2,386

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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26 CONVERSION FROM ACADEMY TRUSTS

On 1 September 2016 Teesdale Academy joined North East Learning Trust under the Academies Act 2010 and all the operations and assets and liabilities were transferred to North East Learning Trust from the Teesdale Academy for £nil consideration.

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

Teesdale transfer

	TOTAL	Unrestricted Funds	Restricted General Fund	Restricted Fixed Asset Funds
	£	£	£	£
Tangible fixed assets				
- Leasehold land & Buildings	4,658	-	-	4,658
- Fixtures, Furniture and Equipment	12	-	-	12
- ICT	6	-	-	6
- Vehicles	6	-	-	6
Surplus	580	250	330	-
LGPS pension deficit	(2,147)	-	(2,147)	-
Net assets/ (liabilities)	3,115	250	(1,817)	4,682

On 1 March 2017 Easington Academy status joined North East Learning Trust under the Academies Act 2010 and all the operations and assets and liabilities were transferred to North East Learning Trust from the Easington Academy for £nil consideration.

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

Easington transfer

	TOTAL	Unrestricted Funds	Restricted General Fund	Restricted Fixed Asset Funds
	£	£	£	£
Tangible fixed assets				
- Leasehold land & Buildings	13,142	-	-	13,142
- Fixtures, Furniture and Equipment	7	-	-	7
- ICT	28	-	-	28
Surplus	1,180	864	316	-
LGPS pension deficit	(1,670)	-	(1,670)	-
Net liabilities	12,687	864	(1,354)	13,177

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

**NORTH EAST LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

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 2016.

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%.

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 £996k (2016: £598k).

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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27 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 2017 was £486k of which employer's contributions totalled £355k and employee's contributions totalled £131k. The agreed rates for future years are 11.9% per cent for employers with additional contributions of £49k to fund the scheme deficit.

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

	2017	2016
Rate of Increase in salaries	3.4%	3.4%
Rate of increase for pensions in payment	1.9%	1.9%
Discount rate	2.5%	2.0%
Inflation (CPI)	1.9%	1.9%
Inflation (RPI)	3.0%	3.0%

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

	2017	2016
Retiring today:		
Males	23.2	22.7
Females	24.9	24.9
Retiring in 20 years:		
Males	25.4	25.2
Females	27.2	27.5

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27 PENSIONS AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

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 2017 £'000	Fair Value at 31 August 2016 £'000
Equities	2,691	864
Property	395	158
Government bonds	1,688	641
Corporate bonds	471	168
Cash	235	146
TOTAL MARKET VALUE OF ASSETS	5,480	1,977
 Present value of scheme liabilities	 (10,311)	 (4,882)

The actual return on scheme assets was £88k 2016: (£277k)

	2017 £000	2016 £000
Current service cost (net of employee contributions)	(778)	(169)
Net interest cost	(108)	(47)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	(55)	(36)
Total operating charge	(941)	(252)

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

	2017 £000
At 1 September	4,882
Upon conversion	6,801
Current service cost	778
Interest cost	195
Employee contributions	131
Actuarial (gain)/loss	(2,421)
Benefits paid	(55)
At 31 August	10,311

**NORTH EAST LEARNING TRUST
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27 PENSIONS AND SIMILAR OBLIGATIONS (continued)

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

	2017 £000
At 1 September	1,977
Upon conversion	2,984
Interest income	87
Return on plan assets (excluding net interest on the net defined pension liability)	-
Actuarial gain/(loss)	1
Employer contributions	355
Employee contributions	131
Benefits paid	(55)
At 31 August	<u>5,480</u>

28 POST BALANCE SHEET EVENTS

Since the year end, the following schools have joined the Trust, transferring their assets and liabilities.

- Sacriston Academy on 1 September 2017
- Diamond Hall on 1 October 2017
- Ashington Academy on 1 November 2017