

**HURWORTH PRIMARY SCHOOL
(A Company Limited by Guarantee)
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013**

Registered Number 08028292 (England and Wales)

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HURWORTH PRIMARY SCHOOL
FINANCIAL STATEMENTS
PERIOD ENDED 31 AUGUST 2013

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HURWORTH PRIMARY SCHOOL
REFERENCE AND ADMINISTRATIVE DETAILS
PERIOD ENDED 31 AUGUST 2013

Trustees	G Fitzgerald (Chair from 18/12/12) (appointed 14/06/12) S Angus (Chair to 17/12/12) (appointed 12/04/12, resigned 17/12/12) C M Banham (appointed 26/02/13) N J Blackburn (Head Teacher & Accounting Officer from 01/09/13) (appointed 01/09/13) W Cordery (appointed 01/10/12) J S Crowther (appointed 20/09/13) H Ferguson (Staff Trustee) (appointed 14/06/12) S Geraghty (appointed 20/09/13) L Henderson (appointed 20/09/13) A Maddison (appointed 01/09/13) Dame D Smith (appointed 12/07/12) Rev Dr A J Stobart (appointed 12/04/12) J P Dooris (Staff Trustee) (appointed 04/07/12, resigned 31/08/13) D C Hardcastle (appointed 05/03/13, resigned 10/06/13) J Stansfield (appointed 14/06/12, resigned 15/11/12) S J Vening (Head Teacher & Accounting Officer to 31/08/13) (appointed 12/04/12, resigned 31/08/13)
Company Secretary	H Ferguson
Members of Finance and Audit Committee	S Angus H Ferguson G Fitzgerald Rev Dr A J Stobart J Stansfield S J Vening (resigned 31/08/13)
Senior Management Team	
Executive Head Teacher	N Blackburn (effective from 01/09/13)
Head Teacher	S J Vening (effective until 31/08/13)
Deputy Head Teacher	J P Dooris (effective until 31/08/13)
Principal and Registered Office	Westfield Drive Darlington County Durham DL2 2ET
Company Registration Number	08028292 (England and Wales)
Independent Auditor	Baker Tilly Audit Limited Chartered Accountants Tenon House Ferryboat Lane Sunderland SR5 3JN
Bankers	Lloyds TSB Plc Skinnergate Darlington Co Durham DL3 7ND
Solicitors	Bond Dickinson LLP St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX

HURWORTH PRIMARY SCHOOL
TRUSTEES' REPORT
PERIOD ENDED 31 AUGUST 2013

Structure, Governance and Management

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 12 April 2012 to 31 August 2013

Constitution

Hurworth Primary School (the "Academy Trust") incorporated on 12 April 2012 and commenced operation as an Academy on 1 June 2012. It is a company limited by guarantee with no share capital (registration number 08028292) and an exempt charity under the Academies Act 2010. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy. Directors of the charitable company are nominated by either the Secretary of State for Education or by the members.

The Trustees of the Academy are also the directors of the charitable company for the purposes of company law.

Details of the Trustees who served during the period 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

A Trustee may benefit from any indemnity insurance purchased at the Academy's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy. Provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard to whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as directors of the Academy.

Principal Activities

The principal activity is to advance, for public benefit, education in the United Kingdom by establishing, maintaining, operating and developing schools offering a broad curriculum for pupils of a primary school age.

Method of Recruitment and Appointment or Election of Trustees

The Governing Body comprises three categories of Trustees as set out in the Articles of Association.

Members may appoint Staff Trustees through such process as they may determine, provided that the total number of Trustees including the Executive Head Teacher who are employees of the Academy does not exceed one third of the total number of Trustees.

HURWORTH PRIMARY SCHOOL
TRUSTEES' REPORT
PERIOD ENDED 31 AUGUST 2013

Structure, Governance and Management (*continued*)

Parent Trustees shall be elected by parents of registered pupils at the Academy. A Parent Trustee must be a parent of a pupil at the Academy at the time they are elected.

The arrangements made for the election of a Parent Trustee shall provide for every person who is entitled to vote in the election to have an opportunity to do so by post, or if preferred their ballot paper returned to the Academy by a registered pupil.

Where a vacancy for a Parent Trustee is required to be filled by election, the Governing Body shall take such steps as are reasonably practical to secure that every person known to be a parent of a registered pupil at the Academy is informed of the vacancy and that it is required to be filled by election, informed that they are entitled to stand as a candidate, and given every opportunity to do so.

The Secretary of State may also appoint additional Trustees if he feels it appropriate and ultimately has the power to in effect take over the Governance of the Academy.

Policies and Procedures Adopted for the Induction and Training of Trustees

The training and induction provided for each new Trustee will depend on their existing experience. The Academy purchases support that provides for individual and full Governing Body training through an annual Course Directory which is reviewed each year to reflect any changes in practice and legislation. The Academy will perform an annual skills audit of Trustees and should any gaps be identified, training courses are offered to address these issues.

Organisational Structure

The Academy's management structure consists of

The Governing Body
Finance and Audit Committee
Senior Leadership Team
Business Manager

The Governing Body has overall responsibility for setting general policy, adopting an annual plan and budget. It is responsible for the proper stewardship of those funds and for ensuring economy, efficiency and effectiveness in their use – the three key elements of value for money. It must also ensure that it uses its discretion reasonably, and takes into account any and all relevant guidance on accountability or propriety.

Risk Management

The Trustees have adopted the Statement of Recommended Practice (SORP) approach to identifying and managing the risks of the Academy. The schedule of risks will be tabled at all Finance and Audit Committee meetings and mitigating actions agreed as required. The full Trustee group will review the risk log on an annual basis.

HURWORTH PRIMARY SCHOOL
TRUSTEES' REPORT
PERIOD ENDED 31 AUGUST 2013

Structure, Governance and Management (*continued*)

Connected Organisations including Related Party Relationships

Hurworth Primary School is a stand alone Academy and not part of a Multi-Academy Trust. There are no connected organisations or related party relationships that have been identified.

Objectives and Activities

Objects and Aims

The principle objective and activity of Hurworth Primary School is the education of pupils of primary school age.

Objectives, Strategies and Activities

The following section is aimed at explaining the values, visions, motto and mission of the Academy.

Our Values

Respect Ourselves, Respect Others, Respect Learning, Respect Achievement

Our Vision

Empowering children to play a full, active and engaged role as responsible citizens in a rapidly changing world.

Our Motto

Consider, Create, Contribute

Our Mission

To achieve our vision all members of our school community will

- Challenge themselves, moving beyond what is known and comfortable to discover the greater potential that each of us has, in so doing we promote self-belief and personal development,
- Contribute to the wider community, locally, nationally and globally, becoming more socially and environmentally aware and responsible

Public Benefit

The Trustees have complied with the duty in Section 4 of the Charities Act 2006, to have due regard to public benefit guidance published by the Charity Commission in exercising their powers or duties. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set. The Academy provides a fully comprehensive education to all pupils in its care. It fully complies with all statutory guidance and seeks to support its wider educational objectives via a strong community role.

HURWORTH PRIMARY SCHOOL
TRUSTEES' REPORT
PERIOD ENDED 31 AUGUST 2013

Achievements and Performance

Children join the school with skills that are broadly average although there is some variability year-on-year. A small number of children, mainly girls, enter school with knowledge and skills that are above expectations. Pupils make good progress in reception class because of highly effective provision. In 2013 just over half of the children made a good level of development.

Pupils in Year 1 make good progress in their understanding of letter and sounds and the percentage of pupils attaining the national average in the phonics screening test is above expectations. Girls generally perform much better than boys.

This good progress continues into Year 2. Attainment has been significantly high for two years at the end of Key Stage 1. The very high attainment in reading, especially at level 3, can be attributed to the school's very good approach to the teaching of phonics and key basic skills. Attainment is also high in mathematics, although standards fell slightly in writing this year. Girls continue to perform better than boys.

Pupils make at least good progress from their Key Stage 1 starting points to attain very high standards at the end of Key Stage 2. They continue to achieve exceptionally high in reading and this year nearly three quarters of pupils attained a level 5 in reading. Performance is also high in mathematics. Attainment is not as high in writing. The percentage of pupils achieving level 4 and level 5 in both English and mathematics is above the national average. A very high proportion of pupils at levels 4 and 5 passed the spelling, grammar and punctuation test. Girls' performance was particularly strong. Two and three levels progress measures show that pupils make outstanding progress in reading and mathematics. Progress measures in writing, especially for boys, are not as good.

Pupils who receive pupil premium funding perform well above national average in reading and mathematics. Their performance in writing is not as good. They make good progress against expected levels in all subjects but do not make better than expected progress.

More able pupils perform exceptionally well in reading and mathematics. Their attainment has been high over the last two years, especially in reading and mathematics. The recommended area for improvement from the last visit, to increase the proportion of pupils attaining the higher levels, has been achieved. However, this high attainment is not reflected in current lessons.

Pupils with special educational needs attain standards that are above national expectations. The progress they make in reading is especially good.

HURWORTH PRIMARY SCHOOL
TRUSTEES' REPORT
PERIOD ENDED 31 AUGUST 2013

Going Concern

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

Financial Review

Financial and Risk Management Objectives and Policies

The main source of income for the Academy are grants from the Education Funding Agency in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the period ending 31 August 2013 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities. This also includes the formal transfer of the net balances held by the Local Authority.

The Academy also receives Low Incidence Needs grant funding and Special Educational Needs Funding for High needs pupils, the use of which is also restricted to particular purposes.

The Academy also receives grants for fixed assets from the EFA. In accordance with the Statement of Recommended Practice 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 useful life of the assets concerned as defined in the Academy's accounting policies.

During the period ending 31 August 2013, the excess of expenditure over income for the period (excluding fixed asset funds) was £274,930. The deficit for the period was attributable to the impact of the LGPS deficit on conversion of £272,000 and the additional deficit on the scheme recognised in the period.

The Trustees recognise that the Local Government Pension Scheme liability set out in note 24 to the financial statements represents a significant liability, however as they consider that the Academy is able to meet its known annual contribution commitment for the foreseeable future the risk to the Academy from this liability is minimised.

At 31 August 2013 the net book value of fixed assets was £910,535. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

HURWORTH PRIMARY SCHOOL
TRUSTEES' REPORT
PERIOD ENDED 31 AUGUST 2013

Financial Review (*continued*)

Principal Risks and Uncertainties

The Academy's risk register is updated termly and, at present, there are no risks identified with a very high probability of occurrence. Outlined below are those risk factors that may impact on the Academy currently with the highest grading on the risk register. Not all the factors are within the Academy's control.

- **Government funding**
The Academy has considerable reliance on continued Government funding through the EFA. There can be no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. The imminent move towards a national funding formula will impact on the budget of the Academy.
- **Educational performance if Academy fails**
- **Demand for school places higher than can accommodate**
- **Loss of key staff**
- **Special Educational Needs Funding**
- **Low Incidence Needs Team**

Reserves Policy

The Trustees review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees have determined that there should be sufficient working capital and free reserves to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as maintenance. The Academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £21,105 which is considered by the Trustees to be adequate.

Investment Policy

The Academy's current investment policy is to maximise income through a low risk strategy. All funds can be immediately accessed so that they can be appropriately utilised.

Plans for Future Periods

To accelerate all pupils' progress in writing by:

- Increasing the % of pupils attaining L4+ to 90% (2013 83%)
- Increasing the % of current Year 6 pupils making 3 levels of progress to 35% (2013 23%%)

Action to be taken

- Ensure all staff are fully aware of the different approaches to the teaching of writing
- Ensure staff are aware of the new draft curriculum for English, especially those areas relating to writing
- Organise appropriate training for staff to develop more effective teaching of writing skills
- Carefully monitor the progress of all pupils to ensure intervention work is matched appropriately to pupils' individual abilities
- Develop the Academy's rigorous approach to monitoring the quality of the teaching of writing to ensure improved outcomes for all pupils
- Continue to hold staff to account for pupils' progress in writing through regular pupil progress meetings

HURWORTH PRIMARY SCHOOL
TRUSTEES' REPORT
PERIOD ENDED 31 AUGUST 2013

Plans for Future Periods (*continued*)

Continue to support and develop teaching to ensure a higher proportion of good and outstanding teaching (100% to be consistently good and 40% to be outstanding by December 2014)

Action to be taken

- Monitor the quality of teaching rigorously and identify specific areas for improvement
- Provide clear feedback so that individual teachers know what they have to do to improve
- Support individual teachers through a carefully designed programme
- Ensure teachers who are not making accelerated progress have precise action points so that progress can be measured

Further support the smooth running of the Academy by ensuring all financial and administration matters are effective

Action to be taken

- Delegate specific responsibilities to appropriate colleagues, including governors
- Plan a programme of regular meetings to hold colleagues to account
- Monitor all matters relating to finance and administration to ensure the academy is well run and organised

Funds held as Custodian Trustee on behalf of others

There are no funds held as Custodian Trustee on behalf of others

Auditor

Baker Tilly Audit Limited (formerly RSM Tenon Audit Limited) are deemed to be re-appointed under Section 487(2) of the Companies Act 2006

In so far as the Trustees are aware

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

The auditors are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting

Approved by order of the Board of Trustees on 17-12-13 and signed on its behalf by



G Fitzgerald
Chair of Trustees

HURWORTH PRIMARY SCHOOL

GOVERNANCE STATEMENT

PERIOD ENDED 31 AUGUST 2013

Scope of Responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that Hurworth Primary School 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 Executive Head Teacher, 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 Hurworth Primary School 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 11 times during the period. Attendance during the period at meetings of the Board of Trustees were as follows:

Trustee	Meetings attended	Out of a possible
C M Banham	2	4
N J Blackburn (Executive Head Teacher & Accounting Officer)	-	-
W Cordery	5	5
J S Crowther	-	-
H Ferguson (Staff Trustee)	10	11
G Fitzgerald (Chair from 18/12/12)	11	11
S Geraghty	-	-
L Henderson	-	-
A Maddison	-	-
Dame D Smith	4	7
Rev Dr A J Stobart	10	11
S Angus (Chair until 18/12/12)	3	3
J P Dooris (Staff Trustee)	7	8
D C Hardcastle	3	4
J Stansfield	1	2
S J Vening (Head Teacher & Staff Trustee)	9	11

A number of individuals from the full Governing Body make up the Finance and Audit Committee (as shown on page 1).

The Finance and Audit Committee is a sub-committee of the main Board of Trustees. Its purpose is to:

- Review detailed budgets and management accounts (including variance analysis)
- Appraise financial performance and report to the full Governing Body

HURWORTH PRIMARY SCHOOL
GOVERNANCE STATEMENT
PERIOD ENDED 31 AUGUST 2013

Attendance during the period at meetings of the Finance and Audit Committee were as follows

Trustee	Meetings attended	Out of a possible
G Fitzgerald (Chair)	4	4
S Angus	1	1
H Ferguson	4	4
J Stansfield	0	1
Rev Dr A J Stobart	4	4
S J Vening	4	4

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy 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 Hurworth Primary School for the period ended 31 August 2013 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 Academy 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 on-going process for identifying, evaluating and managing the Academy's significant risks that has been in place for the period commencing on 1 June 2012 ending 31 August 2013 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 Academy'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 Audit Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes,
- setting targets to measure financial and other performance,
- clearly defined purchasing (asset purchase or capital investment) guidelines
- delegation of authority and segregation of duties,
- identification and management of risks

The Governors have appointed Baker Tilly Business Services Limited's Risk Management team (formerly RSM Tenon Audit Limited) to assist the Responsible Officer whose role includes giving advice on financial matters and performing a range of checks on the Academy's financial system. A Link Governor delivers Responsible Officer reports to the full Governing Body. The Academy confirms that this function has been fully delivered in line with EFA requirements and no material control issues arose.

HURWORTH PRIMARY SCHOOL
GOVERNANCE STATEMENT
PERIOD ENDED 31 AUGUST 2013

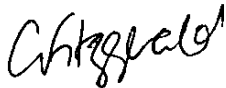
Review of Effectiveness

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

- the work of the Responsible Officer,
- the work of the external auditor,
- the financial management and governance self-assessment process,
- the work of the executive managers within the Academy 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 and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place

Approved by order of the members of the Board of Trustees on 17-12-13 and signed on its behalf by



G Fitzgerald
Chair



N Blackburn
Accounting Officer

HURWORTH PRIMARY SCHOOL
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
PERIOD ENDED 31 AUGUST 2013

As the current Accounting Officer of Hurworth Primary School (appointed 1 September 2013), I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration, I have had due regard to the requirements of the Academies Financial Handbook.

After making appropriate enquiries of the accounting period ending 31 August 2013, I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.



N Blackburn
Accounting Officer

HURWORTH PRIMARY SCHOOL
STATEMENT OF TRUSTEES' RESPONSIBILITIES
PERIOD ENDED 31 AUGUST 2013

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

Company law requires the Trustees to prepare financial statements for each financial period. 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 statement of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure for that period. In preparing these financial statements, the trustees are required to

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

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

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

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

Approved by order of the members of the Board of Trustees on 17-12-13 and signed
on its behalf by



G Fitzgerald
Chair of Trustees

HURWORTH PRIMARY SCHOOL
INDEPENDENT AUDITOR'S REPORT
PERIOD ENDED 31 AUGUST 2013

Independent Auditor's Report on the Financial Statements to the Board of Trustees of Hurworth Primary School

We have audited the financial statements of Hurworth Primary School for the period ended 31 August 2013 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees' and auditor

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

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

HURWORTH PRIMARY SCHOOL
INDEPENDENT AUDITOR'S REPORT
PERIOD ENDED 31 AUGUST 2013

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2013 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the Companies Act 2006, and
- have been prepared in accordance with the Academies Accounts Direction 2013 issued by the Education Funding Agency

Opinion on other requirement of the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Kevin Rooney
Senior Statutory Auditor
for and on behalf of

Baker Tilly Audit Limited

Baker Tilly Audit Limited
Chartered Accountants
Tenon House
Ferryboat Lane
Sunderland
SR5 3JN

Date *17 December 2013*

HURWORTH PRIMARY SCHOOL

STATEMENT OF FINANCIAL ACTIVITIES

(including Income and Expenditure Account and Statement of Recognised Gains and Losses)

FOR THE PERIOD ENDED 31 AUGUST 2013

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2013 £
Incoming resources					
<i>Income resources from generated funds</i>					
Voluntary income	2	5,143	9,221	–	14,364
Transfer from Local Authority on conversion	26	(21,334)	(227,886)	939,592	690,372
Investment income	4	293	44	–	337
Activities for generating funds	3	93,086	705	–	93,791
<i>Incoming resources from charitable activities</i>					
Funding for the Academy's educational operations	5	–	1,416,918	2,660	1,419,578
Total incoming resources		<u>77,188</u>	<u>1,199,002</u>	<u>942,252</u>	<u>2,218,442</u>
Resources expended					
<i>Cost of generating funds</i>					
Cost of generating voluntary income		56,083	–	–	56,083
Fundraising trading		–	–	–	–
<i>Charitable activities</i>					
Academy's educational operations	7	–	1,374,816	59,927	1,434,743
Governance costs	8	–	19,011	–	19,011
Total resources expended		<u>56,083</u>	<u>1,393,827</u>	<u>59,927</u>	<u>1,509,837</u>
Net incoming/ (outgoing) resources before transfers		<u>21,105</u>	<u>(194,825)</u>	<u>882,325</u>	<u>708,605</u>
Gross transfers between funds		–	(28,210)	28,210	–
Net income/(expenditure) for the period		<u>21,105</u>	<u>(223,035)</u>	<u>910,535</u>	<u>708,605</u>
Other recognised gains and losses:					
Actuarial losses on defined benefit pension schemes		–	(73,000)	–	(73,000)
Net movement in funds		<u>21,105</u>	<u>(296,035)</u>	<u>910,535</u>	<u>635,605</u>
Reconciliation of funds					
Funds carried forward at 31 August 2013		<u>21,105</u>	<u>(296,035)</u>	<u>910,535</u>	<u>635,605</u>

All of the academy's activities derive from acquisitions in the current financial period

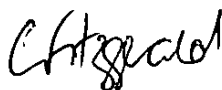
A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

The notes on pages 19 to 37 form part of these financial statements

HURWORTH PRIMARY SCHOOL
BALANCE SHEET AS AT 31 AUGUST 2013
COMPANY NUMBER: 08028292

	Notes	£	£
Fixed assets			
Tangible assets	12		910,535
Current assets			
Stock	13	2,028	
Debtors	14	43,081	
Cash at bank and in hand		<u>275,252</u>	
		320,361	
Liabilities			
Creditors amounts falling due within one year	15	<u>(245,291)</u>	
Net current assets			<u>75,070</u>
Total assets less current liabilities and net assets excluding pension liability			985,605
Pension scheme liability			<u>(350,000)</u>
Net assets including pension liability			<u>635,605</u>
Funds of the Academy Trust:			
Restricted income funds			
Fixed asset fund	16	910,535	
General fund	16	53,965	
Pension reserve	24	<u>(350,000)</u>	
Total restricted funds			614,500
Unrestricted income funds			
General fund	16	<u>21,105</u>	
Total unrestricted funds			<u>21,105</u>
Total funds			<u>635,605</u>

The financial statements on pages 16 to 37 were approved by the Trustees and authorised for issue on 17.12.13 and are signed on their behalf by



G Fitzgerald
Chair of Trustees

The notes on pages 19 to 37 form part of these financial statements

HURWORTH PRIMARY SCHOOL
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 AUGUST 2013

	Notes	2013 £
Net cash inflow from operating activities	19	261,671
Returns on investment and servicing of finance	20	337
Capital expenditure	21	(30,870)
Cash transferred on conversion to Academy Trust	26	<u>44,114</u>
Increase in cash in the period		<u>275,252</u>
Reconciliation of net cash flow to movement in net funds		
Net funds at 31 August 2013		<u>275,252</u>

All of cash flows are derived from acquisitions in the current financial period

The notes on pages 19 to 37 form part of these financial statements

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1. Statement of Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the Education Funding Agency and the Companies Act 2006

A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below

Conversion to an Academy Trust

The conversion from a state maintained school to an Academy Trust involved the transfer of identifiable assets and liabilities and the operations of the school for £nil consideration and has been accounted for under the acquisition accounting method

The assets and liabilities transferred on conversion from Hurworth Primary School to an Academy Trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with policies set out for Hurworth Primary School. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. The School land and buildings were transferred from Darlington Borough Council under a 125 year lease and have therefore been recognised at fair value as an asset on conversion. The land has not been included within this valuation on the basis that the value would be immaterial to the financial position.

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 each year in respect of a period of one year from the date of approval of the financial statements.

Incoming resources

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

- **Grants receivable**

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable 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.

- **Donations**

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

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1 Statement of Accounting Policies (*continued*)

- **Other income**

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

- **Donated services and gifts in kind**

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

Resources expended

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

- **Cost of generating funds**

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

- **Charitable activities**

These are costs incurred on the trust's educational operations

- **Governance costs**

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

All resources expended are inclusive of irrecoverable VAT

Tangible fixed assets

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet

Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1. Statement of Accounting Policies (*continued*)

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

Long leasehold buildings	- 50 years
Plant and Machinery	- 7 years
Furniture and equipment	- 7 years
Computer equipment	- 3 years

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

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

Impairment losses are recognised in the Statement of Financial Activities.

Leased Assets

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

Stock

Educational supplies stocks are valued at the lower of cost or net realisable value.

Taxation

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

Pensions Benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

1 Statement of Accounting Policies (continued)

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

Fund Accounting

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

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

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

2 Voluntary Income

	Unrestricted funds £	Restricted funds £	Total 2013 £
Donations and fundraising income – Music Room	–	9,221	9,221
Donations	2,223	–	2,223
Fundraising income	<u>2,920</u>	<u>–</u>	<u>2,920</u>
	5,143	9,221	14,364
	<u> </u>	<u> </u>	<u> </u>

3 Activities for Generating Funds

	Unrestricted funds £	Restricted funds £	Total 2013 £
Lettings	15,085	–	15,085
School meals – pupils	52,458	–	52,458
School meals – staff	842	–	842
Sales – Music Room	–	705	705
Miscellaneous sales	<u>24,701</u>	<u>–</u>	<u>24,701</u>
	93,086	705	93,791
	<u> </u>	<u> </u>	<u> </u>

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

4 Investment Income

	Unrestricted funds £	Restricted funds £	Total 2013 £
Bank interest and similar income receivable	293	–	293
Bank interest received on school fund	<u>–</u>	<u>44</u>	<u>44</u>
	293	44	337
	<u>293</u>	<u>44</u>	<u>337</u>

5 Funding for Academy's Educational Operations

	Unrestricted funds £	Restricted funds £	Total 2013 £
DfE/EFA capital grants			
- General Annual Grant (GAG)	–	1,018,905	1,018,905
- Capital grants	–	2,660	2,660
- Other DfE/EFA Grants	<u>–</u>	<u>15,018</u>	<u>15,018</u>
	–	1,036,583	1,036,583
	<u>–</u>	<u>1,036,583</u>	<u>1,036,583</u>
Other Government grants			
- Local Authority grants	<u>–</u>	<u>331,244</u>	<u>331,244</u>
	–	331,244	331,244
	<u>–</u>	<u>331,244</u>	<u>331,244</u>
Non Government Grants			
- Other income	<u>–</u>	<u>51,751</u>	<u>51,751</u>
	–	51,751	51,751
	<u>–</u>	<u>51,751</u>	<u>51,751</u>
	–	1,419,578	1,419,578
	<u>–</u>	<u>1,419,578</u>	<u>1,419,578</u>

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

6. Resources Expended

	Staff costs £	Non pay expenditure Premises costs £	Other costs £	Total 2013 £
Costs of generating voluntary income	—	—	—	—
Costs of activities for generating funds	28,178	—	27,905	56,083
Academy's education operations				
- Direct costs	897,454	59,697	79,487	1,036,638
- Allocated support costs	<u>191,722</u>	<u>49,618</u>	<u>156,765</u>	<u>398,105</u>
	1,117,354	109,315	264,157	1,490,826
Governance costs including allocated support costs	<u>—</u>	<u>—</u>	<u>19,011</u>	<u>19,011</u>
	1,117,354	109,315	283,168	1,509,837
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Incoming/outgoing resources for the period include

	2013 £
Operating leases	
Fees payable to auditor	338
- Audit	3,469
- Other services	1,881
Loss on disposal of fixed assets	230
Depreciation of fixed assets	<u>59,697</u>

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

7. Charitable Activities – Academy's Educational Operations

	Unrestricted funds £	Restricted funds £	Total 2013 £
Direct costs:			
Teaching and educational support staff costs	–	897,454	897,454
Depreciation	–	59,697	59,697
Loss on sale of fixed assets	–	230	230
Technology costs	–	11,239	11,239
Educational supplies	–	41,994	41,994
Staff development	–	3,392	3,392
Educational consultancy	–	22,632	22,632
	–	1,036,638	1,036,638
Allocated support costs			
Support staff costs	–	191,722	191,722
Technology costs	–	32,464	32,464
Recruitment and support	–	254	254
Maintenance of premises and equipment	–	10,762	10,762
Cleaning	–	5,494	5,494
Rent and rates	–	13,645	13,645
Energy costs	–	19,717	19,717
Insurance	–	25,120	25,120
Security and transport	–	6,991	6,991
Catering	–	–	–
FRS 17 finance charges	–	13,000	13,000
Bank interest and charges	–	1,725	1,725
Other support costs	–	25,782	25,782
Outsourced management support services	–	51,429	51,429
	–	398,105	398,105
Total costs	–	1,434,743	1,434,743

8 Governance Costs

	Unrestricted funds £	Restricted funds £	Total 2013 £
Legal and professional fees	–	9,003	9,003
Costs incurred relating to conversion	–	6,539	6,539
Auditors' remuneration			
- Audit of financial statements	–	2,719	2,719
- Responsible officer audit	–	750	750
Support staff costs	–	–	–
Governors reimbursed expenses	–	–	–
	–	19,011	19,011

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

9. Staff costs

Staff costs during the period were

	Total 2013 £
Wages and salaries	878,639
Social security costs	64,738
Pension costs	<u>133,796</u>
	1,077,173
Supply teacher costs	36,681
Compensation payments	<u>3,500</u>
	<u>1,117,354</u>

The average number of persons (including senior management team) employed by the academy during the period expressed as full time equivalents was as follows

	2013 No
Charitable activities	
Teachers	9
Administration and support	17
Management	<u>2</u>
	28

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

	2013 No.
£60,001 - £70,000	1
£70,001 - £80,000	0
£80,001 - £90,000	0
£90,001 - £100,000	0

The employees noted above participated in the Teachers' Pension Scheme. During the period ended 31 August 2013, pension contributions for these staff amounted to £9,216

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

10 Related Party Transactions – Trustees’ Remuneration & Expenses

Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments from the Academy Trust in respect of their role as Trustees. The value of Trustees remuneration paid in respect of their teaching duties is disclosed for the period that they were Trustees and the value of this remuneration is shown below. We draw your attention to the fact that this is a 15 month period of account (from conversion) and therefore this disclosure is for a 15 month period.

S J Vening £75,000 - £80,000
J P Doors £60,000 - £65,000
H Ferguson £30,000 - £35,000

During the period ended 31 August 2013, no expenses were reimbursed to governors.

Related party transactions involving the Trustees are set out in note 25.

11 Trustees’ and Officers’ Insurance

In accordance with normal commercial practice, the academy has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the period ended 31 August 2013 was £724.

The cost of this insurance is included in the total insurance cost.

12. Tangible Fixed Assets

	Long leasehold buildings £	Furniture and equipment £	Computer equipment £	Total £
Cost				
Transfer on conversion	804,000	81,042	54,550	939,592
Additions	–	27,975	2,895	30,870
Disposals	–	–	(230)	(230)
At 31 August 2013	804,000	109,017	57,215	970,232
Depreciation				
Charged in period	20,100	16,480	23,117	59,697
Disposals	–	–	–	–
At 31 August 2013	20,100	16,480	23,117	59,697
Net book values				
At 31 August 2013	<u>783,900</u>	<u>92,537</u>	<u>34,098</u>	<u>910,535</u>

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

13 Stock

	2013
	£
Stationery, educational and catering supplies	<u>2,028</u>

14. Debtors

	2013
	£
Trade debtors	–
Other debtors	12,827
Prepayments and accrued income	<u>30,254</u>
	<u>43,081</u>

All amounts shown within debtors fall due for repayment within one year

15. Creditors: amounts falling due within one year

	2013
	£
Trade creditors	25,286
Other creditors	34,758
Taxation and social security	15,411
Accruals and deferred income	<u>169,836</u>
	<u>245,291</u>

Deferred income

Resources deferred in the period	<u>161,143</u>
Deferred Income at 31 August 2013	<u>161,143</u>

At the balance sheet date the Academy held funding received in advance in respect of High Needs Funding, Low Incidence Needs Funding, Devolved Capital Funding and Little Acorns rental income

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

16 Funds

	Transfer on conversion £	Income resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2013 £
Restricted general funds					
General Annual Grant (GAG)	–	1,018,905	(989,288)	(28,210)	1,407
Local Authority grants	–	331,244	(331,244)	–	–
Other income	–	51,751	(51,751)	–	–
Other DfE/EFA grants	–	15,018	(15,018)	–	–
Music Room Fund	<u>44,114</u>	<u>9,970</u>	<u>(1,526)</u>	<u>–</u>	<u>52,558</u>
	44,114	1,426,888	(1,388,827)	(28,210)	53,965
Pension reserve	<u>(272,000)</u>	<u>–</u>	<u>(5,000)</u>	<u>(73,000)</u>	<u>(350,000)</u>
	(227,886)	1,426,888	(1,393,827)	(101,210)	(296,035)
Restricted fixed asset funds					
Transfer from local authority	939,592	–	(57,436)	–	882,156
Capital grants	–	2,660	(2,491)	–	169
Assets purchased using GAG	<u>–</u>	<u>–</u>	<u>–</u>	<u>28,210</u>	<u>28,210</u>
	939,592	2,660	(59,927)	28,210	910,535
Total restricted funds	<u>711,706</u>	<u>1,429,548</u>	<u>(1,453,754)</u>	<u>(73,000)</u>	<u>614,500</u>
Unrestricted funds					
General funds	<u>(21,334)</u>	<u>98,522</u>	<u>(56,083)</u>	<u>–</u>	<u>21,105</u>
Total funds	<u>690,372</u>	<u>1,528,070</u>	<u>(1,509,837)</u>	<u>(73,000)</u>	<u>635,605</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 academy. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

Other DfE/EFA grants and Local Authority grants include Pupil Premium funding, SEN funding, ILS Transfers funding and Low Incidence Needs funding.

Other income includes parent contributions to school trips, training course income and supply teacher insurance claims.

The Music Room Fund is income received through fundraising and parent contributions for the purpose of building a new music room.

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.

The transfer from the Local Authority reflects the fixed assets, the pension deficit, the surplus GAG and any surplus capital grants acquired on conversion.

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

16. Funds (continued)

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

The deficit on funds at 31 August 2013 is attributable to the LGPS deficit only

17. Analysis of net assets between funds

Fund balances at 31 August 2013 are represented by

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	—	—	910,535	910,535
Current assets	21,105	299,256	—	320,361
Current liabilities	—	(245,291)	—	(245,291)
Pension scheme liability	—	(350,000)	—	(350,000)
Total net assets	21,105	(296,035)	910,535	635,605

18. Financial Commitments

Operating Leases

At 31 August 2013 the Academy Trust had annual commitments under non-cancellable operating leases as follows

	2013 £
Other	
Expiring within one year	—
Expiring within two and five years inclusive	270
Expiring in over five years	—
	270

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

19. Reconciliation of net income to net cash inflow from operating activities

	2013 £
Net income for the period	708,605
Depreciation (note 12)	59,697
Interest receivable	(337)
Fixed assets donated by Local Authority in the period	(939,592)
FRS17 pension finance cost	5,000
Increase in stock	(2,028)
(Increase) in debtors	(43,081)
Increase in creditors	245,291
Transfer from local authority on conversion	227,886
Loss on disposal of fixed asset	<u>230</u>
Net cash inflow from operating activities	<u><u>261,671</u></u>

20. Returns on investments and servicing of finance

	2013 £
Interest received	<u><u>337</u></u>

21. Capital expenditure and financial investment

	2013 £
Purchase of tangible fixed assets	<u><u>30,870</u></u>
Net cash outflow from capital expenditure and financial investment	<u><u>30,870</u></u>

22. Analysis of changes in net funds

	Cash flows £	31 August 2013 £
Cash in hand and at bank	<u><u>275,252</u></u>	<u><u>275,252</u></u>

23 Members' Liabilities

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

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2013

24. Pension and similar obligations

The academy's employees belong to two principal pension schemes – the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff which is managed by Darlington Borough Council. Both are defined-benefit schemes.

As described in note 26 the LGPS obligation relates to employees of the Academy Trust, who were the employees transferred as part of the conversion from maintained school and new employees who were eligible to, and did, join the Scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date.

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

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership.

Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pension Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

HURWORTH PRIMARY SCHOOL
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24 Pension and similar obligations (*continued*)

Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

Teachers' Pension Scheme Changes

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include a pension based on career average earnings, and accrual rate of $1/57^{\text{th}}$, and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall just outside of the 10 year protection.

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24. Pension and similar obligations (*continued*)

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases were to be phased in from April 2012 on a 40/80/100% basis.

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme with the assets held in separate Trustee-administered funds. The total contribution made for the period ended 31 August 2013 was £90,000 of which employer's contributions totalled £70,000 and employees' contributions totalled £20,000. The agreed contribution to the fund for the year ending 31 August 2014 is £58,000.

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

Principal Actuarial Assumptions	At 31 August 2013	At 1 June 2012
Rate of increase in salaries	4.7%	4.3%
Rate of increase for pensions in payment	2.8%	2.4%
Discount rate for scheme liabilities	4.5%	4.6%
Inflation assumption (CPI)	2.8%	2.4%
Commutation of pensions to lump sums		
• past service pension entitlements	60%	60%
• future service pension entitlements	80%	80%

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

	At 31 August 2013	At 1 June 2012
<i>Retiring today</i>		
Males	22.1	22.0
Females	24.3	24.1
<i>Retiring in 20 years</i>		
Males	23.9	23.8
Females	26.2	26.1

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24. Pension and similar obligations (*continued*)

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

	Expected return at 31 August 2013	Fair value at 31 August 2013 (£)	Expected return at 1 June 2012	Fair value at 1 June 2012 (£)
Equities	7.9%	210,002	7.6%	120,912
Government bonds	3.4%	110,320	2.6%	90,816
Corporate bonds	4.1%	37,036	3.6%	29,304
Property	7.4%	27,580	7.1%	18,744
Cash	0.9%	9,062	1.7%	4,224
Other	7.9%	—	7.6%	—
Total market value of assets		394,000		264,000
Present value of scheme liabilities		(744,000)		(536,000)
Deficit in the scheme		(350,000)		(272,000)

Hurworth Primary School employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principals. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each class over the actual assets allocation for the Fund at 31 August 2013.

The actual return on scheme assets was £41,000

Amounts recognised in the statement of financial activities

	2013 £
Current service cost (net of employee contributions)	62,000
Past service cost	—
Total operating charge	62,000
Analysis of pension finance income/(costs)	
Expected return on pension scheme assets	20,000
Interest on pension liabilities	(33,000)
Net return / (charge)	(13,000)

The actuarial gains and losses for the current period are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is £73,000 loss.

HURWORTH PRIMARY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
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24 Pension and similar obligations (*continued*)

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

	2013
	£
Transfer on conversion	536,000
Current service cost	62,000
Employee contributions	20,000
Actuarial loss	94,000
Interest cost	33,000
Net benefits paid out	<u>(1,000)</u>
At 31 August	744,000

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

	2013
	£
Transfer on conversion	264,000
Expected return on assets	20,000
Actuarial gain	21,000
Employer contributions	70,000
Employee contributions	20,000
Net benefits paid out	<u>(1,000)</u>
At 31 August	394,000

The estimated value of employer contributions for the year ended 31 August 2014 is £58,000

The five year history of experience adjustments is as follows:

	As at 31 August 2013 £	As at 1 June 2012 £
Present value of defined benefit obligations	(744,000)	(536,000)
Fair value share of scheme assets	<u>394,000</u>	<u>264,000</u>
Deficit in the scheme	(350,000)	(272,000)
Experience adjustments on share of scheme assets		
Amount £	21,000	
Experience adjustments on scheme liabilities		
Amount £	—	

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25. Related Party Transactions

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

26. Conversion to an Academy Trust

On 1 June 2012 Hurworth Primary School converted to Academy Trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Hurworth Primary School from Darlington Borough Council for £nil consideration.

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

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities:

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total £
Fixed assets	—	—	939,592	939,592
Budget deficit on LA funds	(21,334)	—	—	(21,334)
Surplus on school fund	—	44,114	—	44,114
LGPS pension deficit	—	(272,000)	—	(272,000)
Net assets/(liabilities)	(21,334)	(227,886)	939,592	690,372

Included in the above table is the budget deficit on conversion owed to the Darlington Borough Council of £21,334. This debt was assigned by Darlington Borough Council to the EFA and is therefore payable to the EFA. The balance remained outstanding at 31 August 2013 and is included within other creditors in note 15. Subsequent to the period end this creditor has been settled in full.