

Registered number 06653439

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

SATURDAY



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COMPANIES HOUSE

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2013**

Trustees

Rory Wilson, Chair
John Hobrough (resigned 10 July 2013)
Margaret Nicholson¹
Barry Miller (resigned 18 April 2013)
Carole Snelling
John Brearley¹
Peter Robinson
David Ferguson

¹ Member of the finance committee

Company registered number

06653439

Principal and registered office

Josephine Butler Campus
Academy Road
Ashington
Northumberland
NE63 9FZ

Company secretary

Dr Michael Pitkethly

Independent auditors

PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Bankers

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

Solicitors

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

Executive Director Governor

Andrew Day

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2013**

Advisers (continued)

Parent Governor (elected)

Rosemary Grant

Staff Governor (elected)

Sandra Brown

LA Governor (appointed)

Simon Reed

Community Governor

Sam Palombella

Accounting Officer

Andrew Day

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

The Trustees present their report together with the financial statements of the charitable company for the period ended 31 August 2013. The Trustees confirm that the Annual report and financial statements of the academy comply with the current statutory requirements, the requirements of the academy's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy is a company limited by guarantee with no share capital (registration no. 653439) and a registered charity (registration no. 1127015). The charitable company's memorandum and articles of association are the primary governing documents of the Academy. Members of the charitable company are nominated by The Duke of Northumberland's Estates or The Diocese of Newcastle, the main sponsors of the Academy.

The Trustees are directors of the charitable company for the purposes of the Companies Act 2006 and three trustees for the purposes of charity legislation. Elected governors serve for 4 years.

The Trustees who were in office at 31 August 2013 and served throughout the year are listed on page 1.

Members' Liability

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

Principal Activities

The principal activities of the Academy's Trust is to advance for the public benefit education in the United Kingdom, in particular by establishing, maintaining, managing and developing a school offering a broad curriculum with a strong emphasis on, but in no way limited to, Design and the Built Environment.

The Academy aims to provide an excellent education for the community we serve, supporting the achievement of the Academy's mission and in keeping with its Christian foundation. The Academy aims to transform the life chances of young people in the communities it serves. It is particularly concerned that they gain meaningful employment after completion of their education.

Our Academy welcomes pupils from all backgrounds. An individual's economic status, gender, ethnicity, race, religion or disability do not form part of our assessment processes.

The Academy is committed to inclusion to prevent disabled persons being treated less favourably than others either as learners or employees. The Academy aims to be an accessible place for all people, whatever their age, ability, race, culture or gender.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

Method of Appointment or Election of Trustees

The Trustees consist of 1 person appointed by each of the sponsors, the chair of governors, and 1 person appointed by the Secretary of State for Education

The governing body requires breadth and depth of experience to carry out its duties effectively and efficiently. When recruiting new trustees the important attribute is a passion for the work of our Academy and an understanding of education as an holistic and rounded experience of personal growth. We also invite senior local business people to consider joining our Board. Where possible the Governors consider that the skills and experience of the Board should comprise the following:

A Trustee with a legal background

A Trustee with a financial/accounting background

A Trustee with education experience

A Trustee with senior managerial or business experience

A Trustee with experience of equal opportunities or disability needs

At least one female Trustee and at least one male Trustee

A Trustee may have one or more of these skills

Policies and Procedures Adopted for the Induction and Training of Trustees

In addition, there are facilitated training events covering Trustees' responsibilities. The training and induction provided for new Trustees will depend on their existing experience. Where necessary, induction will provide training on charitable and educational legal and financial matters. All new Trustees will be given a tour of the Academy and the chance to meet with staff and learners. All Trustees are provided with copies of policies, procedures, minutes, financial statements, budgets, plans and other documents that they will need to undertake their role as Trustees. Induction tends to be done informally and is tailored specifically to the individual.

Organisational Structure

During the period under review the governing body held 4 meetings. The finance and general purposes committee meets a minimum of 3 times per year. On behalf of the governing body it is responsible for constructing and monitoring the effectiveness of the Academy's budget and operations. The finance and audit committee reports to the full governing body at the meeting which follows its meeting. This year a standards committee was established and meets three times per year. On behalf of the governing body it is responsible for monitoring the effectiveness of the Academy's academic performance including the quality of teaching, curriculum, behaviour, and the SEN provision. It is also responsible for Trustee training. The standards committee reports to the full governing body at the meeting which follows its meeting.

The Executive Director is responsible for the day to day running of the Academy. There are four principal directors. They respectively have responsibility for the secondary campus, the primary campuses, The Centre and the Academy estates (operations). These five posts comprise the Academy's executive leadership team. The next layer includes deputy and assistant principals who have responsibility for key areas of standards and operation of Academy policies. Directors meet with their relevant Principal Directors at least weekly. Each primary campus is led by a Head of Campus who is directly managed by the Principal Director (Primary).

The Academy has a Joint Consultative Committee to discuss with staff association representatives issues affecting them. This meets every term but can meet more regularly on request from the Academy or from staff representatives.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

Risk Management

The Trustees have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The Trustees have implemented a number of systems to assess risks that the Academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and Academy trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of Academy grounds) and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls which operates throughout the year and up to the dates that the accounts are approved, and this is explained in more detail in the following statement.

Connected Organisations, Including Related Party Relationships

The Academy is not part of any wider network or a federation.

OBJECTIVES AND ACTIVITIES

In setting objectives and planning for activities, the Trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit.

Objects and Aims

- **Mission, Aims and Values**
The aims of The Northumberland Church of England Academy underpin the mission and these aims will be met by instilling core values in learners we work with. Central to all these are inspiring achievement and encouraging compassion.
- **Ethos**
At The Northumberland Church of England Academy we shall strive to
 - I Provide an inclusive and diverse learning environment with a distinctive Christian ethos which honours God,
 - II Encourage staff and learners to aspire to fullness of life that they may achieve their potential,
 - III Promote the moral, personal, physical, social and spiritual development of individuals within a Christian framework, and,
 - IV Create a community in which everyone without exception is respected, valued and happy.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

- **Core Principles**

- I **Kind** care for others, especially those in need
- II **Honest** tell the truth and be true to our word
- III **Humble** help others do well
- IV **Responsible** be responsible for what we think, say and do
- V **Determined** work hard
- VI **Brave** always seek to do what is right
- VII **Forgiving** learn from our mistakes and encourage one another to try again

Objectives, Strategies and Activities

The Academy's main objective for the period is to provide an excellent education for the community we serve, supporting the achievement of the Academy's mission and in keeping with its Christian foundation. The Academy aims to transform the life chances of young people in the communities it serves. It is particularly concerned that they gain meaningful employment after completion of their education.

The Academy's strategy for achieving its objectives involves

- creating a high quality, high performing and well motivated staff and to empower learners to achieve their potential
- ensuring a stimulating and motivating environment free from oppression
- enhancing community links
- maximising/improving outcomes at all levels

The Academy has a comprehensive range of policies to further its objects. Key among these are policies on inclusion, teaching and learning and the curriculum. These are focused on developing the potential of learners and staff to maximise employment opportunities. There have been no material changes in the policies of the Academy in the past 12 months although all are subject to continuous review to reflect changes in legislation, official guidance and best practice.

Specific activities contributing to meeting these objectives have included

- Establishing of an elite sports programme
- Establishing an accelerated programme for Key Learners in Years 5 and 7
- A programme of literacy interventions based on ReadWrite Inc has been set up
- A new 14 -19 pathways strategy has been devised and implemented
- A training programme suited to the needs of the Academy and the staff has been set up to drive the continued improvement of teaching

Public Benefit

In setting objectives and planning for activities, The Academy Trust Trustees have complied with their duty to have due regard to the guidance on public benefit published by The Charity Commission in exercising their powers or duties in the advancement of education.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

ACHIEVEMENTS AND PERFORMANCE

The Academy appointed a new Executive Director, Mr Andrew Day, who started at the beginning of the academic year. The academy has continued to make good progress over the last year building upon the continued progress since opening in 2009.

The Academy has in October 2013 32% of pupils on roll eligible for free school meals, however, 42.5% of pupils from Year 1 to Year 11 have been in receipt of free school meals in the last six years (Ever 6) and are hence eligible for the pupil premium. In total there are 1,091 free school meals, Ever 6 and Children Looked After and 19 Services Children in the Academy.

The performance in the public examinations by Academy learners has shown continued improvements.

In the KS2 SATS the proportion of learners achieving Level 4+ in English and Maths remained the same at 68% compared to last year. However, the proportion of learners achieving expected progress continued to rise with reading up to 87%, writing to 81%, mathematics to 80%. The average points score was also increased with English and mathematics combined up to 71, a rise of 48% since the academy opened.

In the sixth form,

- A2 APS per learner 678.83 in 2012 rose to 751.3 in 2013 a 10% improvement
- A2 APS per entry – 205.8 in 2012 rose to 211.5 in 2013 a 3% improvement
- The % of A* and A grades in academic subjects rose to 11.1% from 0% in 2012
- The % of A* to B grades in academic subjects 20.6% in 2012 rose to 31.4% in 2013 – a 52% rise
- The % of A* to B grades in vocational subjects 40.3% in 2012 rose to 44.1% in 2013 – a 9% rise. 24% of learners entered Further Education and 50% entered Higher Education and only one learner was classified as NEET. This learner has now secured employment.

The KS4 results showed continued good progress in learners achieving their expected progress but this did not translate into the anticipated increase in GCSE results, which were below expectations.

- 5A* to C was obtained by 99% of learners
- 5A* to C with English and Maths rose slightly from 39% in 2012 to 39.9% in 2013
- Learners achieving expected progress in Mathematics rose from 54% in 2012 to 63.5% in 2013
- Learners achieving expected progress in English was down from 54% in 2012 to 50% in 2013

The Value Added Score of 1,039.5 compared to a national score of 1,000 puts the Academy in the top 10% in the country.

The academy tracks the attendance of all children meticulously and has developed a vast range of effective strategies to improve it. Actions taken make a significant difference to reducing the proportion of children who are persistently absent. Attendance has continued to improve.

Curricular developments are contributing positively to improving children's achievement and attendance and ensuring better equality of opportunity for all. Our unique and highly successful literacy initiatives are helping to hasten children's progress in reading and increase their confidence in sharing their views and feelings.

The 14 to 19 curriculum has been further refined to meet the developing needs and interests of the children, the vast majority of whom report that there are better options available, with improved advice and guidance procedures.

Senior leaders and managers, including the governing body, share a common ambition and drive to raise standards through improved provision across the academy.

The Academy continues to attract new learners and pupil numbers are continuing to rise.

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TRUSTEES' REPORT (continued)
FOR THE YEAR 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.

Key Financial Performance Indicators

The key financial performance indicators used were, operating performance against budget, which showed an improvement of £43,000 over budget, maintaining a positive cash flow during the year which was achieved, and staff costs as a percentage of overall income was 1% below budget at 81%.

FINANCIAL REVIEW

Financial and Risk Management Objectives and Policies

The Group held fund balances at 31 August 2013 of £47,996,418 comprising £1,250,000 of endowment funds, £462,776 of restricted funds, a pension reserve deficit of £2,550,000 and £686,181 of unrestricted general funds.

Most of the Academy's income is obtained from the DfE in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the period ended 31 August 2013 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Academy also receives grants for fixed assets from the DfE. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), 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.

During the year ended 31 August 2013, total expenditure of £16,597,469 exceeded total incoming resources by £621,351. The excess of income over expenditure of the Group for the year (taking account of donations made by Sponsors to the subsidiary Trust but excluding movements in restricted fixed asset funds) was £403,854. At 31 August 2013 the net book value of fixed assets was £48,147,462 and movements in tangible fixed assets are shown in note 21 to the financial statements. The assets were used exclusively for providing education and the associated support services to the learners of the Academy.

The Academy's policy is to pay its suppliers within the deadline specified on the supplier's invoice. The Academy has achieved an average 25 day payment turnaround in the payment of its suppliers within this period.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

Principal Risks and Uncertainties

The principal risks identified by the governors are

Strategic and Reputational Risks

Category	Sub category	Specific risk
1 Strategic risk	Competition risk	Presence of other organisations with similar objects and little scope for differentiation
		Other organisations competing for the same sources of income
	Technology	IT systems out of date / no longer supported
2 Public profile risk	Trustee profile risk	Trustees are not considered to be arms length from charity

Risk Register - Operational Risks

2 Human resources risk	Trustee risk	Trustees become too involved with management of the charity and are not independent from management
	Management risk	Key person loss/succession risk
3 Income risk	Grants receivable risk	New funding regime for 2013-14 has detrimental impact Impacts on Mainstream pre-16, 16-19 and SEN funding
		Funding for learners with statements does not cover costs

Risk Register - Financial Risks

11 Provisions and contingent liability risk	Single Status liability risk	Risk that CTA does not provide sufficient limits on Academy's liabilities for impact of Single Status on back pay, unfair dismissal claims and other costs related to pre-transfer liabilities Potential liability is £250k
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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 reason for reserves is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance The Academy's current level of free reserves (which this year we have redefined as the total unrestricted, undesignated funds less GAG deficit) is £536,375 which is less than is needed particularly when compared to the level of pensions liability of £2,550,000 The Academy intends to continue building up free reserves to the level needed

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

Investment Policy

The Trustees' policy regarding investments is to monitor regularly Cash Flow and Current Account balances to ensure immediate financial commitments can be met (payroll and payments runs) and that the current account has adequate balances to meet forthcoming commitments, to avoid its current account being overdrawn, to identify funds surplus to immediate cash requirements and transfer to an account bearing a higher interest rate, to periodically review (at least annually) interest rates and compare with other investment opportunities, and to invest funds only in risk free and immediately accessible deposit accounts

PLANS FOR FUTURE PERIODS

The Academy will continue to strive to improve the levels of performance of its learners at all levels and will continue its efforts to ensure its learners have the best opportunities for employment or places in higher education once they leave

Continued improvement of teaching and learning through investing in high quality training for staff as identified in the Academy development plan, these are focused around

- i A training programme suited to the needs of the Academy and the staff
- ii Ensuring literacy at all levels
- iii 14 19 pathways strategy
- iv Developing our extended learning programme
- v Continuing to review and improve our data capture and analysis
- vi Refining our target and performance management systems
- vii Developing the Christian ethos of the Academy
- ix Supporting and developing good quality teaching and learning
- x Extension of the accelerated programme for Key Learners
- xi Continuing to improve and update the Academy facilities to provide first class environment for learners and staff

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

There are no funds held as a custodian trustee on behalf of others

AUDITOR

In so far as the Trustees are aware

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

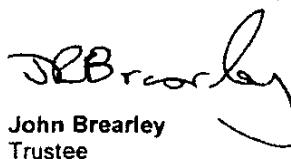
The following resolution will be put to the AGM of the Trust as regards the appointment of auditors

The members of the Academy trust resolve to reappoint PricewaterhouseCoopers LLP 89 Sandyford Road, Newcastle upon Tyne, NE1 8HW as Academy auditors subject to an acceptable and affordable cost plan

Approved by order of the members of the governing body on 12 December 2013 and signed on its behalf by



Carole Snelling
Chair of Trustees



John Brearley
Trustee

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

The governing body has delegated the day-to-day responsibility to the Executive Director, 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 The Northumberland Church of England Academy and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' report and in the Trustees' responsibilities statement. The governing body has formally met 3 times during the year. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings attended	Out of a possible
Rory Wilson, Chair	3	3
Carole Snelling, Vice Chair	3	3
John Brearley	3	3
Sandra Brown	3	3
David Ferguson	3	3
Rosemary Grant	0	1
John Hobrough	3	3
Louise Kinghorn	2	2
Barry Miller	0	2
Margaret Nicholson	2	3
Samuel Palombella	0	2
Simon Reed	1	2
Peter Robinson	3	3

During the year Samuel Palombella resigned as a director and Rosemary Grant, Barry Miller and Simon Reed resigned as Trustees. Rosemary Grant was replaced by Louise Kinghorn.

The **Standards Committee** was established this year as a sub-committee of the main governing body. Its purpose is to provide an oversight of the Academy's quality of teaching, curriculum, behaviour, SEN provision and Trustees training. The Committee has met three times this year and attendance at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Carole Snelling, Vice Chair	2	3
David Ferguson	3	3
John Hobrough	2	3
Louise Kinghorn	2	2
Margaret Nicholson	2	2

During the year John Hobrough and Margaret Nicholson stood down from the committee.

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GOVERNANCE STATEMENT (continued)

The **Finance and General Purposes Committee** is a sub-committee of the main governing body. Its purpose is to provide an oversight of the Academy's financial activities and external audit. During the year the committee has regularly reviewed the active dialogue between the Academy and the DfE regarding the unique circumstances of the Academy and the funding thereof and the situation was resolved with the DfE. John Hobrough stood down as a member and chair of the committee in November. John Brearley took on the role of chair and Margaret Nicholson became a member of the committee.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
John Brearley	5	5
Margaret Nicholson	5	5

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Northumberland Church of England Academy for the year ended 31 August 2013 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The governing body 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 governing body is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks that has been in place for the year 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 governing body.

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 governing body,
- regular reviews by the 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 (as set purchase or capital investment) guidelines
- delegation of authority and segregation of duties,
- identification and management of risks

The governing body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the trustees have appointed Mr Alan Fozzard, a person independent of the Board of Trustees, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On a quarterly basis, the RO reports to the governing body on the operation of the systems of control and on the discharge of the governing body's financial responsibilities.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

As Accounting officer, the Executive Director has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by

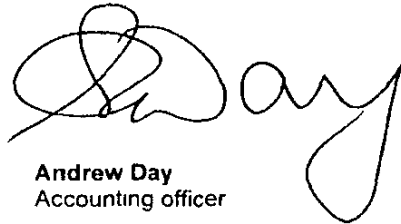
- the work of the Responsible Officer,
- the work of the external auditor,
- the financial management and governance self-assessment process
- the work of the executive managers within the academy who have responsibility for the development and maintenance of the internal control framework

The Accounting officer has been advised of the implications of the result of their review of the system of internal control by the and a plan to address weaknesses and ensure continuous improvement of the system is in place

Approved by order of the members of the governing body on 12 December 2013 and signed on their behalf, by



Carole Snelling
Chair of Trustees



Andrew Day
Accounting officer

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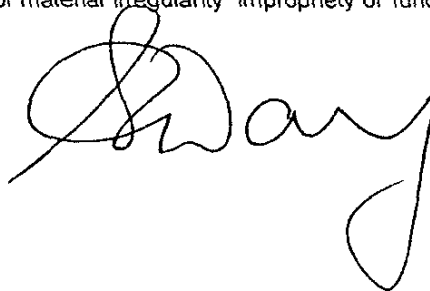
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting officer of The Northumberland Church of England Academy I have considered my responsibility to notify the academy governing body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2012)

I confirm that I and the academy governing body are able to identify any material, irregular or improper use of funds by the academy, or material non compliance with the terms and conditions of funding under the academy's funding agreement and the Academies Financial Handbook (2012)

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

Andrew Day
Accounting officer



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**TRUSTEES' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2013**

The Trustees (who act as trustees for charitable activities of The Northumberland Church of England Academy 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 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 the incoming resources and application of resources, including the income and expenditure, of the charitable company 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,
- 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 operation

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 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 governing body on 12 December 2013 and signed on its behalf by


Carole Snelling
Chair of Trustees

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY

We have audited the financial statements of The Northumberland Church of England Academy for the year ended 31 August 2013 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, and the 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 Annual Accounts Direction 2013 issued by the Education Funding Agency.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the academy 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 Ethical Standards for Auditors.

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 academy'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, in giving these opinions, accept or assume responsibility to anyone other than the academy and its members, as a body, for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the academy's affairs as at 31 August 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Academies Accounts Direction 2012/13 issued by the Education Funding Agency.

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, 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



Greg Wilson (Senior statutory auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered accountants and statutory auditors

Newcastle upon Tyne

Date 20 December 2013

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 5 November 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2012/13, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Northumberland Church of England Academy during the year 1 September 2012 to 31 August 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to The Northumberland Church of England Academy and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Northumberland Church of England Academy and the EFA 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 The Northumberland Church of England Academy and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Northumberland Church of England Academy's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Northumberland Church of England Academy's funding agreement with the Secretary of State for Education and the Academies Financial Handbook as published by DfES in 2006, 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 2012/13. 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 period 1 September 2012 to 31 August 2013 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 2012/13 issued by the EFA. 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 academy's income and expenditure.

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY AND THE EDUCATION FUNDING AGENCY**
(continued)

We performed the following limited scope procedures

General activities

- Consideration of the outcomes of the Financial Management and Governance Evaluation (FMGE)/Financial Management and Governance Self-assessment (FMGS) and EFA evaluation including reviewing actions required and how these have been addressed,
- Consideration of evidence supporting the accounting officer's statement on regularity, propriety and compliance,
- Understanding the general control environment of the Academy,
- Review of minutes for Boards and sub committees,
- Assessment and sample testing of specific control activities over regularity of a particular activity
- Consideration of whether activities are permissible within the Academy's framework of authorities and charitable objectives
- Confirmation that each sample item has been appropriately authorised in accordance with the Academy's delegated authorities
- Confirmation that internal delegations have been approved by the governing body, and conform to the limits set by the EFA
- Formal representations to be obtained from the governing body and the accounting officer acknowledging their responsibilities

Special payments

- Confirmation of whether any extra-contractual payments made to staff identified through audit work were made in accordance with the Academies Financial Handbook (dated September 2012)

Borrowings

- Consideration of documentation for evidence of Academy's borrowing (including lease arrangements) and checking if these agreements have been entered into in accordance with the requirements of the Academies Financial Handbook (dated September 2012)

Sales of assets

- Confirmation of whether approval of the Department for Education was obtained for the disposal of any land, buildings, or grant funded assets

Cash and credit cards

- Understanding the internal control procedures in place for the use of Academy's credit cards by staff
- Select a sample of expense claims and credit card transactions and ensure they adhere to internal control procedures in place

Purchases

- Understanding specific terms of grant funding within funding agreements to ensure expenditure is within the funding agreement conditions
- Consideration of whether any suppliers are related parties
- Review of meeting minutes for evidence of declarations of interest
- Consider procurement activity in the period and assess whether it has been conducted in accordance with Annex 4 4 of Managing Public Money

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY AND THE EDUCATION FUNDING AGENCY**
(continued)

Income

- Consider whether any income due has been received from related parties and confirm there have been no favourable rates
- Confirm write offs in excess of 1% of income or £45,000 have been approved by the Secretary of State

Conclusion

In the course of our work, except for three items of expenditure which had not been authorised in line with the Academy's internal procedures, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2012 to 31 August 2013 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
Newcastle upon Tyne

Date *20 December 2013*

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2013**

	Note	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Endowment funds 2013 £	Total funds 2013 £	Total funds 2012 £
INCOMING RESOURCES							
Incoming resources from generated funds							
Buildings received from Northumberland County Council	2	-	-	-	-	-	47,056,240
Other voluntary income	2	-	-	-	250,000	250,000	250,000
Activities for generating funds	3,4	116,553	-	-	-	116,553	76,635
Investment income	5	54,718	-	-	-	54,718	24,828
Incoming resources from charitable activities	6	327,959	15,179,339	-	-	15,507,298	17,842,521
Other incoming resources	7	47,549	-	-	-	47,549	366,299
TOTAL INCOMING RESOURCES		546,779	15,179,339	-	250,000	15,976,118	65,616,523
RESOURCES EXPENDED							
Costs of generating funds							
Fundraising expenses and other costs	4	59,444	-	-	-	59,444	44,352
Investment management expenses	8	2,152	-	-	-	2,152	677
Charitable activities	13	308,861	14,919,202	1,282,452	-	16,510,515	15,893,148
Governance costs	9	25,358	-	-	-	25,358	31,308
TOTAL RESOURCES EXPENDED	12	395,815	14,919,202	1,282,452	-	16,597,469	15,969,485
NET INCOMING RESOURCES BEFORE TRANSFERS, CARRIED FORWARD		150,964	260,137	(1,282,452)	250,000	(621,351)	49,647,038

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

Note	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Endowment funds 2013 £	Total funds 2013 £	Total funds 2012 £
NET INCOMING RESOURCES BEFORE TRANSFERS	150,964	260,137	(1,282,452)	250,000	(621,351)	49,647,038
Transfers between Funds	27	-	(177,247)	177,247	-	-
NET INCOMING RESOURCES BEFORE INVESTMENT ASSET DISPOSALS	150,964	82,890	(1,105,205)	250,000	(621,351)	49,647,038
Losses on disposals of investment assets	22	(219)	-	-	(219)	(844)
NET INCOME / (EXPENDITURE) FOR THE YEAR	150,745	82,890	(1,105,205)	250,000	(621,570)	49,646,194
OTHER RECOGNISED GAINS AND LOSSES						
Gains on revaluations of investment assets	22	67,101	-	-	67,101	25,819
Actuarial gains / (losses) on defined benefit pension schemes	32	-	280,000	-	280,000	(930,000)
NET MOVEMENT IN FUNDS FOR THE YEAR	217,846	362,890	(1,105,205)	250,000	(274,469)	48,742,013
<i>Total funds at 1 September 2012</i>	468,335	(2,450,114)	49,252,666	1,000,000	48,270,887	(471,126)
TOTAL FUNDS AT 31 AUGUST 2013	686,181	(2,087,224)	48,147,461	1,250,000	47,996,418	48,270,887

All activities relate to continuing operations

There is no material difference between the income and expenditure on ordinary activities and the surplus/deficit for the financial period stated above and their historical costs equivalents

All gains and losses recognised in the year are included in the Statement of Financial Activities

The notes on pages 26 to 52 form part of these financial statements

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)
REGISTERED NUMBER 06653439

BALANCE SHEET
AS AT 31 AUGUST 2013

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Tangible assets	21		48,147,462		49,252,666
Investments	22		1,141,498		796,365
			49,288,960		50,049,031
CURRENT ASSETS					
Stocks	23	32,287		34,237	
Debtors	24	555,133		571,867	
Cash at bank and in hand		2,335,401		3,494,493	
		2,922,821		4,100,597	
CREDITORS , amounts falling due within one year	25	(1,475,227)		(2,805,845)	
NET CURRENT ASSETS			1,447,594		1,294,752
TOTAL ASSETS LESS CURRENT LIABILITIES			50,736,554		51,343,783
CREDITORS , amounts falling due after more than one year	26		(190,136)		(132,896)
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			50,546,418		51,210,887
Defined benefit pension scheme liability	32		(2,550,000)		(2,940,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			47,996,418		48,270,887
FUNDS OF THE ACADEMY					
Endowment funds	27		1,250,000		1,000,000
Restricted funds					
Restricted funds	27	462,776		489,886	
Restricted fixed asset funds	27	48,147,461		49,252,666	
			48,610,237		49,742,552
Restricted funds excluding pension liability					
Pension reserve		(2,550,000)		(2,940,000)	
			46,060,237		46,802,552
Total restricted funds			46,060,237		46,802,552
Unrestricted funds	27		686,181		468,335
TOTAL FUNDS			47,996,418		48,270,887

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

BALANCE SHEET (continued)
AS AT 31 AUGUST 2013

The financial statements were approved by the Trustees, and authorised for issue, on
12 December 2013 and are signed on their behalf, by



Carole Snelling
Chair of Trustees

The notes on pages 26 to 52 form part of these financial statements

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2013**

	Note	2013 £	As restated 2012 £
Net cash(outflow)/inflow from operating activities	29	(1,124,754)	1,203,348
Returns on investments and servicing of finance	30	34,718	24,828
Capital expenditure and financial investment	30	(134,554)	(805,663)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,224,590)	422,513
Financing	30	65,498	147,662
(DECREASE)/INCREASE IN CASH IN THE YEAR		(1,159,092)	570,175

Restatement of the 2012 comparative has been made to transfer £1,478,949 out of operating activities and into financial investment to reflect accounting guidance from the Education Funding Agency that capital grants received should be included within capital expenditure and financial investment. There is no overall change to cash inflow or increase in cash for the 2012 year.

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 AUGUST 2013**

	2013 £	2012 £
(Decrease)/Increase in cash in the year	(1,159,092)	570,175
Cash outflow from decrease in debt and lease financing	(65,498)	(147,662)
MOVEMENT IN NET FUNDS IN THE YEAR	(1,224,590)	422,513
Net funds at 1 September 2012	3,346,831	2,924,318
NET FUNDS AT 31 AUGUST 2013	2,122,241	3,346,831

The notes on pages 26 to 52 form part of these financial statements

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Companies Act 2006, the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 issued by the EFA, and applicable accounting standards. Principal accounting policies have been applied consistently throughout the year.

1.2 Company status

The academy is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the academy being wound up, the liability in respect of the guarantee is limited to £10 per member of the academy.

1.3 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

1. ACCOUNTING POLICIES (continued)

1.4 Incoming resources

All incoming resources are included in the Statement of financial activities when the academy is legally entitled to the income and the amount can be quantified with reasonable accuracy

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.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of financial activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

The value of donated services and gifts in kind provided to the academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the academy 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's policies.

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.

1.5 Resources expended

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

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred in the academy's educational operations.

Governance costs include the costs attributable to the academy's compliance with constitutional and statutory requirements, including audit, strategic management and Trustees' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

1. ACCOUNTING POLICIES (continued)

1.6 Going concern

The academy's activities, together with the factors likely to affect its future development, performance and position are set out in the Governors Report. The governors believe that the academy is adequately placed to manage its risks successfully despite the current uncertain economic outlook. The governors have a reasonable expectation that the academy has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.7 Turnover

Turnover comprises revenue recognised by the academy in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.8 Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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 are 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's depreciation policy.

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.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold buildings	-	over the 125 year lease term
Leasehold improvements	-	10% straight line
Motor vehicles	-	10% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	33% straight line

1.9 Investments

Investments are stated at market value at the balance sheet date. The Statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

1. ACCOUNTING POLICIES (continued)

1.10 Stocks

Unsold uniforms and catering stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks

Stock cost is determined on a first in first out basis

1.11 Taxation

The academy 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 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

1.12 Pensions

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the academy

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 32, the TPS is a multi-employer scheme and the academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged against net income are the current service costs and gains and losses on the 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 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.

1.13 Aggregated results

These financial statements aggregate the results of the Northumberland Church of England Academy Endowment Trust, a Trust of which the Academy is the sole Trustee and sole beneficiary, further details of which are given in note 36

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

2. VOLUNTARY INCOME

	Unrestricted funds 2013 £	Restricted funds 2013 £	Endowment funds 2013 £	Total funds 2013 £	Total funds 2012 £
Buildings received on peppercorn lease from Northumberland County Council	-	-	-	-	47,056,240
Donations from the Academy Sponsors	-	-	250,000	250,000	250,000
Voluntary income	-	-	250,000	250,000	47,306,240

3 ACTIVITIES FOR GENERATING FUNDS

	Total funds 2013 £	Total funds 2012 £
Fundraising events	21,204	14,984

4. TRADING ACTIVITIES

	Total funds 2013 £	Total funds 2012 £
Charity trading income		
Hire of facilities	46,416	17,299
Sale of uniforms	48,933	44,352
	95,349	61,651
Fundraising trading expenses		
Uniforms - cost of sales	59,444	44,352
Net income from trading activities	35,905	17,299

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

5. INVESTMENT INCOME

	Total funds 2013 £	<i>Total funds 2012 £</i>
Bank interest receivable	4,315	7,152
Endowment Trust dividends receivable	30,109	17,545
Endowment Trust interest receivable	294	131
Pension income	20,000	-
	<u>54,718</u>	<u>24,828</u>

6. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	<i>Total funds 2012 £</i>
Educational operations	18,855	15,179,339	15,198,194	17,549,446
Catering activities	309,104	-	309,104	293,075
	<u>327,959</u>	<u>15,179,339</u>	<u>15,507,298</u>	<u>17,842,521</u>

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Total funds 2013 £	<i>Total funds 2012 £</i>
DfE/EFA revenue grant				
General Annual Grant	-	14,106,721	14,106,721	15,317,717
Department for Education capital grants	-	42,694	42,694	40,906
Other Department for Education grants	-	973,445	973,445	845,921
Other government grants	18,855	56,479	75,334	1,344,902
	<u>18,855</u>	<u>15,179,339</u>	<u>15,198,194</u>	<u>17,549,446</u>

THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013**

7 OTHER INCOMING RESOURCES

	Unrestricted funds 2013 £	Restricted funds 2013 £	Endowment funds 2013 £	Total funds 2013 £	Total funds 2012 £
Reimbursement re supply teachers	14,396	-	-	14,396	338,180
Feed-in tariff	13,672	-	-	13,672	-
Other incoming resources	19,481	-	-	19,481	28,119
	<u>47,549</u>	<u>-</u>	<u>-</u>	<u>47,549</u>	<u>366,299</u>

8. INVESTMENT MANAGEMENT EXPENSES

	Unrestricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Endowment Trust investment fees	2,152	2,152	677
	<u>2,152</u>	<u>2,152</u>	<u>677</u>

9. GOVERNANCE COSTS

	Unrestricted funds 2013 £	Total funds 2013 £	Total funds 2012 £
Auditors' remuneration	20,220	20,220	20,228
Fees payable to auditor - other services	-	-	5,844
Accountancy charges	5,138	5,138	5,236
	<u>25,358</u>	<u>25,358</u>	<u>31,308</u>

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10. DIRECT COSTS

	Educational operations £	Total 2013 £	Total 2012 £
Books, apparatus and stationery	435,431	435,431	381,789
Examination fees	87,587	87,587	105,206
Staff development	115,326	115,326	35,748
Educational consultancy	168,228	168,228	239,382
Other direct costs	54,088	54,088	93,739
Pupil recruitment and support	165,740	165,740	104,467
Catering	353,416	353,416	311,055
Wages and salaries	8,703,650	8,703,650	8,814,428
National insurance	492,631	492,631	549,944
Pension cost	807,299	807,299	755,405
	<u>11,383,396</u>	<u>11,383,396</u>	<u>11,391,163</u>

11. SUPPORT COSTS

	Apportioned to educational operations £	Total 2013 £	Total 2012 £
Pension income	-	-	40,000
Maintenance of premises and equipment	298,478	298,478	255,132
Cleaning	32,846	32,846	23,122
Rent and Rates	181,400	181,400	67,143
Heat and Light	342,921	342,921	277,015
Insurance	96,711	96,711	120,144
Security	339	339	-
Transport	17,938	17,938	19,949
Technology costs	24,565	24,565	24,950
Other support costs	75,433	75,433	72,792
Office stationery and communication costs	60,980	60,980	143,343
Subscriptions and licences	104,342	104,342	150,380
Miscellaneous supplies and services	60,421	60,421	91,389
Other staff costs	36,387	36,387	216,252
Wages and salaries	1,663,407	1,663,407	1,682,356
National insurance	78,499	78,499	75,477
Pension cost	770,000	770,000	590,000
Depreciation	1,282,452	1,282,452	652,541
	<u>5,127,119</u>	<u>5,127,119</u>	<u>4,501,985</u>

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12 ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2013 £	Depreciation 2013 £	Other costs 2013 £	Total 2013 £	Total 2012 £
Fundraising expenses	-	-	59,444	59,444	44,352
Investment management costs	-	-	2,152	2,152	677
Costs of generating funds	-	-	61,596	61,596	45,029
Educational operations	12,515,486	1,282,452	2,712,577	16,510,515	15,893,148
Governance	-	-	25,358	25,358	31,308
	12,515,486	1,282,452	2,799,531	16,597,469	15,969,485

13. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2013 £	Support costs 2013 £	Total 2013 £	Total 2012 £
Educational operations	11,383,396	5,127,119	16,510,515	15,893,148

14. GENERAL ANNUAL GRANT

Under the funding agreement with the Secretary of State the academy trust was subject to limits at 31 August 2013 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes. The academy trust has not exceeded these limits during the year ended 31 August 2013.

15. TURNOVER

The whole of the turnover is attributable to educational activities.

All turnover arose within the United Kingdom.

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16. NET INCOMING RESOURCES / (RESOURCES EXPENDED)

This is stated after charging

	2013 £	2012 £
Depreciation of tangible fixed assets - owned by the charity	1,282,452	652,541

During the year, no Trustees received any benefits in kind (2012 - £NIL)

During the year, no Trustees received any reimbursement of expenses (2012 - £NIL)

17 AUDITORS' REMUNERATION

	2013 £	2012 £
Fees payable to the academy's auditors and its associates for the audit of the academy's annual financial statements	20,220	20,228

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18. STAFF COSTS

Staff costs were as follows

	2013 £	2012 £
Wages and salaries	9,738,955	9,761,982
Social security costs	571,130	625,420
Other pension costs (Note 32)	1,577,299	1,345,405
	<u>11,887,384</u>	<u>11,732,807</u>
Supply staff costs	628,102	734,802
	<u>12,515,486</u>	<u>12,467,609</u>

The monthly average number of persons (including the senior management team) employed by the academy during the year was as follows

	2013 Number	2012 Number
Teachers	167	173
Teaching support	162	169
Catering	27	27
Caretakers and Cleaners	55	43
Clericals	37	36
Lunchtime supervisors	64	66
Youth and Community	47	128
Lab and Technical Assistants	12	0
Management	5	5
	<u>576</u>	<u>647</u>

The full time equivalent number of employees was 354 employees

The number of employees whose emoluments over £60,000 fell within the following bands was

	2013 Number	2012 Number
In the band £70,001 - £80,000	3	3
In the band £90,000 - £100,000	0	1
In the band £100,001 - £110,000	1	0
	<u>4</u>	<u>4</u>

Of these employees earning more than £60,000 per annum, three (2012 - three) participated in the Teachers' Pension Scheme and one (2012 - one) in the local government pension scheme. During the year ended 31 August 2013, pension contributions for these staff amounted to £52,924 (2012 - £49,321)

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19. TRUSTEES' REMUNERATION

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments from the academy in respect of their role as governors. The value of governors' remuneration fell within the following bands:

	2013 £	2012 £
Executive Director	105,000-110,000	90,000-95,000
Acting Executive Director	0-5,000	25,000-30,000
Other staff governor	30,000-35,000	25,000-30,000

20. OTHER FINANCE INCOME

	2013 £	2012 £
Expected return on pension scheme assets	480,000	410,000
Interest on pension scheme liabilities	(460,000)	(450,000)
	<u>20,000</u>	<u>(40,000)</u>

21. TANGIBLE FIXED ASSETS

	Leasehold buildings and improvements £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 September 2012	47,577,176	29,363	102,341	2,486,777	50,195,657
Additions	56,160	-	35,652	85,436	177,248
At 31 August 2013	<u>47,633,336</u>	<u>29,363</u>	<u>137,993</u>	<u>2,572,213</u>	<u>50,372,905</u>
Accumulated depreciation					
At 1 September 2012	246,442	7,458	54,160	634,931	942,991
Charge for the year	428,751	2,936	21,982	828,783	1,282,452
At 31 August 2013	<u>675,193</u>	<u>10,394</u>	<u>76,142</u>	<u>1,463,714</u>	<u>2,225,443</u>
Net book value					
At 31 August 2013	<u>46,958,143</u>	<u>18,969</u>	<u>61,851</u>	<u>1,108,499</u>	<u>48,147,462</u>
At 31 August 2012	<u>47,330,734</u>	<u>21,905</u>	<u>48,181</u>	<u>1,851,846</u>	<u>49,252,666</u>

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22. FIXED ASSET INVESTMENTS

	Listed securities £	Other investments £	Total £
Market value			
At 1 September 2012	544,548	251,817	796,365
Additions	578,008	(297,667)	280,341
Disposals	(134,166)	131,857	(2,309)
Revaluations	67,101	-	67,101
	<u>1,055,491</u>	<u>86,007</u>	<u>1,141,498</u>
At 31 August 2013	<u>1,055,491</u>	<u>86,007</u>	<u>1,141,498</u>
Historical cost	<u>1,050,579</u>	<u>86,007</u>	<u>1,136,586</u>

Material investments

The Academy holds the following investments within its Endowment Trust, the market value of which is more than 5% of the total value of investments held

	31 August 2013 £	31 August 2012 £
Capita Finl Mngrs Trojan FD S Inc NAV	-	68,036
Cazenove Inv Fd MT Eqty Inv Trust for Charities	124,635	103,012
Capita Finl Mngrs Trojan FD S Inc NAV	66,356	68,036
Capita Fin Mangaer Trojan Income S	92,094	-
Cazenove In FD MT Diversity Income A	68,550	-
Cazenove Inv Fd MT Growth Trust for Charities	61,003	36,333
Cazenove Int Fd Strategic Debt Fd Class A	64,685	52,000
Kames Capital High Yield BD B Instl Dis Nav	56,823	56,823
M&G (Guernsey) Offshore Optimal Income FD	58,802	50,612
M&G Inv Man Global Dividend	60,169	60,169
Polar Cap Gbl Health Ord	62,480	-
RWC Asset Man Inc Opps B	57,700	-
Veritas Asset Mgmt Global Equity Income A	55,111	34,808

23 STOCKS

	2013 £	2012 £
Catering stock	12,439	8,267
Stock of uniforms	19,848	25,970
	<u>32,287</u>	<u>34,237</u>

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24. DEBTORS

	2013 £	2012 £
Other debtors	267,424	378,156
Prepayments and accrued income	80,835	-
Grants Receivable	206,874	193,711
	<u>555,133</u>	<u>571,867</u>

25. CREDITORS
Amounts falling due within one year

	2013 £	2012 £
Other loans	23,204	14,766
Other taxation and social security	51,606	-
Other creditors	147,088	2,438,488
Accruals and deferred income	1,253,329	352,591
	<u>1,475,227</u>	<u>2,805,845</u>

Accruals and deferred income includes £23,750 (2012 £15,000) of deferred income arising from the Enterprise Apprenticeship Scheme with Northumberland County Council

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26. CREDITORS

Amounts falling due after more than one year

	2013 £	2012 £
Other loans	189,956	132,896
Other creditors	180	-
	<u>190,136</u>	<u>132,896</u>

Included within the above are amounts falling due as follows

	2013 £	2012 £
Between one and two years		
Other loans	<u>23,204</u>	<u>14,766</u>
Between two and five years		
Other loans	<u>69,612</u>	<u>44,299</u>
Over five years		
Other loans	<u>97,140</u>	<u>73,831</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2013 £	2012 £
Repayable by instalments	<u>97,140</u>	<u>73,831</u>

Other loans are a loan taken in 2012 of £152,866 from the Duke of Northumberland's Charity to enable the Academy to install solar paneling and a further loan of £79,169 taken in 2013. The loan is unsecured and interest-free and is repayable as funds are generated from the solar installation. The repayment period is estimated at 10 years.

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**NOTES TO THE FINANCIAL STATEMENTS
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27. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
General Funds	468,335	546,779	(395,815)	-	66,882	686,181
Endowment funds						
Endowment Funds - all funds	1,000,000	250,000	-	-	-	1,250,000
Restricted funds						
General Annual Grant (GAG)	(33,966)	14,086,721	(13,342,561)	(860,000)	-	(149,806)
Pupil premium	-	741,812	(741,812)	-	-	-
DfE start up grant	313,382	231,633	-	-	-	545,015
DfE Sports grant	8,350	-	(8,350)	-	-	-
Other DfE grants	100,141	-	-	(32,574)	-	67,567
DfE Capital grant	40,906	42,694	-	(83,600)	-	-
ICT Equipment grant	61,073	-	-	(61,073)	-	-
Back-pay	-	41,662	(41,662)	-	-	-
Alternative tuition	-	14,567	(14,567)	-	-	-
Educational visits	-	250	(250)	-	-	-
Pension reserve	(2,940,000)	20,000	(770,000)	860,000	280,000	(2,550,000)
	<u>(2,450,114)</u>	<u>15,179,339</u>	<u>(14,919,202)</u>	<u>(177,247)</u>	<u>280,000</u>	<u>(2,087,224)</u>
Restricted fixed asset funds						
Restricted Fixed Asset Funds	49,252,666	-	(1,282,452)	177,247	-	48,147,461
Total restricted funds	46,802,552	15,179,339	(16,201,654)	-	280,000	46,060,237
Total of funds	<u>48,270,887</u>	<u>15,976,118</u>	<u>(16,597,469)</u>	<u>-</u>	<u>346,882</u>	<u>47,996,418</u>

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27. STATEMENT OF FUNDS (continued)

Endowment Fund - donation from Sponsors This fund holds the donations payable to the Academy's subsidiary fund "Northumberland Church of England Academy Endowment Trust" by its two sponsors, the Newcastle Diocesan Education Board and the Duke of Northumberland's Charity The fund may not be spent without prior consent from the Secretary of State for Education Income from the fund, including capital gains on assets held within the fund, is to be applied (inter alia) on assisting and supporting the education of students at the Academy and as such it is deemed to be unrestricted income

Restricted Funds

General Annual Grant ("GAG"). This grant must be used for the normal running costs of the Academy Under the funding agreement with the Secretary of State, the academy trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2013 Note 14 discloses whether the limit was exceeded The fund was in deficit at the year end as expenditure on GAG-related activities for 2012 and 2013 has exceeded GAG funding The value of the year end deficit is 1% of total GAG funding received in 2013 and Trustees are hopeful that future GAG funding levels will be sufficient to cover this deficit

The transfer of £860,000 to the Pension Fund is in respect of employer payments made by the Academy to the Pension Fund during the year,

Pupil Premium The pupil premium for 2012-13 is calculated at £600 per eligible pupil The premium is allocated for those students known to be eligible for Free School Meals Academies may use the premium for the purposes intended as they understand best how to raise the attainment of their pupils from low income families Academies are asked to inform parents about how the premium has been spent to benefit these pupils This funding has been spent both on Academic Intervention work with these students and on Family Support work offered to their families

DfE Start up Grant This grant comprises a grant for expenditure on acquiring teaching, learning and other materials

DfE Sports Grant This grant is for revenue costs of sporting activities

Other DfE Grants This Earmarked Annual Grant is for capital purchases Fixed asset purchases of £32,574 have been transferred to the restricted fixed asset fund

DfE Capital Grant and ICT equipment grant. The transfer out of these funds to the Restricted Fixed Asset Fund represents amounts spent on fixed assets out of the fund during the year

Back-pay This income from Northumberland County Council was a contribution towards back-pay made by the Academy during the year

Alternative tuition. The Academy received payments from Northumberland County Council to enable the Academy to fund alternative tuition for students

Educational visits. This grant from the Woodhorn Museum contributed towards the cost of transporting pupils from the Academy to the Museum

Restricted Fixed Asset Fund This fund represents the net book value of fixed assets purchased using government grants, including any assets purchased out of the General Annual Grant

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27. STATEMENT OF FUNDS (continued)

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
General funds	468,335	546,779	(395,815)	-	66,882	686,181
Endowment funds	1,000,000	250,000	-	-	-	1,250,000
Restricted funds	(2,450,114)	15,179,339	(14,919,202)	(177,247)	280,000	(2,087,224)
Restricted fixed asset funds	49,252,666	-	(1,282,452)	177,247	-	48,147,461
	<u>48,270,887</u>	<u>15,976,118</u>	<u>(16,597,469)</u>	<u>-</u>	<u>346,882</u>	<u>47,996,418</u>

28. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2013 £	Restricted funds 2013 £	Restricted fixed asset funds 2013 £	Endowment funds 2013 £	Total funds 2013 £	Total funds 2012 £
Tangible fixed assets	-	-	48,147,461	-	48,147,461	49,252,666
Fixed asset investments	141,498	-	-	1,000,000	1,141,498	796,365
Current assets	758,973	1,913,848	-	250,000	2,922,821	4,100,597
Creditors due within one year	(24,154)	(1,451,072)	-	-	(1,475,226)	(2,805,845)
Creditors due in more than one year	(190,136)	-	-	-	(190,136)	(132,896)
Pension scheme liability	-	(2,550,000)	-	-	(2,550,000)	(2,940,000)
	<u>686,181</u>	<u>(2,087,224)</u>	<u>48,147,461</u>	<u>1,250,000</u>	<u>47,996,418</u>	<u>48,270,887</u>

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29. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £	As restated 2012 £
Net incoming resources before revaluations	(621,570)	49,646,194
Returns on investments and servicing of finance	(34,718)	(24,828)
Investment income and costs not affecting cash flow	(278,032)	(266,155)
Donation in kind of leasehold land and buildings	-	(47,056,240)
Depreciation of tangible fixed assets	1,282,452	652,541
Capital grants from DfE and others	(42,694)	(1,478,949)
Decrease in stocks	1,950	7,999
Decrease in debtors	16,734	310,685
Decrease in creditors	(1,338,876)	(187,397)
Decrease in provisions	-	(240,502)
FRS 17 adjustments	(110,000)	(160,000)
Net cash (outflow)/inflow from operations	(1,124,754)	1,203,348

Restatement of the 2012 comparatives above and in the section below dealing with capital expenditure and financial investment relates to a different treatment of capital grants received towards purchase of fixed assets. These grants are now shown within capital expenditure and financial investment, in line with EFA Accounts Direction guidance.

30. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2013 £	2012 £
Returns on investments and servicing of finance		
Interest received	4,609	7,283
Dividends received	30,109	17,545
Net cash inflow from returns on investments and servicing of finance	34,718	24,828
	2013 £	As restated 2012 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(177,248)	(2,284,612)
Capital grants from DfE	42,694	141,047
Other capital grants	-	1,337,902
Net cash outflow capital expenditure	(134,554)	(805,663)

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30 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2013 £	2012 £
Financing		
Repayment of loans	(13,671)	(5,204)
Other new loans	79,169	152,866
Net cash inflow from financing	<u>65,498</u>	<u>147,662</u>

31. ANALYSIS OF CHANGES IN NET FUNDS

	1 September 2012 £	Cash flow £	Other non-cash changes £	31 August 2013 £
Cash at bank and in hand	3,494,493	(1,159,092)	-	2,335,401
Debt				
Debts due within one year	(14,766)	(8,438)	-	(23,204)
Debts falling due after more than one year	(132,896)	(57,060)	-	(189,956)
Net funds	<u>3,346,831</u>	<u>(1,224,590)</u>	<u>-</u>	<u>2,122,241</u>

32. PENSION COMMITMENTS

The academy'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 Northumberland County Council Both are defined benefit schemes

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

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

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

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32. PENSION COMMITMENTS (continued)

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

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.

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32. PENSION COMMITMENTS (continued)

The key provisions of the reformed scheme include a pension based on career average earnings, an accrual rate of 1/57th, 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.

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 assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £1,050,000, of which employer's contributions totalled £860,000. The agreed contribution rates for future years are 22.2% for employers and 5.5% to 7.5% for employees.

The scheme is in deficit and the Academy has entered into an agreement with the trustees to make additional contributions of £114,000 per annum in addition to normal funding levels, to be reviewed every three years.

The amounts recognised in the Balance sheet are as follows:

	2013 £	2012 £
Present value of funded obligations	(12,110,000)	(10,450,000)
Fair value of scheme assets	9,560,000	7,510,000
Net liability	<u>(2,550,000)</u>	<u>(2,940,000)</u>

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32 PENSION COMMITMENTS (continued)

The amounts recognised in the Statement of financial activities are as follows

	2013 £	2012 £
Interest on obligation	(460,000)	(450,000)
Expected return on scheme assets	480,000	410,000
Current service cost	(700,000)	(580,000)
Past service cost	(70,000)	(10,000)
Total	<u>(750,000)</u>	<u>(630,000)</u>
Actual return on scheme assets	<u>1,020,000</u>	<u>610,000</u>

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

	2013 £	2012 £
Opening defined benefit obligation	10,450,000	8,120,000
Interest cost	460,000	450,000
Contributions by scheme participants	190,000	180,000
Actuarial Losses	260,000	1,130,000
Benefits paid	(20,000)	(20,000)
Current service cost	700,000	580,000
Past service cost	70,000	10,000
Closing defined benefit obligation	<u>12,110,000</u>	<u>10,450,000</u>

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

	2013 £	2012 £
Opening fair value of scheme assets	7,510,000	5,950,000
Expected return on assets	480,000	410,000
Actuarial gains and (losses)	540,000	200,000
Contributions by employer	860,000	790,000
Contributions by employees	190,000	180,000
Benefits paid	(20,000)	(20,000)
	<u>9,560,000</u>	<u>7,510,000</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of financial activities was £(680,000) loss (2012 - £(960,000) loss)

The academy expects to contribute £820,000 to its Defined benefit pension scheme in 2014

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32 PENSION COMMITMENTS (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2013	2012
Equities	68.70 %	68.40 %
Government bonds	14.90 %	13.80 %
Corporate bonds	9.80 %	11.30 %
Cash	1.20 %	0.80 %
Property	4.30 %	5.00 %
Other	1.10 %	0.70 %

Expected return on assets The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS 17. The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class.

	Long-term expected rate of return (% per annum)	
	2013	2012
Equities	7.9	7.5
Property	7.4	7.0
Government bonds	3.4	2.5
Corporate bonds	4.1	3.2
Cash	0.9	1.3
Other	7.9	7.5
Total	6.7	6.3

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

	2013	2012
Discount rate for scheme liabilities	4.50 %	4.20 %
Expected return on scheme assets at 31 August	6.70 %	6.30 %
Rate of increase in salaries	4.70 %	4.70 %
Rate of increase for pensions in payment / inflation	2.80 %	2.20 %
Inflation assumption (CPI)	2.80 %	2.20 %
Commutation of pensions to lump sums (post 31 March 2010 pension)	75.00 %	75.00 %
Inflation assumption (RPI)	3.70 %	3.20 %

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32. PENSION COMMITMENTS (continued)

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

	2013	2012
Retiring today		
Males	22.5	22.4
Females	24.7	24.5
Retiring in 20 years		
Males	24.3	24.2
Females	26.6	26.5

Amounts for the current and previous three periods are as follows

Defined benefit pension schemes

	2013	2012	2011	2010
	£	£	£	£
Defined benefit obligation	(12,110,000)	(10,450,000)	(8,120,000)	(6,440,000)
Scheme assets	9,560,000	7,510,000	5,950,000	4,125,092
Deficit	(2,550,000)	(2,940,000)	(2,170,000)	(2,314,908)
Experience adjustments on scheme liabilities	-	-	-	630,000
Experience adjustments on scheme assets	540,000	200,000	560,000	90,000

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.

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33. OPERATING LEASE COMMITMENTS

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

	Land and buildings			Other
	2013	2012	2013	2012
	£	£	£	£
Expiry date:				
Within 1 year	-	-	6,825	8,229
Between 2 and 5 years	-	-	35,840	35,646
After more than 5 years	5,000	5,000	-	2,406

In addition to these lease commitments, the charitable company occupies buildings owned by Northumberland County Council under a 125 year lease and a piece of land also owned by the Council under a 5 year lease, all at a peppercorn rent

34. RELATED PARTY TRANSACTIONS

The Academy is a related party of The Duke of Northumberland's Charity, an Academy Sponsor from which two Academy Governors have been appointed. During the year, the Academy received a loan from The Duke of Northumberland's Charity of £79,169 (2012 £152,866). The Academy made repayments against these loans of £13,671 (2012 £5,204). Further details of the loan are provided in note 26. The total amount owing to The Duke of Northumberland's Charity at the year end was £213,160 (2012 £147,662). Donations income of £125,000 (2012 £125,000) to the Academy's Endowment Trust was receivable from this Charity in the year ended 31 August 2013, under an agreement set up on the formation of the Academy. At the year end, the Charity owed £125,000 to the Endowment Trust, (2012 £125,000).

The Academy is a related party of the Newcastle Diocesan Education Board, an Academy Sponsor from which two Academy Governors have been appointed. Donations income of £125,000 (2012 £125,000) to the Academy's Endowment Trust was receivable from the Board in the year ended 31 August 2013, under the agreement set up on the formation of the Academy. At the year end, the Board owed £125,000 to the Endowment Trust (2012 £125,000).

35. CONTROLLING PARTY

The Trustees are considered to be the ultimate controlling party of the Academy

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36. AGGREGATED FUND

The Academy is the sole Trustee of the Northumberland Church of England Academy Endowment Trust, a registered charity (number 1136497). This charity was set up to hold the donations from the Academy's two sponsors, the Newcastle Diocesan Education Board and the Duke of Northumberland's Charity. The purpose of the Trust is to invest the sponsors' donations and apply the income towards the objects of the Academy. The results of the Trust for the year and its position at the year end were as follows -

	2013 £	2012 £
Donations from sponsors	250,000	250,000
Investment income receivable	30,403	17,676
Investment costs	(2,152)	(677)
Gains / (losses) on investments	66,882	24,975
	<u>345,133</u>	<u>291,974</u>
	2013 £	2012 £
Investments and cash held	1,141,498	796,365
Debtors - donations receivable	250,000	250,000
Other debtors	5,844	5,844
	<u>1,397,342</u>	<u>1,052,209</u>
Total		