

Company Registration Number: 08027885 (England and Wales)

LINGFIELD EDUCATION TRUST

(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018



LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Members

J S Crowther
T Damer
J Edwards
R Thomason (appointed 30 January 2018)
Dame D Smith

Trustees

J S Crowther, Chair¹
G Fitzgerald, Vice Chair¹
N J Blackburn, CEO and Accounting officer¹
D J Campbell (appointed 30 January 2018)
C W Eglinton (appointed 14 September 2017)¹
D W Elliott (appointed 30 January 2018)
C M Mackinnon (appointed 14 September 2017, resigned 6 September 2018)
J Martin
J R Steel
K A Whitmore

¹ Members of the Finance, General Purposes and Personnel Committee

Company registered number

08027885

Company name

Lingfield Education Trust

Principal and registered office

Suite J-K Lingfield House
Lingfield Point
Darlington
County Durham
DL1 1RW

Company secretary

Prima Secretary Limited

Senior management team

N J Blackburn, CEO
R Pavey, Deputy CEO
A Maddison, Head of School
Z Beach, Head Teacher
H Ferguson, Director of Operations
H Tarokh, Head Teacher
J Blackham, Head of School
A Pringleton, Head Teacher
M Dent, Executive Head Teacher (from 1 January 2018)
K Edmenson, Head Teacher (from 1 September 2017)

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS MEMBERS, DIRECTORS
AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018**

Advisers (continued)

Independent auditors

Clive Owen LLP
Chartered Accountants & Statutory Auditors
140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT

Bankers

Lloyds Bank plc
21-23 Northgate
Darlington
Co Durham
DL1 1TL

Solicitors

Womble Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

LINGFIELD EDUCATION TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

The trust operates 6 academies for pupils aged 2 to 11 serving a catchment area in Darlington and Middlesbrough. Net pupil capacity between reception and year 6 is 1943 with a roll of 1788 with an additional 216 pre-school children in nursery provision from the school census on 17th May 2018.

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 trust. The Trustees of Lingfield Education Trust are also the Directors of the charitable company for the purposes of company law.

The charitable company is known as Lingfield Education Trust.

Details of the Trustees who served during the year are included in the Reference and administrative details on page 1.

Members' liability

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

Trustees' indemnities

The trust has purchased insurance to protect Trustees from claims arising against negligent acts, errors or omissions occurring whilst on trust business. Further details are provided in note 11.

Method of recruitment and appointment or election of Trustees

The term of office for any Trustee shall be 4 years, save that this time limit shall not apply to the CEO or any post held ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected.

Policies and procedures adopted for the induction and training of Trustees

The training and induction provided for new Trustees depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All new Trustees are given a tour of the academies and the chance to meet with staff and students. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees. As there are normally only one or two new Trustees a year, induction tends to be done informally and is tailored specifically to the individual.

Organisational structure

During the year the trust continued to operate a unified management structure. The structure consists of 3 levels: the Trustees, the Senior Management Team and the Local Governing Bodies. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels in line with the scheme of delegation which is reviewed annually.

LINGFIELD EDUCATION TRUST
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Arrangements for setting pay and remuneration of key management personnel

The Deputy CEO, Head Teachers, Heads of School, Executive Head Teacher and Director of Operations are performance managed by the CEO alongside the Chair of Trustees. Decisions around pay progression are taken to the Pay Review Committee for approval. The Chair of Trustees, with an external consultant, sets the performance objectives of the CEO and after review makes pay recommendations to the Pay Review Committee.

Trade union facility time

The trust pays into a local authority scheme that provides this service.

Connected organisations, including related party relationships

North East Wellbeing is a charity set up to help schools meet the wellbeing needs of their children in the context of local authority cuts. The charity provides a one-stop service for schools who can put together bespoke packages of care (counselling, speech & language, family support etc...) in the knowledge that, although it will cost money, the charity will not be making a profit. North East Wellbeing is more than a referral service, it also provides training and promotes good practice, nurturing a community of experienced and qualified practitioners who place child development and wellbeing at the forefront of their work. The charity also cares for our schools, knowing that in this age of fragmentation, working and planning together remain vital skills that need to be protected.

Further details are stated in note 24 to the Financial Statements.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of the charitable company is the operation of Lingfield Education Trust to provide education for pupils of different abilities between the ages of 2 and 11.

In accordance with the articles of association the charitable company has adopted a 'Scheme of Government' approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting pupils to the trust, the catchment area from which the pupils are drawn, and that the curriculum should comply with the substance of the national curriculum.

The main objectives of the trust during the year ended 31 August 2018 are summarised below:

- To provide the highest quality education to enable every pupil to realise their full potential.
- Utilising the power of partnership working as a catalyst for ensuring more children receive an excellent education.
- Provide value for money for the funds expended.

Objectives, strategies and activities

The trust's main objectives are encompassed in its vision statement which is of young people supported educationally, socially and practically to achieve their highest potential in school and life. We are determined to become the trust that makes the biggest difference to the whole child, our working colleagues and the local community. Our vision is to do this while remaining true to our ethos and values.

To this end the objectives and the strategies used to achieve them include; strong leadership is the key to success of our schools. We seek to develop excellent leadership skills throughout our organisation.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

OBJECTIVES AND ACTIVITIES (continued)

Objectives, strategies and activities (continued)

In pursuit of the above aims, the CEO, Deputy CEO, Executive Head Teacher and Head Teachers and Heads of School draw on its school improvement plan with progress against the plan being reviewed by the Local Governing Body.

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for pupils between the ages of 2 to 11.

Public benefit

The trust's aims and achievements are set out within this report and have been undertaken to further its charitable purposes for the public benefit. The Trustees have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England and Wales and the trustees have considered this guidance in deciding what activities the trust should undertake.

LINGFIELD EDUCATION TRUST
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

Key Performance Indicators

Key Stage 2 2018 – Trust Overview

	Reading		Writing		Mathematics
Progress Score	0.58 (middle 20% of schools)		0.22 (top 25% of schools)		
Overall Attainment					
	Reading	Writing	Mathematics	EGPS	RWM Combined
Expected Standard or Above	71.1%	87.3%	79.2%	75.5%	68.2%
National Average	75%	78%	76%	78%	64%
Difference	-4.5%	+9.3%	+3.2%	-2.5%	+4.2%
High Score / Greater Depth	26.1%	25.7%	26.9%	33.5%	13.5%
National Average	28%	20%	24%	34%	10%
Difference	-1.9%	+5.7%	+2.9%	-0.5%	+3.5%
Average Scaled Score	104.9	N/A	105.1	105.9	N/A
National Average	105	N/A	104	106	N/A
Difference	-0.1	N/A	+1.1	-0.1	N/A
Disadvantaged Performance					
Progress	-0.14	1.55	0.89	N/A	N/A
Expected Standard or Above	71.9%	82%	71.9%	68.8%	61.7%
National Average – Non Disadvantaged	77%	81%	80%	82%	67%
Difference	-5.1%	+1%	-8.1%	-13.3%	-5.3%
National Average – Disadvantaged	60%	66%	63%	66%	48%
Difference	+11.9%	+16%	+8.9%	+2.8%	+13.7%
High Score / Greater Depth	18%	16.4%	21.1%	25.8%	8.6%
National Average – Non Disadvantaged	29%	21%	27%	36%	11%
Difference	-11%	-4.6%	-5.9%	-10.2%	-2.4%
National Average – Disadvantaged	14%	10%	13%	21%	4%
Difference	+4%	+6.4%	+8.1%	+4.8%	+4.6%

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

ACHIEVEMENTS AND PERFORMANCE (continued)

Information taken from the 2016-2017 MAT performance tables:

The latest tables are not available until January 2019. However in 2017, the proportion of MATs with progress at or above average was 41% in reading, 59% in writing and 51% in maths. Lingfield Education Trust averages were all significantly above those averages.

There were 155 trusts with 3 or more schools (in 2017) and when comparing progress scores Lingfield Trust was above the national average of 0 for reading, writing and maths.

The trust ranked 42/155 in reading, 16/155 in writing and 27/155 in maths. A direct comparison cannot be made yet against the 2017/2018 MAT information as this data has not been released yet.

Although the outcomes in reading are variable in different schools this is a priority for the trust to improve upon in 2018/2019. The networks are focusing on improving this area and reading is also a key priority in 4 schools. The trust combined NA was 68% which was 4% above the national average. The trust national average for obtaining a high score was also above the national average by +3.5%.

Disadvantaged children's progress was at the national average for reading and above the national average for maths and writing for national all.

Going concern

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

FINANCIAL REVIEW

Most of the trust's income is obtained from the Department of Education (DfE) via the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The trust also receives grants for fixed assets from the DfE/ESFA. In accordance with The Charities SORP (FRS102), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

In addition the trust receives income from catering for pupils and from other schools that use the trust's staff and lettings.

During the year ended 31 August 2018, total expenditure of £12,175,000 was exceeded by recurrent grant funding from the DfE/ESFA together with other incoming resources. The excess of expenditure over income for the year (before LGPS adjustments, and excluding restricted fixed asset funds) was £217,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the trusts' objectives.

At 31 August 2018 the net book value of fixed assets was £14,877,000 and movements in tangible fixed assets are shown in note 13 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the pupils of the trust.

The provisions of Financial Reporting Standard (FRS) 102 have been applied in full in respect of the LGPS pensions scheme, resulting in a deficit of £4,037,000 recognised on the balance sheet.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

FINANCIAL REVIEW (continued)

The trust held fund balances at 31 August 2018 of £11,724,000 comprising £15,142,000 of restricted fixed asset funds, £(4,037,000) pension reserve, £52,000 restricted general funds and £567,000 of unrestricted funds.

Reserves policy

The trust holds restricted and unrestricted funds (the attached financial statements detail these funds).

Unrestricted funds are held:

- to provide funds which can be designated to specific areas such as PE provision.
- to cover ongoing costs in relation to the running of the trust including catering provisions, school trips, and uniform costs.

The level of reserves is reviewed by the Trustees regularly throughout the year. The minimum level of reserves for the ongoing needs of the trust is reviewed by the Trustees on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees therefore consider it prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of 4 weeks worth of expenditure, £878,000.

This is considered sufficient to cover:

- a) wages
- b) invoices

The trust's current level of free reserves are in surplus by £567,000 and therefore are not considered to be above the level of reserves required for the ongoing needs of the trust. The trust is in receipt of a £190,000 grant in 2018/19 which reflects costs incurred in 2017/18. A review will also be undertaken of 2018/19 and 2019/20 financial forecasts to address the level of reserves for the trust.

Investment Policy

The trust will operate an interest bearing current account with a bank approved by the Board of Trustees (Lloyds Bank) and maintain sufficient balances to ensure there are adequate liquid funds to cover all immediate and forthcoming financial commitments, including maintaining a sufficient contingency for unexpected payments.

Monies surplus to the working requirements will be invested in term deposits with Lloyds. The trust will not take out any long term investments until a reliable cash flow pattern has been established, monies will only be paid into term deposits not exceeding 6 months.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Principal risks and uncertainties

The principal risks and uncertainties are centred on changes in the level of funding from the DfE/ESFA. In addition the trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant deficit on the trust balance sheet.

The Trustees have assessed the major risks, to which the trust is exposed, in particular those relating specifically to teaching provision of facilities and other operational areas of the trust, and its finances. The Trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school visits) and in relation to the control of finance. Where significant financial risk still remains, they have ensured they have adequate insurance cover. The trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

The trust has fully implemented the requirements of the Safe Recruitment procedures and all staff have received training in this area in addition to training on Child Protection.

The trust is subject to a number of risks and uncertainties in common with other academies. The trust has in place procedures to identify and mitigate financial risks.

Disabled Persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all main areas of the trust. The policy of the trust is to support recruitment and retention of pupils and employees with disabilities. The trust does this by adapting the physical environment by making support resources available through training and career development.

FUNDRAISING

The trust does not engage in any fundraising practices to support the education of its pupils. Any donations made towards extra curriculum activities are done on a voluntary basis only.

PLANS FOR FUTURE PERIODS

Future developments

The trust will continue to work towards delivering the following core characteristics in all of its schools:

- Outstanding teaching and learning
- A fully inclusive approach where all children are of equal importance
- Positive relationships
- High aspirations
- A wide range of enrichment activities for all to get involved
- A celebration of all the cultures and faiths represented in the schools
- A culture of no excuses for underachievement

The trust will open our 7th school in September 2019. The trust is also looking to attract two further good or better schools and is in a position to support another sponsored school over the next 18-24 months. This growth will take the number of pupils in the trust to over 3,000. This is a significant threshold as at this point the trust can access block capital funding from the ESFA.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

DISCLOSURE OF INFORMATION TO AUDITORS

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustees have taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 18 December 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J S Crowther', with a stylized flourish at the end.

J S Crowther
Chair

LINGFIELD EDUCATION TRUST
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GOVERNANCE STATEMENT

Scope of Responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that Lingfield Education Trust has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the CEO, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Lingfield Education Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The Board of Trustees has formally met 5 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
J S Crowther, Chair	5	5
G Fitzgerald, Vice Chair	3	5
N J Blackburn, CEO and Accounting officer	5	5
D J Campbell (appointed 30 January 2018)	2	4
C W Eglington (appointed 14 September 2017)	5	5
D W Elliott	2	4
C M Mackinnon (appointed 14 September 2017)	2	5
J Martin	5	5
J R Steel	3	5
K A Whitmore	3	5

To ensure the effectiveness of the governance of the trust an annual review is undertaken to evaluate the skills and knowledge held. This is completed through an independent review and the findings used to identify any gaps.

A bespoke training programme has been developed to address any gaps identified, as well as being used for induction training of new Members, Trustees and Governors.

The Finance, General Purposes and Personnel Committee is a sub-committee of the main Board of Trustees. Its purpose is to assist the decision making of the Board of Trustees, by enabling more detailed consideration to be given to the best means of fulfilling the Board of Trustees' responsibility to ensure sound management of the trust's finances and resources.

To make appropriate comments and recommendations on such matters to the Board of Trustees on a regular basis on four key areas:

Finance: To ensure sound financial management of the trust's finances and resources, including proper planning, monitoring and probity in line with the ESFA guidelines and the Funding Agreement.

Audit: To undertake any activities as necessary to provide assurance to the Board of Trustees on the adequacy and effectiveness of the trust's systems of internal control and its arrangements for risk management, control and governance processes.

Staffing: To review, plan and manage staffing with due regard to financial aspects.

Premises: To ensure sound management of the trust's premises including maintenance, development and health and safety.

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GOVERNANCE STATEMENT (continued)

Governance (continued)

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
C W Eglington (appointed 30 January 2018)	1	1
J S Crowther	2	2
G Fitzgerald	1	2
N J Blackburn	1	2

Review of Value for Money

As Accounting Officer, the CEO has responsibility for ensuring that the trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the trust has delivered improved value for money during the year by:

Improving Educational Results

To ensure that standards continue to rise, Lingfield Education Trust is focused on further improving the quality of teaching and learning. It tracks individual pupil progress and attainment rigorously, providing targeted interventions to ensure good and better progress for all pupils. A programme of lesson observations and work scrutinies, combined with intensive staff development is planned to ensure maximum impact on pupil progress.

Financial Governance and Oversight

The Finance, General Purposes and Personnel Committee approve the annual budget forecast of the trust including a review of pupil admissions / forecasts, the medium term financial plan (3 years) and a rolling 12 month cash flow statement to ensure the long term sustainability of the trust and thus that the trust remains a 'going concern'.

On a termly basis the Committee review the budget monitoring reports and updated cash flow forecasts, approve additional expenditure requirements or reductions, and ensure compliance with the trust's procurement regulations.

Following the annual audit, the Committee receives and reviews the financial statements and the external auditor's management report prior to forwarding these to the Board of Trustees for approval. The Board of Trustees reviews the work of the Committee prior to ratifying the decisions.

Value for Money and Efficient Use of Resources

The trust strives to focus on value for money and understanding the value of our assets and how they can be used to increase our pupils' rate of progress. Existing service delivery is proactively challenged and alternative provision is evaluated.

The trust promotes fair competition through quotations and tenders in accordance with its Financial Regulations Manual, thus ensuring that goods and service are secured in the most economic, efficient and effective way.

The Director of Operations reviews all expenditure on behalf of the trust and regularly challenges for improved efficiency and effectiveness. In turn, the Board of Trustees reviews the functions of the schools, challenging how services are provided and setting targets and performance indicators for improvement. The trust continuously shares good practice amongst collaborative schools in order to achieve value for money and the most efficient use of resources.

LINGFIELD EDUCATION TRUST
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GOVERNANCE STATEMENT (continued)

Review of Value for Money (continued)

Maximising income generation

The trust explores all opportunities to generate additional income including improving catering arrangements, the introduction of an online payments system, the hire of trust facilities, offering clerking services. All surplus monies are actively managed.

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 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 Lingfield Education Trust for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the trust's significant risks, that has been in place for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the finance and general purposes committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees appointed Clive Owen LLP, the external auditors, to perform additional checks.

The auditor's role includes giving advice on financial matters and performing a range of checks on the trust's financial systems. In particular the checks carried out in the current period included:

- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations
- testing of Financial Regulations Manual
- testing of accounting systems
- testing of risk register and reserves policy
- testing of declaration of interests
- testing of income recognition
- testing of IT and data protection compliance
- testing of fixed asset register, capitalisation, depreciation and insurance
- testing of Corporation tax

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GOVERNANCE STATEMENT (continued)

The Risk and Control Framework (continued)

On a termly basis, the external auditors report to the Board of Trustees through the Finance, General Purposes and Personnel Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

Review of Effectiveness

As Accounting Officer, the CEO 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 external auditors;
- the work of the executive managers within the trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance, General Purposes and Personnel Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 18 December 2018 and signed on their behalf, by:



J S Crowther
Chair



N J Blackburn
Accounting Officer

LINGFIELD EDUCATION TRUST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Lingfield Education Trust I have considered my responsibility to notify the trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the trust, under the funding agreement in place between the trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the trust Board of Trustees are able to identify any material irregular or improper use of funds by the trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2017.

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.



N J Blackburn
Accounting Officer

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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board of Trustees on 18 December 2018 and signed on its behalf by:



J S Crowther
Chair

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
LINGFIELD EDUCATION TRUST**

Opinion

We have audited the financial statements of Lingfield Education Trust (the 'academy') for the year ended 31 August 2018 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 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 academy's affairs as at 31 August 2018 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the academy in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy'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 Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. 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

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
LINGFIELD EDUCATION TRUST**

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 matters 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 Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the 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, 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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees 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 Trustees 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 Trustees are responsible for assessing the academy'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 Trustees either intend to liquidate the academy or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
LINGFIELD EDUCATION TRUST**

Use of our report

This report is made solely to the academy'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 trust's members those matters we are required to state to them in an Auditors' 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 trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Kevin Shotton BA FCA (Senior statutory auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants & Statutory Auditors

140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT
18 December 2018

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO LINGFIELD
EDUCATION TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 1 October 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Lingfield Education Trust during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Lingfield Education Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Lingfield Education Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lingfield Education Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Lingfield Education Trust's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Lingfield Education Trust's funding agreement with the Secretary of State for Education dated 1 June 2012, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the trust's income and expenditure.

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO LINGFIELD
EDUCATION TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (continued)**

Approach (continued)

- Review of Board of Trustees and Committee minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Directors and Accounting Officer setting out responsibilities;
- Obtain formal letters of representation detailing the responsibilities of Trustees;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of registers of interests;
- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Clive Owen LLP

Clive Owen LLP

Reporting Accountant

140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT

18 December 2018

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
INCOME FROM:						
Donations & capital grants:						
Transfer from Local Authority on conversion	2	-	-	-	-	1,741
Acquisition of existing academy	2	71	(252)	3,168	2,987	-
Other donations and capital grants	2	8	-	467	475	118
Charitable activities	3	-	10,403	-	10,403	8,267
Other trading activities	4	401	101	-	502	378
Investments	5	2	-	-	2	1
TOTAL INCOME		482	10,252	3,635	14,369	10,505
EXPENDITURE ON:						
Charitable activities		693	11,016	466	12,175	9,658
TOTAL EXPENDITURE	6	693	11,016	466	12,175	9,658
NET INCOME/ (EXPENDITURE) BEFORE TRANSFERS		(211)	(764)	3,169	2,194	847
Transfers between Funds	17	-	(105)	105	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		(211)	(869)	3,274	2,194	847
Actuarial gains on defined benefit pension schemes	22	-	825	-	825	1,797
NET MOVEMENT IN FUNDS		(211)	(44)	3,274	3,019	2,644
RECONCILIATION OF FUNDS:						
Total funds brought forward		778	(3,941)	11,868	8,705	6,061
TOTAL FUNDS CARRIED FORWARD		567	(3,985)	15,142	11,724	8,705

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 08027885

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£000	2018 £000	2017 £000
FIXED ASSETS				
Tangible assets	13		14,877	11,853
CURRENT ASSETS				
Stocks	14	1	1	
Debtors	15	433	289	
Cash at bank and in hand		1,090	1,305	
		<u>1,524</u>	<u>1,595</u>	
CREDITORS: amounts falling due within one year	16	(640)	(744)	
NET CURRENT ASSETS			<u>884</u>	<u>851</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>15,761</u>	<u>12,704</u>
Defined benefit pension scheme liability	22		(4,037)	(3,999)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>11,724</u></u>	<u><u>8,705</u></u>
FUNDS OF THE ACADEMY				
Restricted income funds:				
Restricted income funds	17	52	58	
Restricted fixed asset funds	17	15,142	11,868	
Restricted income funds excluding pension liability		15,194	11,926	
Pension reserve		(4,037)	(3,999)	
Total restricted income funds			<u>11,157</u>	<u>7,927</u>
Unrestricted income funds	17		<u>567</u>	<u>778</u>
TOTAL FUNDS			<u><u>11,724</u></u>	<u><u>8,705</u></u>

The financial statements on pages 22 to 50 were approved by the Trustees, and authorised for issue, on 18 December 2018 and are signed on their behalf, by:



J S Crowther
Chair

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net cash used in operating activities	19	(634)	(330)
Cash flows from investing activities:			
Dividends, interest and rents from investments		2	1
Purchase of tangible fixed assets		(322)	(227)
Capital grants from DfE Group		467	116
Cash transferred on conversion		-	337
Cash inherited on acquisition of an existing academy		272	-
Net cash provided by investing activities		419	227
Change in cash and cash equivalents in the year		(215)	(103)
Cash and cash equivalents brought forward		1,305	1,408
Cash and cash equivalents carried forward		1,090	1,305

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the 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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Lingfield Education Trust constitutes a public benefit entity as defined by FRS 102.

1.2 FUND ACCOUNTING

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Department for Education Group.

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.3 INCOME

All income is recognised once the trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account 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 when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the trust which amounts to a donation is recognised in the Statement of financial activities incorporating income and expenditure account in the period in which it is receivable, where receipt is probable and it is measurable.

Where assets and liabilities 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. An equal amount of income is recognised for the transfer of an existing academy into the trust within Donations and capital grant income to the net assets acquired.

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

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

1.4 EXPENDITURE

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on charitable activities are costs incurred on the trust's educational operations, including support costs and those costs relating to the governance of the trust appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.5 GOING CONCERN

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 trust 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 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.

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £1,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account and carried forward in the Balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	50 years
Fixtures and fittings	-	7 years
Computer equipment	-	3 years
Long-term Leasehold Land	-	125 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 incorporating income and expenditure account.

1.7 OPERATING LEASES

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

1.8 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.9 INTEREST RECEIVABLE

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the trust; this is normally upon notification of the interest paid or payable by the Bank.

1.10 TAXATION

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

1.11 DEBTORS

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.12 CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.13 LIABILITIES AND PROVISIONS

Liabilities and provisions 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 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 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.

1.14 FINANCIAL INSTRUMENTS

The trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the trust and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments.

Cash at bank - is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 16. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

LINGFIELD EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.15 PENSIONS

Retirement benefits to employees of the trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a multi-employer funded scheme and the assets are held separately from those of the 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 credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of financial activities incorporating income and expenditure account 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 in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

LINGFIELD EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.16 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgment:

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 £466,000.

Land and buildings - Land and buildings are held under a 125 year lease from Darlington Borough Council and Middlesbrough Borough Council. These assets are included on the balance sheet of the trust due to the significant risks and rewards of ownership belonging to the trust, 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.

In the year ended 31 August 2017, at the time of signing the financial statements, the ESFA had not yet carried out a land and buildings valuation for the property on conversion for Corporation Road Community Primary School and Mount Pleasant Primary School. These were included using rateable value from rates bills for 2017/18 and dividing existing property valuations by their rateable value to generate valuations for the new academies.

The Trustees still consider the valuations used to be appropriate.

A third party valuation was considered but was not the Trustees' preferred option since the cost of such an exercise was deemed to be greater than the benefit that would have been derived from it. The Trustees were also aware that such a third party valuation could have been materially different to that provided by the ESFA and were concerned with regard to the treatment of any difference that may arise between the two valuations.

LINGFIELD EDUCATION TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Transfer from Local Authority on conversion	-	-	-	-	1,741
Acquisition of existing academy	71	(252)	3,168	2,987	-
Subtotal	71	(252)	3,168	2,987	1,741
Donations	8	-	-	8	2
Capital Grants	-	-	467	467	116
	8	-	467	475	118
	79	(252)	3,635	3,462	1,859
Total 2017	341	(2,124)	3,642	1,859	

LINGFIELD EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	7,826	7,826	6,321
Pupil Premium	-	1,058	1,058	757
PE Teacher Grant	-	112	112	36
Other DfE/ESFA Grants	-	237	237	374
	-	9,233	9,233	7,488
Other Government grants				
SEN	-	161	161	110
Other Government grants	-	996	996	661
	-	1,157	1,157	771
Other funding				
Other Grants	-	13	13	8
	-	13	13	8
	-	10,403	10,403	8,267
Total 2017	-	8,267	8,267	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Sundry income	111	101	212	110
Lettings	37	-	37	30
School trips	53	-	53	61
Staff absence insurance	55	-	55	47
Catering	145	-	145	130
	401	101	502	378
Total 2017	298	80	378	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

5. INVESTMENT INCOME

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Bank interest	2	-	2	1
	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>
Total 2017	<u>1</u>	<u>-</u>	<u>1</u>	

6. EXPENDITURE

	Staff costs 2018 £000	Premises 2018 £000	Other costs 2018 £000	Total 2018 £000	Total 2017 £000
Academy's educational operations:					
Direct costs	7,826	-	629	8,455	6,696
Support costs	1,308	1,037	1,375	3,720	2,962
	<u>9,134</u>	<u>1,037</u>	<u>2,004</u>	<u>12,175</u>	<u>9,658</u>
Total 2017	<u>7,204</u>	<u>876</u>	<u>1,578</u>	<u>9,658</u>	

In 2018, of the total expenditure, £693,000 (2017: £443,000) was to unrestricted funds, £11,016,000 (2017: £8,857,000) to restricted funds and £466,000 (2017: £358,000) to restricted fixed asset funds.

There were no individual transactions over £5,000 for:

- Compensation payments
- Gifts made by the trust
- Unrecoverable debts
- Fixed asset losses
- Stock losses
- Cash losses

There were no ex-gratia payments in the year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

7. CHARITABLE ACTIVITIES

	2018 £000	2017 £000
DIRECT COSTS		
Wages and salaries	6,092	4,796
National insurance	549	431
Pension cost	1,185	969
Educational supplies	172	148
Examination fees	10	4
Staff development	91	83
Travel and subsistence	23	13
Other direct costs	333	252
	8,455	6,696
SUPPORT COSTS		
Wages and salaries	1,045	821
National insurance	72	50
Pension costs	191	137
Depreciation	466	358
Net interest cost on pension scheme	106	101
Technology costs	191	144
Recruitment and support	15	2
Maintenance of premises and equipment	260	267
Cleaning	126	73
Rates	82	78
Energy	131	131
Insurance	39	31
Security	17	3
Catering	331	218
Occupancy costs	83	50
Bank interest and charges	2	2
Other support costs	531	440
Governance costs	32	56
	3,720	2,962
	12,175	9,658

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets:		
- owned by the charity	466	358
Auditors' remuneration	11	10
Auditors' remuneration- non audit	7	7
Operating lease rentals	27	12

LINGFIELD EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

9. CENTRAL SERVICES

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

- Chief Executive Officer
- Director of Operations
- School Business managers
- Legal services
- Audit services
- Service level agreements: HR, Finance, Governance, Payroll, Catering management, education psychology, leadership and H&S support

The trust charges for these services on the following basis:

Pupil numbers

The actual amounts charged during the year were as follows:

	2018 £000	2017 £000
Heathfield Primary School	169	151
Hurworth Primary School	85	76
Northwood Primary School	149	132
Corporation Road Community Primary School	118	93
Mount Pleasant Primary School	86	68
Hemlington Hall Academy	111	-
Total	<u>718</u>	<u>520</u>

LINGFIELD EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

10. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	6,741	5,321
Social security costs	621	481
Operating costs of defined benefit pension schemes	1,376	1,106
	8,738	6,908
Supply staff costs	268	217
Staff restructuring costs	128	79
	9,134	7,204

Staff restructuring costs comprise:

	2018 £000	2017 £000
Severance payments	128	79

Included within operating costs of defined benefit pension schemes is £299,000 (2017: £294,000) relating to the pension deficit actuarial adjustments.

b. Staff numbers

The average number of persons employed by the academy during the year was as follows:

	2018 No.	2017 No.
Teachers	92	71
Administration and support	198	162
Management	22	17
	312	250

c. Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2018 No.	2017 No.
In the band £60,001 - £70,000	3	3
In the band £70,001 - £80,000	3	1
In the band £80,001 - £90,000	0	1
In the band £90,001 - £100,000	1	0
In the band £120,001 - £130,000	0	1
In the band £130,001 - £140,000	1	0

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

10. STAFF COSTS (continued)

d. Key management personnel

The key management personnel of the trust comprise the Trustees and the Senior management team as listed on page 1. The total amount of employee benefits (including employer national insurance contributions and employer pension contributions) received by key management personnel for their services to the trust was £943,000 (2017: £707,000). The increase during the year is due to the additional school in the trust.

11. TRUSTEES' AND OFFICERS' INSURANCE

The trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on trust business, and provides cover up to £10,000,000. It is not possible to quantify the Trustees and officers indemnity element from the overall cost of the RPA scheme.

12. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The CEO and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2018 £000	2017 £000
N J Blackburn	Remuneration	130-135	120-125
	Pension contributions paid	20-25	20-25

During the year, no Trustees received any benefits in kind (2017 - £NIL).

During the year ended 31 August 2018, travel and subsistence expenses totalling £1,000 were reimbursed or paid directly to 1 Trustee (2017 - £NIL to Trustees).

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**NOTES TO THE FINANCIAL STATEMENTS
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13. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
COST				
At 1 September 2017	12,061	181	605	12,847
Additions	169	81	67	317
Acquisition of existing academy	3,166	4	3	3,173
At 31 August 2018	15,396	266	675	16,337
DEPRECIATION				
At 1 September 2017	541	76	377	994
Charge for the year	296	32	138	466
At 31 August 2018	837	108	515	1,460
NET BOOK VALUE				
At 31 August 2018	14,559	158	160	14,877
At 31 August 2017	11,520	105	228	11,853

14. STOCKS

	2018 £000	2017 £000
Finished goods and goods for resale	1	1

15. DEBTORS

	2018 £000	2017 £000
Trade debtors	23	18
VAT recoverable	131	61
Other debtors	15	-
Prepayments and accrued income	264	210
	433	289

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Trade creditors	119	117
Other taxation and social security	150	118
Other creditors	138	117
Accruals and deferred income	233	392
	<u>640</u>	<u>744</u>

DEFERRED INCOME

	2018 £000	2017 £000
Deferred income at 1 September 2017	243	269
Resources deferred during the year	144	243
Amounts released from previous years	(243)	(269)
Deferred income at 31 August 2018	<u>144</u>	<u>243</u>

At the balance sheet date the trust holds funding received in advance in respect of Rates Relief.

17. STATEMENT OF FUNDS

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
UNRESTRICTED FUNDS						
General Funds	778	482	(693)	-	-	567
RESTRICTED FUNDS						
General Annual Grant (GAG)	-	8,032	(7,908)	(105)	-	19
Pupil Premium	-	1,058	(1,058)	-	-	-
PE Teacher grant	-	112	(112)	-	-	-
Corporation Road sponsorship	58	-	(58)	-	-	-
SEN	-	161	(161)	-	-	-
Hemlington grant	-	70	(37)	-	-	33
Other Government grants	-	926	(926)	-	-	-
Other grants	-	13	(13)	-	-	-
Other ESFA/DfE grants	-	237	(237)	-	-	-
Other income	-	101	(101)	-	-	-
Pension reserve	(3,999)	(458)	(405)	-	825	(4,037)
	<u>(3,941)</u>	<u>10,252</u>	<u>(11,016)</u>	<u>(105)</u>	<u>825</u>	<u>(3,985)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. STATEMENT OF FUNDS (continued)

RESTRICTED FIXED ASSET FUNDS

Transfer from Local Authority	10,159	-	(206)	-	-	9,953
Devolved Formula Capital Condition Improvement Fund	144	46	(25)	-	-	165
	-	421	-	-	-	421
Transfer from General Annual Grant (GAG)	247	-	(132)	99	-	214
Gift on transfer	1,318	3,168	(103)	6	-	4,389
	<u>11,868</u>	<u>3,635</u>	<u>(466)</u>	<u>105</u>	<u>-</u>	<u>15,142</u>
Total restricted funds	<u>7,927</u>	<u>13,887</u>	<u>(11,482)</u>	<u>-</u>	<u>825</u>	<u>11,157</u>
Total of funds	<u>8,705</u>	<u>14,369</u>	<u>(12,175)</u>	<u>-</u>	<u>825</u>	<u>11,724</u>

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

The General Annual Grant (GAG) must be used for the normal running costs of the academies.

Other DfE/ESFA grants include Universal Infant Free School Meals income, Rates Relief, Start Up Grants and income for Cambrai project.

Pupil Premium is additional funding to be spent as the academies see fit to support deprived students.

PE Teacher Grant must be spent on PE and sports curriculum costs.

Other Government grants include nursery funding, Low Incidence Needs and ILS transfers to be used for the costs of the nursery and special needs.

Other grants include the nursery milk grant.

The deficit on the restricted funds is attributable to the LGPS deficit alone.

The costs and income associated with the defined benefit pension scheme have been recorded in the restricted fund. Staff costs are paid from this fund, including contributions to LGPS, and the pension liability has therefore been aligned with these funds.

Unrestricted funds can be used for any purpose at the discretion of the trust.

Transfers from GAG have been made to fund the purchase of capital assets.

An additional correction has been made between revenue and capital funds in respect of Hemlington Hall.

Sponsorship grants and Rebrokerage Grant for Hemlington Hall Academy are to be used to cover increased costs within the MAT relating to sponsorship of academies both during the year and after the year end.

Under the funding agreement with the Secretary of State, the trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. STATEMENT OF FUNDS (continued)

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2018 were allocated as follows:

	Total 2018 £000	Total 2017 £000
Heathfield Primary School	53	47
Hurworth Primary School	-	66
Northwood Primary School	433	508
Corporation Road Community Primary School	12	10
Mount Pleasant Primary School	94	147
Hemlington Hall Academy	71	-
Central	(44)	58
Total before fixed asset fund and pension reserve	619	836
Restricted fixed asset fund	15,142	11,868
Pension reserve	(4,037)	(3,999)
Total	11,724	8,705

Central services is carrying net deficits on their portion of the funds as follows:

Name of academy	Amount of deficit £000
Central	(44)

This is caused largely by costs incurred in advance of the new free school Cambrai Primary School opening September 2019.

The trust is taking the following action to return central services to surplus:

Ongoing monitoring of costs with new Financial Director, further funding to be received for Cambrai Primary School in 2018/19.

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**NOTES TO THE FINANCIAL STATEMENTS
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17. STATEMENT OF 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 2018 £000	Total 2017 £000
Heathfield Primary School	1,578	208	54	373	2,213	2,221
Hurworth Primary School	783	204	9	306	1,302	1,275
Northwood Primary School	1,442	165	30	337	1,974	1,939
Corporation Road Community Primary School	1,040	222	22	278	1,562	1,570
Mount Pleasant Primary School	1,335	155	27	246	1,763	1,597
Hemlington Hall Academy	1,331	191	29	447	1,998	-
Central	317	163	1	416	897	698
	<u>7,826</u>	<u>1,308</u>	<u>172</u>	<u>2,403</u>	<u>11,709</u>	<u>9,300</u>

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2017 £000
GENERAL FUNDS						
General Funds	581	640	(443)	-	-	778
RESTRICTED FUNDS						
General Annual Grant (GAG)	188	6,321	(6,384)	(125)	-	-
Pupil Premium	-	757	(757)	-	-	-
PE Teacher grant	-	36	(36)	-	-	-
Sponsor capacity grant	-	88	(30)	-	-	58
Corporation Road SEN	110	-	(110)	-	-	-
Other Government grants	-	110	(110)	-	-	-
Other grants	-	661	(661)	-	-	-
Other ESFA/DfE grants	-	8	(8)	-	-	-
Other income	-	286	(286)	-	-	-
Pension reserve	-	80	(80)	-	-	-
	<u>(3,277)</u>	<u>(2,124)</u>	<u>(395)</u>	<u>-</u>	<u>1,797</u>	<u>(3,999)</u>
	<u>(2,979)</u>	<u>6,223</u>	<u>(8,857)</u>	<u>(125)</u>	<u>1,797</u>	<u>(3,941)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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17. STATEMENT OF FUNDS (continued)

RESTRICTED FIXED ASSET FUNDS

Transfer from Local Authority	6,833	3,526	(200)	-	-	10,159
Devolved Formula Capital	49	116	(21)	-	-	144
Transfer from General Annual Grant (GAG)	223	-	(101)	125	-	247
Gift on transfer	1,354	-	(36)	-	-	1,318
	<u>8,459</u>	<u>3,642</u>	<u>(358)</u>	<u>125</u>	<u>-</u>	<u>11,868</u>
Total restricted funds	<u>5,480</u>	<u>9,865</u>	<u>(9,215)</u>	<u>-</u>	<u>1,797</u>	<u>7,927</u>
Total of funds	<u>6,061</u>	<u>10,505</u>	<u>(9,658)</u>	<u>-</u>	<u>1,797</u>	<u>8,705</u>

A CURRENT YEAR 12 MONTHS AND PRIOR YEAR 12 MONTHS COMBINED POSITION IS AS FOLLOWS:

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
UNRESTRICTED FUNDS						
General Funds	<u>581</u>	<u>1,122</u>	<u>(1,136)</u>	<u>-</u>	<u>-</u>	<u>567</u>
RESTRICTED FUNDS						
General Annual Grant (GAG)	188	14,353	(14,292)	(230)	-	19
Pupil Premium	-	1,815	(1,815)	-	-	-
PE Teacher grant	-	148	(148)	-	-	-
Sponsor capacity grant	-	88	(88)	-	-	-
Corporation Road	110	-	(110)	-	-	-
SEN	-	271	(271)	-	-	-
Hemlington Hall grant	-	70	(37)	-	-	33
Other Government grants	-	1,587	(1,587)	-	-	-
Other grants	-	21	(21)	-	-	-
Other ESFA/DfE grants	-	523	(523)	-	-	-
Other income	-	181	(181)	-	-	-
Pension reserve	(3,277)	(2,582)	(800)	-	2,622	(4,037)
	<u>(2,979)</u>	<u>16,475</u>	<u>(19,873)</u>	<u>(230)</u>	<u>2,622</u>	<u>(3,985)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. STATEMENT OF FUNDS (continued)

RESTRICTED FIXED ASSET FUNDS

Transfer from Local Authority	6,833	3,526	(406)	-	-	9,953
Devolved Formula Capital	49	162	(46)	-	-	165
Condition Improvement Fund	-	421	-	-	-	421
Transfer from General Annual Grant (GAG)	223	-	(233)	224	-	214
Gift on transfer	1,354	3,168	(139)	6	-	4,389
	<u>8,459</u>	<u>7,277</u>	<u>(824)</u>	<u>230</u>	<u>-</u>	<u>15,142</u>
	<u>5,480</u>	<u>23,752</u>	<u>(20,697)</u>	<u>-</u>	<u>2,622</u>	<u>11,157</u>
Total of funds	<u>6,061</u>	<u>24,874</u>	<u>(21,833)</u>	<u>-</u>	<u>2,622</u>	<u>11,724</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Tangible fixed assets	-	-	14,877	14,877
Current assets	567	692	265	1,524
Creditors due within one year	-	(640)	-	(640)
Provisions for liabilities and charges	-	(4,037)	-	(4,037)
	<u>567</u>	<u>(3,985)</u>	<u>15,142</u>	<u>11,724</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Tangible fixed assets	-	-	11,853	11,853
Current assets	778	802	15	1,595
Creditors due within one year	-	(744)	-	(744)
Provisions for liabilities and charges	-	(3,999)	-	(3,999)
	<u>778</u>	<u>(3,941)</u>	<u>11,868</u>	<u>8,705</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £000	2017 £000
Net income for the year (as per Statement of Financial Activities)	2,194	847
Adjustment for:		
Depreciation charges	466	358
Dividends, interest and rents from investments	(2)	(1)
Decrease in stocks	-	2
Increase in debtors	(144)	(92)
(Decrease)/increase in creditors	(104)	16
Capital grants from DfE and other capital income	(467)	(116)
Defined benefit pension scheme obligation inherited	458	2,124
Defined benefit pension scheme cost less contributions payable	299	294
Defined benefit pension scheme finance cost	106	101
Assets inherited on conversion	-	(3,526)
Assets acquired on existing academy	(3,168)	-
Cash inherited on conversion	-	(337)
Cash inherited on acquisition of existing academy	(272)	-
Net cash used in operating activities	(634)	(330)

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash in hand	1,090	1,305
Total	1,090	1,305

21. CAPITAL COMMITMENTS

At 31 August 2018 the trust had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	187	-

22. PENSION COMMITMENTS

The trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for 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 Council & Middlesbrough Council. Both are Multi-employer defined benefit pension schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £130,000 were payable to the schemes at 31 August 2018 (2017 - 106,000) and are included within creditors.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

22. PENSION COMMITMENTS (continued)

Teachers' Pension Scheme

Introduction

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' Pension Scheme

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.
- 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 TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019.

The employer's pension costs paid to TPS in the period amounted to £618,000 (2017 - £470,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £603,000 (2017 - £425,000), of which employer's contributions totalled £459,000 (2017 - £313,000) and employees' contributions totalled £144,000 (2017 - £112,000). The agreed contribution rates for future years are 14.2% for employers and 5.5%-12.5% for employees.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

22. PENSION COMMITMENTS (continued)

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.

Durham County Council Pension Fund

Principal actuarial assumptions:

	2018	2017
Discount rate for scheme liabilities	2.80 %	2.50 %
Rate of increase in salaries	3.50 %	3.50 %
Rate of increase for pensions in payment / inflation	2.00 %	2.00 %
Inflation assumption (CPI)	2.00 %	2.00 %
Commutation of pensions to lump sums	80.00 %	80.00 %

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

	2018	2017
Retiring today		
Males	23.3	23.2
Females	25.0	24.9
Retiring in 20 years		
Males	25.5	25.4
Females	27.3	27.2

Teesside Pension Fund

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2018	2017
Discount rate for scheme liabilities	2.80 %	2.50 %
Rate of increase in salaries	3.00 %	3.00 %
Rate of increase for pensions in payment / inflation	2.00 %	2.00 %
Inflation assumption (CPI)	2.00 %	2.00 %
Commutation of pensions to lump sums	80.00 %	80.00 %

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

	2018	2017
Retiring today		
Males	22.9	22.8
Females	25.0	25.0
Retiring in 20 years		
Males	25.1	24.9
Females	27.3	27.2

	At 31 August 2018 £000	At 31 August 2017 £000
Sensitivity analysis- Durham County Council Pension Fund		

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**NOTES TO THE FINANCIAL STATEMENTS
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22. PENSION COMMITMENTS (continued)

Discount rate +0.1%	8,670	8,457
Discount rate -0.1%	9,097	8,872
Mortality assumption - 1 year increase	8,627	8,402
Mortality assumption - 1 year decrease	9,136	8,924
CPI rate +0.1%	9,001	8,778
CPI rate -0.1%	8,763	8,547

Sensitivity analysis- Teesside Pension Fund

Discount rate +0.1%	1,335	1,258
Discount rate -0.1%	1,404	1,323
Mortality assumption - 1 year increase	1,330	1,251
Mortality assumption - 1 year decrease	1,409	1,329
CPI rate +0.1%	1,391	1,311
CPI rate -0.1%	1,347	1,269

The trust's share of the assets in the scheme was:

	Fair value at 31 August 2018 £000	Fair value at 31 August 2017 £000
Equities	3,249	2,290
Government bonds	1,312	1,436
Corporate bonds	688	401
Property	431	336
Cash	520	200
Other	13	-
Total market value of assets	6,213	4,663

The actual return on scheme assets was £242,000 (2017 - £356,000).

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2018 £000	2017 £000
Current service cost	(721)	(607)
Past service cost	(37)	-
Interest income	144	80
Interest cost	(250)	(181)
Total	(864)	(708)

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**NOTES TO THE FINANCIAL STATEMENTS
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22. PENSION COMMITMENTS (continued)

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

	2018 £000	2017 £000
Opening defined benefit obligation	8,662	5,913
Upon conversion	-	3,392
Transferred in on existing academies joining the trust	1,290	-
Current service cost	721	607
Interest cost	250	181
Employee contributions	144	112
Actuarial gains	(727)	(1,521)
Benefits paid	(127)	(22)
Past service costs	37	-
Closing defined benefit obligation	10,250	8,662

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

	2018 £000	2017 £000
Opening fair value of scheme assets	4,663	2,636
Upon conversion	-	1,268
Transferred in on existing academies joining the trust	832	-
Interest income	144	80
Actuarial gains/(losses)	98	276
Employer contributions	459	313
Employee contributions	144	112
Benefits paid	(127)	(22)
Closing fair value of scheme assets	6,213	4,663

23. OPERATING LEASE COMMITMENTS

At 31 August 2018 the total of the Academy trust's future minimum lease payments under non-cancellable operating leases was:

	2018 £000	2017 £000
AMOUNTS PAYABLE:		
Within 1 year	27	20
Between 1 and 2 years	24	20
Between 2 and 5 years	29	37
Total	80	77

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**NOTES TO THE FINANCIAL STATEMENTS
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24. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy trust and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which Trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

Expenditure Related Party Transactions

North East Wellbeing Trust - a company in which J R Steel, C Eglington and N J Blackburn are Trustees:

The academy trust purchased counselling services from NE Wellbeing Trust totalling £6,000 (2017 : £9,000) during the year. As at 31 August 2018 £nil (2017: £Nil) was owed from NE Wellbeing Trust.

In entering into the transactions the academy trust has complied with the requirements of the Academies Financial Handbook 2017.

Income Related Party Transaction

North East Wellbeing Trust - a company in which J R Steel, C Eglington and N J Blackburn are Trustees:

During the year sales were made to NE Wellbeing Trust of £Nil (2017: £1,000).

25. TRANSFER OF EXISTING ACADEMIES INTO THE ACADEMY

Hemlington Hall Academy

	Value reporting by transferring trust	Fair value adjustments	Transfer in recognised
	£000	£000	£000
Tangible fixed assets			
Long-term leasehold property	3,166	-	3,166
Fixtures and fittings	4	-	4
Computer equipment	3	-	3
Debtors due within one year	115	-	115
Cash in bank and in hand	265	-	265
Liabilities			
Creditors due within one year	(108)	-	(108)
Pensions			
Pensions - pension scheme assets	832	-	832
Pensions - pension scheme liabilities	(1,290)	-	(1,290)
Net assets	<u>2,987</u>	<u>-</u>	<u>2,987</u>