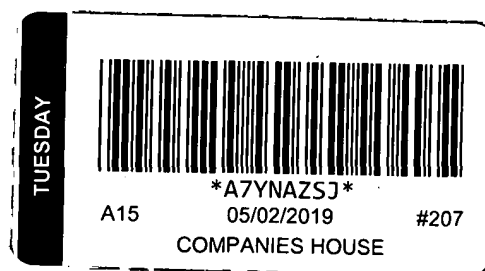


Company Registration Number: (07189647)

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018



NORTHERN EDUCATION TRUST
(A company limited by guarantee)

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NORTHERN EDUCATION TRUST**(A company limited by guarantee)**

**REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018**

Members	L H Walton C Roberts M Sanders
Trustees	L H Walton, Chairman C Roberts M Sanders ² P Callaghan (resigned 13 December 2017) ² S Duncan ¹ J Copping ² T Grieveson ¹ J Foster J Nolan ² R Tarn, Chief Executive (appointed 1 September 2017) A Hodgson (appointed 1 June 2018) ¹ members of the Achievement and Climate Committee ² members of Audit and Risk Committee
Non Executive Trustees	
H Armstrong (resigned 26th September 2017)	
Company registered number	07189647
Company name	Northern Education Trust
Principal and Registered Office	Cobalt Business Exchange Cobalt Park Way Wallsend Newcastle Upon Tyne NE28 9NZ
Company Secretary	A A Thom (resigned 28 January 2018) C Hopkins (appointed 29 January 2018)
Accounting Officer	R Tarn (appointed 1 September 2017)
Trust Corporate - Senior Management Team	R Tarn, Chief Executive Officer and Accounting Officer J Wilson, Deputy Chief Executive Officer G Edmunds, Chief Operating and Financial Officer J Telford, Director of Human Resources and Communications D Brown, Director of Governance, Standards & Safeguarding M Lairini, Director of Executive Services P Carr, Director of Curriculum A Jordon, Executive Principal J Nolan, Executive Principal M Robson, Executive Principal N Gibb, Executive Principal D Murphy, Executive Principal
Independent auditor	RSM UK AUDIT LLP, Statutory Auditor Chartered Accountants Central Square, 5th Floor, 29 Wellington Street Leeds LS1 4DL

NORTHERN EDUCATION TRUST
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS TRUSTEES AND
ADVISERS**
FOR THE YEAR ENDED 31 AUGUST 2018

Advisers (continued)

Bankers	Barclays Bank Teesdale Business Park Stockton on Tees TS17 6YG
Solicitors	Ward Hadaway 102 Quayside Newcastle Upon Tyne NE1 3DX

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

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2018. The Annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

Northern Education Trust

Northern Education Trust (the "Academy Trust") was formed in 2012. In six years it has grown from a single academy to ten primary academies and ten secondary academies which are located in three hub areas:

1. North East England conurbations of Tyne-Wear and Tees Valley
2. Yorkshire conurbations of the Aire-Calder-Deane Valleys
3. Bolton-Manchester conurbation

The trust has a pupil capacity of 14,625 and 11,661 students attending its primary and secondary academies.

Northern Education Trust (NET) introduced in 2017/18 a new vision, values and shortened tag-line of "Outcomes Focused, Child Centred." Over the last academic year, NET has implemented the NORTHERN model of school improvement (detailed on page 7) and now has the capacity, skill and expertise to plan and deliver rapid school improvement in even the most challenging of contexts. Inclusivity is embedded in the NORTHERN model with mechanisms to support the most vulnerable child to succeed and overcome barriers to learning. The impact of the new vision and developments in school improvement is evidenced in the 2018 results across both Primary and Secondary phases.

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee (incorporated in March 2010) and an exempt charity. The charitable company's memorandum and articles of association (7 September 2016) are the primary governing documents of the Academy Trust. The Trustees of Northern Education Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as Northern Education Trust.

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

Members' Liability

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

Trustee Indemnities

Subject to the provision of the Companies Act 2006, every Trustee and Officer is indemnified against any liability incurred by them in their capacity in defending any proceedings whether civil or criminal, in which judgement is given in favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of Northern Education Trust. The insurance purchased for the Trust provides cover up to £5 million on an annual aggregate limit basis.

Method of Recruitment and Appointment or Election of Trustees

The types of Trustees and their recruitment, term and appointment is set out within the Articles of Association and Scheme of Delegation. The members of the Trust shall comprise of;

1. L H Walton
2. C Roberts
3. M Sanders
4. the chair of the Trustees; and
5. any person appointed under Article 16.

The Members may appoint up to eleven Trustees through such process as they may determine. The total number of Trustees including the Chief Executive Officer who are employees of the Trust shall not exceed one third of the total number of Trustees.

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

Policies and Procedures Adopted for the Induction and Training of Trustees

The training and induction provided for new Trustees depends on their existing skills, knowledge and experience. Where necessary, induction will provide training on charity, educational, governance, HR, legal and financial matters. All new Trustees will be offered a tour of the Trust's academies and the chance to meet students, staff and Local Governors. All Trustees are provided with a Trust induction and copies of policies, procedures, latest minutes, financial statements and other documents they require to undertake their role effectively as Trustees.

Organisational Structure

The governance structure of the Trust is on two levels: the Trust Board then its subcommittees and Local Academy Councils. The Trust Board is responsible for the strategic decision making of the Trust. The Trust Board of Directors is responsible for ensuring that high standards of corporate governance are maintained. It exercises its powers and functions by addressing such matters as policy and strategy development, adopting an annual plan and budget, monitoring the Trust by the use of budgets and making major decisions about the direction of the Trust and senior staff appointments.

The Trust Board's responsibilities are:

1. To provide strategic direction for the Trust including the addition of further new Academies.
2. To provide strategic vision and support for school improvement across the Trust.
3. To monitor the effectiveness of the Academy Trust's support arrangements and to ensure that the Academies are satisfied with the support and that they are getting value for money.
4. To appoint and performance manage Academy Principals, Local Governing Bodies and Interim Executive Boards.
5. To ensure financial accountability to the Department for Education and within the Academies is secure.

Arrangements for setting pay and remuneration of key management personnel

The Trust has determined its key management personnel as the members of the Trust Executive Team led by its Chief Executive. The Trust Executive Team have authority and responsibility for (directly or indirectly) planning, directing and controlling the activities of the Academy Trust. The members of this Team are shown below;

- R Tarn Chief Executive Officer and Accounting Officer
- J Wilson Deputy Chief Executive Officer
- G Edmunds Chief Operating and Financial Officer
- J Telford Director of HR and Communications

Remuneration of key management personnel is considered by the Trusts Corporate Coordination Group (CCG) and approved by the Trust Board. The Board delegates to CCG items of strategic importance which overlap between the Trusts Achievement and Climate Committee and the Audit and Risk Committee as to ensure an aligned view is taken prior to final consideration and sign off by the Board. Trustees may delegate some matters in relation to remuneration to the Chief Executive.

On 16/12/2015, external advice was sought by Trustees and commissioned to Cadence Partners. This was considered by CCG. Independent benchmarking of 25 MATs (10 similar in size and/or complexity to NET) was undertaken and the assessment of the independent company showed that the salaries of senior posts in NET were below the average of other MATs for the size and complexity of the organisation.

Salary benchmarking of the audited financial statements of 16/17 has taken place of the Northern Alliance of MATs (7 Trusts) and nationally (10 Trusts). This exercise was reported to the Audit and Risk Committee and the Trust Board and showed the average cost per employee and the highest paid and second highest paid employee of each MAT. On the assumption that the highest paid employee is the CEO, and the second highest is a Deputy or Chief Operating Officer, the benchmarking showed that NET was within the average salary parameters for both posts and lower than the national benchmarking parameters.

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

Trade Union Facility Time

Under the provision of the Trade Union (Facility Time Publication Requirements) Regulations 2017 the Trust is required to publish the information included in schedule 2 of the Regulations, which consists of four tables and must disclose this in the Trustees report.

Relevant union officials

Number of employees who were relevant union officials during the year	5
Full-time equivalent employee number	5

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1%-50%	4
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

	£000	
Total cost of facility time	33	
Total pay bill	52,190	
Percentage of total pay bill spent on facility time	0.06	%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	2.43	%
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Related Parties and other Connected Charities and Organisations

NET was formed in June 2012 and sponsored by Northern Education Associates (NEA). The Trust is responsible and accountable for the performance of its academies and has a funding agreement with the Education & Skills Funding Agency with further supplemental funding agreements for each Academy it then sponsors. With effect from the 31st August 2014 there have been no related party transactions between NET and NEA.

Objects and Aims

The primary objective and activity of the Trust is;

1. to advance for the public benefit education in the United Kingdom, in particular, but without prejudice, to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum or educational institutions which are principally concerned with providing full-time or part-time education for children of compulsory school age
2. to promote for the benefit of the inhabitants of the communities served by the Academies and the surrounding areas the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the objects of improving the condition of life of the said inhabitants.

NORTHERN EDUCATION TRUST

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

Northern Education Trust introduced in 2017/18 a new vision and shortened tag-line of;

"We constantly focus on standards as we understand outcomes are paramount. Our decision making is driven entirely by what is best for children. By doing this we enhance the life chances of the children and young people in our care"

Outcomes Focused, Child Centred.

The 10 values which underpin our vision

1. We care passionately about the education and welfare of young people.
2. We believe that all young people, irrespective of background or ability will be successful in our Trust.
3. We are not and will never be selective. We believe that local schools are for local children.
4. We are always inclusive. Our mechanisms to support the most vulnerable child to succeed and overcome barriers to learning are a key aspect of our work.
5. Our approach to education recognises that outcomes are paramount and also allows children to gain experiences and values which prepare them fully for life in modern Britain. This includes workplace skills and appropriate advice for future progression.
6. We have high expectations of behaviour.
7. We adopt the local authority admissions protocol and work closely with them.
8. We would always wish to act in such a way that has a positive effect on a neighbouring school or community. We care passionately about children in all schools, not just our own.
9. That all employees act with integrity and embrace the value that 'we are the Trust.'
10. We work regionally and nationally to develop approaches to MAT improvement that influence the wider school-led system.

The Trust has an ambition to move towards being a 'world class' organisation and by this we wish to:

1. Outperform ourselves every year, not only in terms of examination results but in every service we offer.
2. Commit ourselves to continuously improving towards excellence.
3. Delight students and parents who will be life-long champions for our Trust.
4. Work in collaboration with key stakeholders including the DfE, Local Government, businesses, Further and Higher Education and colleagues in schools outside our Trust, all of whom will be advocates for our Trust.
5. Be innovative and develop new ways to improve the lives of our students and colleagues.
6. Have outstanding leaders within our Trust who create more leaders.
7. Have everyone feel that they 'own' the organisation, whether it be a student or a colleague.
8. Ensure that our operations are flawless, including our planning systems so that scarce resources can be managed effectively.
9. Ensure communications and feedback are transparent, easily understood and supportive to help everyone reach their full potential.

Objectives, Strategies and Activities

Northern Education Trust (NET) is a Company Limited by Guarantee (Exempt Charity) created under the provisions of the Academies Act 2010, as amended by the Education Act 2011. Its structure of governance is constituted under the articles of association. NET is an exempt charity by virtue of the Charities Act 2011.

The funding agreement between the Education Funding Skills Agency (ESFA) and NET sets out the terms and conditions on which grant is made. The Trust Board is responsible for ensuring that conditions of grant are met. As part of this process the Trust is required to have in place sound financial systems and controls. These financial regulations form part of this overall system of accountability.

In 2017 the Trust appointed a new Chief Executive who outlined the transition needed to be a high-performing MAT;

1. A vision that is difficult to argue with, modelled and shared at every opportunity.
2. An unrelenting focus on standards.
3. A model of school improvement, shared consistently (80/20).
4. A scheme of delegation that places responsibility with accountability.
5. A curriculum that provides the best opportunities for our children whilst at the same time controlling finance and outcome.
6. Constantly talent spot, invest in professional development and build capacity in advance of need – scaling up without compromising quality.
7. A committed and talented top team who have expertise and credibility.
8. A group of subject specialist directors who are practitioners and are equally accountable for results – deployed by the Executive.

All academies in Northern Education Trust work closely with each other as a "family of schools". The strength of the Trust comes from each academy individually and collectively to form a trust with one single vision and shared set of values. Together the Trust works continuously to ensure that all young people, irrespective of need and starting point, receive an excellent education and wider opportunities.

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

The Trust recognises the needs of all its pupils and students and its decision making is driven entirely by what is best for children. By doing this we enhance the life chances of the children and young people in our care. Meeting the needs of our most vulnerable and challenging children is a priority in all academies with close relationships with parents/carers developed and maintained as to raise attainment, resilience and high standards of behaviour. The table below shows the headline data for pupils / students;

Primary Academy	NOR	Girls %	Boys %	Free School Meals %	Minority Ethnic Groups %	English as an Additional Language %	SEN Support %	SEN EHC %	School Deprivation Indicator
Abbey Park Primary Academy	214	57.1%	42.9%	50.0%	9.4%	2.4%	6.1%	2.4%	0.331
Frederick Nattrass Primary Academy	258	44.7%	55.3%	65.4%	8.9%	3.9%	24.5%	3.5%	0.367
Hilton Primary Academy	467	50.2%	49.8%	61.6%	22.5%	18.2%	18.4%	1.4%	0.368
Merlin Top Primary Academy	346	45.8%	54.2%	62.7%	26.8%	18.7%	23.6%	2.0%	0.375
Mount Pellon Primary Academy	463	49.4%	50.6%	33.6%	95.7%	71.5%	24.7%	0.2%	0.353
Norton Primary Academy	392	47.0%	53.0%	48.3%	5.7%	0.0%	14.4%	0.5%	0.323
Ryecroft Primary Academy	304	47.3%	52.7%	55.1%	22.3%	15.9%	22.0%	1.0%	0.449
Southmere Primary Academy	392	48.2%	51.8%	48.7%	84.7%	66.8%	17.6%	2.3%	0.373
The Ferns Primary Academy	428	50.3%	49.7%	61.6%	10.8%	6.2%	16.8%	0.8%	0.498
The Oak Tree Primary Academy	385	45.0%	55.0%	42.5%	33.6%	29.3%	14.1%	0.5%	0.349
THE TRUST	3,649	48.3%	51.7%	52.0%	35.6%	26.3%	18.5%	1.3%	0.378

Secondary Academies	NoR	Girls %	Boys %	Free School Meals %	Minority Ethnic Groups %	English as an Additional Language %	SEN Support %	SEN EHC %	School Deprivation Indicator
Blyth Academy	787	50.4%	49.6%	18.0%	2.2%	1.0%	5.8%	0.8%	0.326
Dyke House Academy	1245	53.2%	46.8%	28.6%	4.7%	3.1%	8.0%	1.0%	0.354
Grangefield Academy	631	47.5%	52.5%	35.2%	19.0%	11.3%	17.7%	1.4%	0.346
Kearsley Academy	580	47.4%	52.6%	22.1%	7.1%	4.3%	11.6%	2.4%	0.271
Kirk Balk Academy	1130	47.9%	52.1%	13.4%	3.7%	0.9%	7.1%	1.8%	0.239
Manor Academy	1104	49.3%	50.7%	31.4%	2.0%	0.6%	20.0%	2.8%	0.323
North Shore Academy	671	52.5%	47.5%	39.0%	7.3%	3.3%	11.9%	1.0%	0.381
Redhouse Academy	506	50.2%	49.8%	40.5%	3.6%	1.0%	15.0%	0.8%	0.428
Thomas Hepburn Academy	405	46.7%	53.3%	41.2%	11.4%	9.4%	12.1%	1.7%	0.376
Thorp Academy	953	49.0%	51.0%	10.5%	4.8%	1.2%	12.7%	2.1%	0.175
THE TRUST	8,012	49.7%	50.3%	27.0%	5.9%	3.0%	12.2%	1.7%	0.31

The Trust has developed and implemented through the Scheme of Delegation a number of consistent models, systems and processes to provide a culture that is both tight and deep in terms of how academies and senior leaders operate throughout the Trust. Trustees recognise the actions that have been taken which include in summary:

- Implementation of the NORTHERN Model of school improvement
 - No exceptions and no excuses (80/20 structure in terms of compliance and aspiration)
 - Outstanding leadership with integrity focused on outcomes, vision and values
 - Relentless focus on standards
 - Teaching and learning delivered and sustained to a high level in the classroom
 - High expectations in behaviour and staff performance
 - Enrichment in curriculum and beyond
 - Recruitment, Retention and Staff Development
 - Network development and system leadership
- Adoption of a new scheme of delegation and associated terms of reference for Local Academy Councils
- Implementation of a new curriculum across all secondaries moving to a bonus of 8% and 0.79 contact ratio
- Trustees pump priming school improvement allowing for an increase in the number of Directors of Subject and other areas of school improvement, for example;
 - Re-timetabled all ten secondary schools
 - Introduced a common assessment and reporting system in all 20 schools (RAG / STEPs)
 - Created a Vulnerable Students Register in all secondaries linked to weekly inclusion meetings
 - Moved to common exam boards for all Ebacc subjects
 - Option Maths and English and 1:1 tutors in each secondary

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

- 4xi model in all 20 schools (information gather, identify the issue, intervene systematically, measure impact) – half-termly
- Introduced a behaviour system and collaborative learning structures in 10 schools
- Established Secondary Senior Directors and Directors of Subject (i.e. English, Maths, MFL and Science) and Directors of Primary Learning.

Public Benefit

The Trustees confirm that they have referred to the guidance contained in the Charity Commissions general guidance on public benefit when reviewing the charitable company's objectives and aims and in planning future activities for the year. The Trustees consider that the charitable company's aims are demonstrably to the public benefit.

Strategic Report

Achievements and Performance

Trustees at the Board meeting on the 5th October received the summer 2018 primary and secondary results for all 20 academies across the Trust.

Abbey Park Primary Academy

The academy joined Northern Education Trust in 2013. In June 2017, an Ofsted inspection took place and the judgement was that the academy (previously judged as requires improvement) was now judged with overall effectiveness as good. The 2018 key stage 2 (KS2) progress results in maths and reading were +1.8 and +1.2.

The Blyth Academy

The academy joined Northern Education Trust in 2013. The 2018 key stage 4 (KS4) results improved with 4+ combined results increasing from 32% to 49% (+17%) and 5+ from 18% to 31% (+13%). In July 2018, the Ofsted inspection acknowledged this progress and noted whilst further improvement was required "leaders have secured much greater success. A sustained focus on teaching and learning is having a significant impact upon the learning culture of the school."

Dyke House Sports and Technology College

The academy joined Northern Education Trust in 2013. In October 2015, an Ofsted inspection took place and the judgement was that overall effectiveness was good (with outstanding personal development, behaviour and welfare). The academy continues to perform well with KS4 maths and english combined 4+ and 5+ results of 65% and 41%.

The Ferns Primary Academy

The academy joined Northern Education Trust in 2012. In June 2016, an Ofsted inspection took place and the judgement was that overall effectiveness was good (with outstanding personal development, behaviour and welfare). The academy continues to perform highly with 2018 KS2 progress results in maths and writing being +2.8 and +2.9.

Frederick Nattrass Primary Academy

The academy joined Northern Education Trust in 2013. In May 2016, an Ofsted inspection took place and the judgement was that overall effectiveness was good. The academy continues to perform highly with 2018 KS2 progress results in maths and reading being +4.1 and +3.2.

The Grangefield Academy

The academy joined Northern Education Trust in 2014. In December 2016, an Ofsted inspection took place and the judgement was that overall effectiveness was good. The academy continues to perform highly with a KS4 progress 8 score of +0.56. The 2018 KS4 results improved with 4+ combined results increasing from 61% to 76% (+15%) and 5+ from 35% to 60% (+25%).

Hilton Primary Academy

The academy joined Northern Education Trust in 2012. In June 2018, an Ofsted inspection took place and the judgement was that overall effectiveness was outstanding. The academy continues to perform with KS2 progress results in writing being +2.2.

Kearsley Academy

The academy joined Northern Education Trust in 2012. In May 2015, an Ofsted inspection took place and the judgement was that overall effectiveness was good. The 2018 KS4 results improved with 4+ combined results increasing from 42% to 64% (+22%) and 5+ from 29% to 48% (+19%).

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

Kirk Balk Academy

The academy joined Northern Education Trust in 2015. The 2018 KS4 results improved with 4+ combined results increasing from 64% to 73% (+9%) and 5+ from 43% to 56% (+13%). These 2018 results made Kirk Balk the most improved school in Barnsley Local Authority. The September 2017 Ofsted inspection acknowledged this progress and noted whilst further improvement was required "the executive principal and the head of academy have an unwavering focus on improving the school further. The impact of leadership is most notable in pupils' positive attitudes towards learning and the calm and purposeful atmosphere around school. The curriculum is broad and balanced and pupils have access to a wide range of extra-curricular activities."

Manor Academy

The academy joined Northern Education Trust in 2015. The 2018 KS4 exam combined results at 4+ and 5+ were 53% and 31% respectively. The February 2018 Ofsted results noted that "the school, as part of NET, now benefits from high-quality leadership driving school improvement. This is playing a pivotal and important role in raising pupils' achievement. Through the partnership with the trust, leaders have a more accurate view of pupils' progress. In some subjects, such as English and mathematics, this support is clearly now paying dividends; achievement in these subjects is improving."

Merlin Top Primary Academy

The academy joined Northern Education Trust in 2013. The academy performed highly in 2018 with KS2 progress results in reading and maths of +3.5 and +3.9. The November 2016 Ofsted inspection acknowledged that whilst work continues in school improvement "the principal is determined to improve outcomes for all pupils and is successfully strengthening the quality of teaching, learning and assessment across the school. Leaders' accurate evaluation of their work is ensuring that the right priorities for improvement are set and are driving improvement effectively."

Mount Pellon Primary Academy

The academy joined Northern Education Trust in 2013. The academy in 2018 performed well in maths with the KS2 progress result of +3.0. In April 2017 Ofsted noted "the trustees from Northern Education Trust have effectively secured the impact and stability of leadership by providing well-targeted support for you, your staff and other leaders. This has ensured a sustained momentum of improvement."

North Shore Academy

The academy joined Northern Education Trust in 2012. In October 2018, an Ofsted inspection took place and noted "this school is improving swiftly. The executive principal's and principal's appointments in September 2017 and 2018 respectively, in addition to a capable senior leadership team soon after, acted as a catalyst for significant school improvement. School leaders and leaders from Northern Education Trust lead effective training for teachers that is well matched to the areas for improvement identified in the previous inspection report." The 2018 KS4 combined 4+ result rose by 5%, recording the highest result in the school's history.

Norton Primary Academy

The academy joined Northern Education Trust in 2014. In November 2016, an Ofsted inspection took place and noted that "the principal has established a varied, creative curriculum. Leadership and teaching in the early years are growing strengths of the school. Nursery children, in particular, make good progress from their starting points. Strengths in teaching in upper key stage 2 mean older pupils make more rapid progress. In 2016 pupils' progress was broadly in line with the national average across subjects." The academy continues to perform with 2018 KS2 progress results in writing and maths being +2.5 and +2.4.

The Oak Tree Academy

The academy joined Northern Education Trust in 2013. In May 2017, an Ofsted inspection took place and noted that "the executive principal, together with the assistant principal and head of school, leads with clarity and purpose. Senior leaders have a tenacious drive to improve the school and are doing so effectively overall. Governors and the multi-academy trust are ambitious for the school; they provide strong support and challenge to school leaders." The academy continues to perform highly with 2018 KS2 progress results in reading, writing and maths being +2.6, +3.2 and +2.0.

Red House Academy

The academy joined Northern Education Trust in 2014. In October 2018, an Ofsted inspection took place and noted "together with the trust, you have taken firm action to address the areas of particular weakness identified at the previous inspection. As the result of planned, targeted support and challenge, there are signs that the quality of leadership is improving, and that the standard of teaching and learning is also beginning to rise." The 2018 KS4 results improved with 4+ combined results increasing from 33% to 45% (+12%) and 5+ 2% higher than the previous year.

Ryecroft Primary Academy

The academy joined Northern Education Trust in 2012. The January 2018 Ofsted monitoring visit noted "that leadership has improved since the last inspection. The principal has hit the ground running, making rapid and positive changes and getting to know parents. Her hard work, commitment, dedication and fortitude have re-energised the school. The principal, with her team, has devised an ambitious

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

plan of action with which leaders are keeping pace. The Northern Education Trust has successfully secured a stronger leadership team.”

Southmere Primary Academy

The academy joined Northern Education Trust in 2014. The June 2018 Ofsted monitoring inspection noted that “leaders and managers are taking effective action towards the removal of special measures.” The Trust, with the Department for Education and other local sponsor (providing support under a NLE agreement) are progressing the re-brokering of the academy. The Trusts decision to re-broker the academy focuses on the needs and outcomes of children from the capacity and school improvement offered by the new sponsor.

Thomas Hepburn Community Academy

The academy joined Northern Education Trust in 2013. In May 2017, Ofsted noted that “Northern Education Trust continues to provide considerable financial support and resource to support the school’s work and has secure arrangements in place to monitor and evaluate the school’s progress.” The 2018 KS4 results improved with 4+ combined results increasing from 32% to 53% (+21%) and 5+ from 21% to 42% (+21%). These 2018 results made Thomas Hepburn the most improved school in Gateshead Local Authority in both measures.

Thorp Academy

The academy joined Northern Education Trust in 2014. In January 2018, Ofsted noted that “leaders are improving the quality of education at the school. Since January 2017, the executive principal and principal began to make changes and, following the appointment of the new chief executive officer to the trust.” The 2018 KS4 results improved with 4+ combined results increasing from 61% to 71% (+10%) and 5+ from 38% to 53% (+15%). These 2018 results made Thorp Academy the second most improved school in Gateshead Local Authority (second to Thomas Hepburn above).

Key Performance Indicators

Academy Performance

The summary examination results for 2017/18 academic year are shown below for both primary and secondary academies;

Primary Academy	Reading			Writing			Maths			RW&M Combined		
	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16
Abbey Park Primary Academy	83%	67%	46%	73%	67%	57%	93%	76%	50%	73%	62%	32%
Frederick Nattrass Primary Academy	85%	92%	29%	78%	73%	75%	85%	77%	57%	78%	73%	29%
Hilton Primary Academy	46%	67%	35%	73%	80%	67%	71%	72%	56%	44%	59%	26%
Merlin Top Primary Academy	73%	53%	40%	71%	65%	67%	76%	63%	62%	67%	47%	36%
Mount Pellon Primary Academy	66%	51%	29%	65%	49%	42%	72%	58%	38%	54%	39%	22%
Norton Primary Academy	84%	60%	62%	86%	74%	74%	86%	66%	74%	81%	55%	56%
Ryecroft Primary Academy	48%	56%	37%	64%	67%	77%	56%	67%	37%	44%	48%	20%
Southmere Primary Academy	54%	47%	52%	65%	59%	76%	58%	54%	69%	47%	44%	52%
The Ferns Primary Academy	77%	62%	82%	88%	80%	87%	82%	76%	89%	70%	56%	73%
The Oak Tree Primary Academy	81%	66%	38%	81%	75%	75%	76%	72%	53%	76%	60%	25%

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Secondary Academy	English & Maths C+/4+			English & Maths 5+		
	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16
Blyth Academy	49%	32%	39%	31%	18%	n/a
Dyke House Academy	65%	69%	43%	41%	42%	n/a
Grangefield Academy	76%	61%	58%	60%	35%	n/a
Kearsley Academy	64%	42%	32%	48%	29%	n/a
Kirk Balk Academy	73%	64%	59%	56%	43%	n/a
Manor Academy	53%	52%	49%	31%	32%	n/a
North Shore Academy	55%	50%	26%	33%	30%	n/a
Redhouse Academy	45%	33%	37%	23%	21%	n/a
Thomas Hepburn Academy	53%	33%	31%	42%	21%	n/a
Thorp Academy	71%	61%	66%	53%	38%	n/a

Student Attendance Numbers

The student attendance at primary and secondary academies is shown below (with previous years shown for comparative purposes).

Primary Academy	% Attendance			Unauthorised Absence		
	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16
Abbey Park Primary Academy	95.2%	96.0%	95.6%	1.0%	0.6%	0.8%
Frederick Natrass Primary Academy	94.5%	95.1%	95.5%	2.8%	2.5%	2.4%
Hilton Primary Academy	93.3%	93.8%	93.6%	3.2%	3.3%	2.5%
Merlin Top Primary Academy	95.9%	95.1%	94.8%	1.2%	1.4%	1.9%
Mount Pellon Primary Academy	96.0%	95.7%	96.1%	2.5%	2.9%	1.9%
Norton Primary Academy	95.4%	95.5%	95.4%	2.2%	2.2%	2.2%
Ryecroft Primary Academy	94.3%	93.9%	93.0%	2.4%	2.7%	3.6%
Southmere Primary Academy	93.3%	93.9%	94.6%	3.6%	2.8%	2.3%
The Ferns Primary Academy	91.1%	94.5%	94.6%	2.3%	1.9%	2.2%
The Oak Tree Primary Academy	95.3%	94.8%	94.7%	2.2%	2.6%	2.1%

Secondary Academy	% Attendance			Unauthorised Absence		
	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16
Blyth Academy	88.6%	93.7%	93.8%	3.7%	1.6%	1.8%
Dyke House Academy	91.0%	94.0%	94.8%	3.4%	2.4%	2.1%
Grangefield Academy	94.8%	94.6%	94.6%	3.0%	2.1%	2.4%
Kearsley Academy	94.0%	93.3%	93.0%	2.1%	2.6%	2.5%
Kirk Balk Academy	95.5%	94.6%	94.2%	3.5%	4.2%	3.8%
Manor Academy	90.5%	92.8%	93.3%	3.3%	2.0%	2.1%
North Shore Academy	89.7%	91.6%	91.4%	4.9%	3.5%	3.9%
Redhouse Academy	85.6%	92.7%	93.7%	8.1%	2.5%	2.7%
Thomas Hepburn Academy	91.9%	89.5%	92.5%	6.2%	3.7%	2.7%
Thorp Academy	95.0%	95.0%	95.1%	1.4%	1.6%	1.8%

Going Concern

After making appropriate enquiries, the Board of Trustees 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 Accounting Policies.

Financial Review

The Trust's accounting period is from September 2017 to August 2018.

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

Academies also receive grants for their major assets from the ESFA and via the Local Authorities. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of

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Financial Activities (SOFA) 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 2018, total expenditure of £84,622k (2017: £80,159K) was met by recurrent grant funding from the ESFA, other incoming resources and funding carried forward from the previous year. The deficit of income over expenditure for the year was £11,670k. This deficit, along with net gains on investments of £245k and actuarial gains on defined benefit pension schemes of £5,789k, added to prior year reserves of £131,506k provides overall cumulative reserves for the year ended 31 August 2018 of £125,871k.

The Trust announced, during the year, the closure of Thomas Hepburn Community Academy. The academy will close with effect from 31 August 2019. As the land and buildings from which the academy operates will have no value to NET at this date, an impairment of £5,876k has been included with the Statement of Financial Activities. This ensures that the carrying value of the land and buildings at Thomas Hepburn Community Academy held in the balance sheet at 31 August 2018 reflects the value to NET at that time.

At 31 August 2018 the net book value of tangible fixed assets was £133,302k (2017: £141,740k) and movements in Tangible Fixed Assets are shown in note 14 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the academies within the trust.

During the year ended 31 August 2018, the Trust withdrew its investment of £4,899k from Openwork. The initial investment was £4,498k. The withdrawal was made as the Trust is now considering a different approach to investments. Trustees will make a decision in the new year as to how this will be done.

Expenditure in the year has supported the key objectives of the Trust, with budgets being set in line with operational requirements that supported these. In the course of the year the academies have continued to refine the staffing structures required to deliver their objectives within the funding available.

The Trust also enhanced its central team function by increasing resources in school improvement from;

1. The appointment of secondary and primary directors of subjects and learning
2. A trust wide ICT restructure ensuring the structures are fit for purpose, internal controls are enhanced, the trust ICT strategy is implemented and savings are generated for further school improvement.

The Trust has also continued to recruit and invest in areas of Estates Management, Communications, Compliance and Business Managers, creating a number of new roles to further support school improvement.

During the forthcoming financial year, the Trust will continue to invest in systems and intends to introduce a new procurement system, E-Delta. This will further strengthen controls and help to reduce costs.

Reserves Policy

The level of reserves to be held by individual academies and then as a Trust overall has been considered using both Trustee knowledge and experience coupled with best practice from CIPFA Treasury Management (in public services) and NPC Charity Financial Analysis.

The Trust policy has been prepared to help satisfy five main purposes;

1. To support Trustees in their statutory responsibilities and to manage effectively public funds in the provision of managing NET and delivering its objectives and priorities.
2. To emphasise the overriding importance of effective risk management as the foundation for ensuring organisational going concern. The main risks being managed at present relate to funding adjustments, declining student numbers, excessive increases in student numbers, proposed changes in funding and operational activities both internally and externally.
3. To provide transparency in decision making including providing clarity over the use of banking services and financial instruments that NET may plan to use for the prudent management/investment.
4. To encourage the pursuit of value for money and to promote the reasoned use, development and appreciation of resources to improve school improvement.
5. To assist those involved in the regulation and review of finance in the public services, particularly those charged with audit and governance.

Types of Reserves

Trust balances can be for "restricted" or "unrestricted" purposes depending on the source of the funding:

Unrestricted

Unrestricted reserves can be defined as income funds from grants or donations that can be spent at the discretion of Trustees.

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Restricted

Restricted reserves are mainly derived from government funded grants, through the ESFA, but may also include other grants or donations provided for a specific purpose. Restricted reserves must be used in accordance with the limitations outlined in the original funding agreement.

Key Principles

The key principles that underpin the Trust's approach to reserve management are:

- Budget setting, the principles are in line with those outlined in the Trust policy under "Budget Preparation"
 - o Academy Principals should ensure the Medium Term Financial Plan (MTFP) supports fully Trust Financial Regulations, is shared with their Leadership Team members and presented to the Academy Council for their consideration (but not approval as this is undertaken by the Trust).
 - o The Academy MTFP drafted by the Principal and submitted to the COFO will then be presented to CCG and ARC who will review academy budgets and either make recommendations or give approval for the current year's budget and the indicative following years.
- All reserves are Trust reserves
- The Trust's general reserve balance may be comprised of restricted or unrestricted reserves
- The Trust's reserves balance should only decrease due to capital investment and/or other organisational needs which shall at all times be approved by Trustees

Trust general reserves balance

Academies are to build reserves over the medium-term equivalent to two twelfths of the gross expenditure (i.e. two months revenue spending). This is in line with current ESFA thinking around prudence in relation to budgeting and best practice guidance. The current reserves target was based on 2014/15 gross expenditure and the target should be achieved over the medium term and/or at Trustees discretion. This may be updated as the MTFP is prepared each year but Trustees reserve the right to amend the policy in the interests of the Trust or specific academies.

Individual academy balances

For the purposes of monitoring, records of individual academy balances will be kept, however, at the year-end, any academy balances being carried forward will be considered as part of the policies and guidance in relation to reserves and budget setting. All funds remain that of the Trust and will be consolidated into the annual Financial Statements. However, individual academy reserve balances of £15,000 will be reported in the annual financial statements.

Each academy will report a £15,000 surplus, with any other surplus or deficit identified in the annual financial statements being consolidated into the Central Team reserves. The Trust's general reserves balance may be comprised of restricted or unrestricted reserves. Any balance in relation to restricted funding being consolidated into reserves will be reported to Trustees in a separate report.

Academies leaving or joining the Trust

Should any academy not be part of the Trust in future periods the level of reserves and cash transferred with that academy will be equivalent to that which is shown in the annual financial statements of £15,000 under the analysis of Academies by Fund Balance section.

Should the academy have any restricted funds (which would be reported to Trustees at the time of the external audit being reported) these would also be considered by Trustees as part of the academies funding.

An academy that joins the trust will be given the medium term to build its reserves to the level required, i.e. 2/12ths, based on 2/12ths of its first year gross expenditure budget. Trustees will assess each academy on its own merits and make amendments to this target or offer financial support and investment from reserves held.

Sinking funds

Sinking funds for specific regeneration projects (for example the replacement of an all-weather pitch) shall also be consolidated into the Trust's general reserve balance, however, separate records must be maintained and be identifiable by academies for future uses. Any sinking funds must be agreed annually by Trustees.

The unrestricted reserves held as at 31st August 2018 was £7,030k and the restricted general reserves for the same period were £nil. The reserves policy sought a level of reserves of £11.2m by 31st August 2018. Although this has not been achieved, the Trust continues to work towards this target by ensuring school budgets and associated staffing levels and resources are being planned and managed effectively over the medium term. Trustees however may decide to redirect financial resource to areas of priority and this has been the case during 2017/18 and going forward where reserves will be used to further support school improvement.

The Restricted Pension Fund is in deficit to the value of £17,506k (2017: £20,967k) as at the year end. However, this has been inherited

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upon conversion to Academy status and Trustees will continue to monitor this situation closely. It should be noted that this deficit does not present the Trust with a current liquidity problem or threat.

Investment Policy

The Trust Audit and Risk Committee (ARC) is responsible for approving the Investment Policy and has on-going responsibility to ensure monitoring and review of any investment. All borrowing shall be authorised by ARC, undertaken in the name of NET and conform to any relevant funding body requirements. Investments should be made to further the trusts charitable aims, but must ensure that investment risk is properly managed. The investment objectives based on prudence are;

1. To achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
2. Only invest funds surplus to operational need based on all financial commitments being met without the Trust bank account becoming overdrawn.
3. By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the Academy, commanding broad public support.

Principal Risks and Uncertainties

The Academy Trust identified two principal financial risks and uncertainties in the previous year's financial statements which were around future changes in levels of funding and pupil levels. These continue to be the principal risks and uncertainties faced and will be mitigated and monitored via the risk management framework put in place by the Trust.

More detailed and specific financial risks that are managed throughout the year are;

1. Liquidity risk: the Trust manages its resources, including sufficient working capital, so all its operating needs are met without the need for any external borrowing. A single bank account for academies has been developed and this has proven to be a significant factor in managing this risk. Surplus cash is invested through appropriate financial instruments as to maximise interest income without incurring excessive risks.
2. Interest rate risk: in the absence of borrowing and with low levels of current and expected interest rates, the Trust is not exposed to significant interest rate risk
3. Credit risk: the Trust is subject to price inflation, but is funded by government alongside all other academies and schools, and credit risk is therefore considered to be negligible.

Risk Management

NET has been through a process to assess its current and future risks and to identify and implement strategies for addressing risks. This process allowed risks to be scored and prioritised in terms of their potential operational and financial impact, their likelihood of occurrence assessed and means of mitigation identified. The Trust Board has reviewed the risks to which the Trust is exposed, and considered in particular those relating to the strategic development of the Trust and its academies' on-going performance, as well as its operational activities, and its finances.

Trustees recognise and support fully the need for informed and effective systems of internal control and risk management. In summary the key risks identified and being monitored and managed are;

1. Educational Standards
2. Health and Safety/ Safeguarding
3. Governance and Leadership
4. Resources- Finance (including Value for Money) and Human Resources
5. Resources- Academy Leadership and Effective Governance

Fundraising

The Trust encourages wider student opportunities across all of its academies with the Trust approach to funding some of these trips and events coming from fundraising activities.

The Trust does not work with or use any commercial participators or professional fundraisers. All funds from fundraising are recorded in the financial ledger and any activities and funds received are monitored by the academy principal. Any complaints regarding fundraising should be referred to the Trusts complaints policy. The trust does not promote any intrusive or persistent fundraising approaches and wishes to ensure the safeguarding and protection of the public, including vulnerable people.

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Plans for Future Periods

Growth of the Trust was rapid during the first three years and the focus now is firmly fixed on our vision supporting student outcomes – child centred. The areas in summary to note for future periods would be;

1. Planned and significant investment in ICT, school improvement, leadership and capacity and recruitment and retention of teachers.
2. The only change in the current Trust portfolio of academies would be after close consideration by Trustees in relation to geography, current capacity and other due diligence and risks to be evaluated as academies are brokered.
3. To build on the much improved performance of Thomas Hepburn Community Academy in the August 2018 results and support current students in their final academic year and other students transition to neighbouring schools within the borough. Ministerial approval has been granted during the year for the closure of Thomas Hepburn Community Academy from August 2019.

Employee Consultation & Disabled Employees

The Trust has an anti-discriminatory policy which specifically covers unfair treatment of any service user, employee or prospective employee on grounds of disability. The policy is available to all employees via a network based communication system and covers responsibility, employment access, complaints, training and monitoring.

The Trust recognises the importance of internal communications and as such has a policy of ensuring all employees are kept informed of developments within the organisation. The policy sets out the belief that teamwork through communication will lead to more efficient and effective service to both staff and beneficiaries. This is achieved through passing on information at regular team meetings and the trust's newsletter.

The Trust recognises equal opportunities as an integral part of the best practice it operates within its workplaces. NET has established equal opportunity in all areas of its activities including creating an environment in which the contribution and needs of all are valued.

Assessed disability access and toilets have been installed where necessary and possible entrance ways enhanced and widened to enable wheelchair access to all main areas of the Trust's academies. The Trust is committed to support the employment of disabled persons in both recruitment and retention of employees who become disabled whilst in its employment, as well as through training, career development and general awareness and support.

Funds Held as Custodian Trustee on Behalf of Others

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

Disclosure of Information to Auditor

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

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

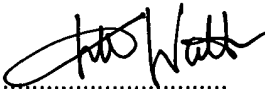
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Auditor

RSM UK Audit LLP has indicated it's willingness to continue in office.

The Trustees' report was approved by order of the Board of Trustees, as the company directors, on 14/12/18 and signed on its behalf by:


.....
L Walton
Chair of Trustees

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

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

GOVERNANCE

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 4 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
L H Walton, Chairman	4	4
C Roberts	3	4
M Sanders	0	2
P Callaghan (resigned 13 December 2017)	2	2
S Duncan	3	4
J Copping	2	4
T Grieveson	4	4
J Foster	2	4
J Nolan (Staff Trustee) (allowed absence for 2 meetings)	1	2
R Tarn, Chief Executive and Accounting Officer (appointed 1 September 2017)	4	4
A Hodgson (appointed 1 June 2018)	1	1

The Trust Board is ultimately responsible for overall control and direction, including the monitoring of performance and resources. The Board ensures that the trust operates effectively and within the agreed terms of our internal governance and upholds the approved vision and values. Trustees are accountable to external government agencies including the Department for Education (DfE) and Charity Commission (CC) for the quality of the education they provide and have systems in place through which they can assure themselves of quality, safety and good practice.

The Board delegates other matters to its sub-committees (set out below) and executive powers which are recorded in the Scheme of Delegation. The development and implementation of new consistent and standardised school improvement models and processes under the leadership of the new Chief Executive has provided Trustees with further oversight and offered greater scrutiny into outcomes and the use of resources. The Trust continues to review its governance structure and Trustees against DfE, CC and Education and Skills Funding Agency (ESFA) guidance. The assessment and review of governance is done promoting integrity and openness in accordance with the seven principles of public life (Nolan Principles).

The Corporate Coordination and Scrutiny Group is a sub-committee of the main Board of Trustees. Its purpose is as follows:

Strategic role

- Co-ordination between the Achievement and Climate Committee and the Audit and Risk Committee on items of significant overlap between them in order that an aligned view is taken on all issues of organisational significance prior to final consideration and sign off of issues by the Board.
- Consider matters of urgency where a corporate view is required in between Board meetings.
- Consider impact of changes in policy by government, DfE, ESFA and Ofsted and formulate the Academy Trust's responses to the same.
- Formulate outline strategies, policies and plans for the Trust overall i.e. consider draft business plan prior to submission to the Board.
- Agree which requests for academies to join the Trust should be agreed in outline and then receive and approve detailed business cases / due diligence information prior to formal agreement for new academies to join the Trust once reviewed by the Audit and Risk Committee.
- Agree major restructures of academies / groups of academies within the Trust to ensure the strategic impacts of these are fully considered prior to implementation.

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GOVERNANCE STATEMENT (continued)

- Agree all matters in relation to the remuneration of Trustees and Officers that are not delegated to the Chief Executive by the Board / Scheme of Delegation.
- Agree the communications and recruitment strategies for the Trust.

Finance role

- Consider/approve Trust/Academy annual budgets and three year plans making recommendations where necessary.
- Consider/approve Trust/Academy capital funding.
- Hold Academy Principals and Chairs of Governing Boards to account for financial planning and performance.
- Recommend to the Trust, the adoption of a three-year business plan and annual budgets.
- Review arrangements for securing value for money, solvency and safeguarding of assets.
- Investigate, or commission investigations into, variations in financial performance from budgeted targets.
- Consider in detail reports from the Chief Executive on issues related to assets, liabilities and capital.

Scrutiny role

- Maintain an overview of the Trust's performance management arrangements.
- Review selected aspects (both policy development and operation) of the Trust's programmes of improvement.
- Review selected aspects of the Trust's systems and organisational effectiveness.
- Consider the progress in implementing the Trust 3 year business plan against the measures of success.
- Make recommendations to the Trust Board and/or the Executive as appropriate.
- Review progress on recommendations made.

Attendance at meetings in the year was as follows:

Board member	Meetings attended	Out of a possible
L Walton - Chairman	6	6
C Roberts	4	6
T Grieveson	3	6
M Sanders	3	4
R Tarn	6	6

The Audit and Risk Committee is also a sub-committee of the main Board of Trustees. Its purpose is as follows:-

Overall

- Maintain an oversight of the Trust's governance, risk management, internal control and value for money (vfm) framework. It will report its findings annually to the board and the Chief Executive as a critical element of the Trust's annual reporting requirements.
- The Audit Committee has no executive powers or operational responsibilities/duties

Internal Control

- The Committee shall ensure that the internal control systems, including audit activities, of the Trust and any of its subsidiaries is monitored actively, independently and objectively in order to:
 - Improve the effectiveness of the Trust's internal controls.
 - Reinforce the independence and effectiveness of the internal audit function.
 - Provide a sounding board for Trust management on issues of concern in connection with the Trust's internal control systems.
- Advise on the reliability of the Trust's information systems and processes.
- Review Trust financial statements and budgets (Revenue & Capital).
- Advise the Trust Board and CCSG on the appointment of internal and external auditors and providers of key financial systems i.e. Bank and General Ledger.
- Approve /consider procurement recommendations in line with Financial Regulations.
- Underpin the objectivity and independence of the external auditors.
- Increase stakeholder confidence in the objectivity and fairness of the Trust's financial reports and in the quality of the Trust's corporate governance.
- To provide a medium of communication from the Trust's auditors to the Trust which is seen to be independent of Trust management.
- To ensure that financial transactions are undertaken in accordance with the Trust's financial regulations.

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GOVERNANCE STATEMENT (continued)

Risk Management and Value for Money Framework

- To provide assurance and recommendations to the Trust with regards to risk management.
- Report on value for money of the Trust on a regular basis taking into account relevant comparator review the timeliness of, and reports on, the effectiveness of corrective action taken by the Trust's management.
- Review and approve the statements to be included in the annual report concerning internal controls and risk management, prior to consideration by the board.
- Receive reports from external bodies for example the Education and Skills Funding Agency and National Audit Office, and consider any issues raised along with management responses and action plans.
- Review the Trust's codes of conduct, ethics and related corporate responsibility policies and how these are communicated and monitored; and
- To review health and safety, other areas of operations and staff pension arrangements across the Trust. This includes the use of various advisors who provide recommendations and reports which Trustees seek assurances on with regards assumptions made and overall compliance.

Whistleblowing

- Review the adequacy and security of the Trust's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
M Sanders - Chair	3	3
P Callaghan (resigned 13 December 2017)	1	2
J Nolan (allowed absence for 3 meetings)	1	1
J Copping	3	4
R Tarn (CEO and Accounting Officer)	3	4
C Roberts (Chair for 1 meeting)	1	1

The Achievement and Climate Committee is also a sub-committee of the main Trust Board. Its purpose is as follows::

- Consideration of the evidence in meeting the Key Performance Indicators set by the Trust and to hold the Leadership Team, whether Central Team or Academy, to account.
- Consideration of evidence about the academic attainment and progress of students over time.
- Consideration of the evidence about attendance and behaviour of students.
- Consideration of evidence about the quality of teaching and learning provided to students.
- Consideration of the evidence about the range and quality of extra-curricular provision experienced by students.
- Consideration of the quality of provision for staff development and its impact upon the quality of provision.
- To consider the views of parents and students about the quality of provision
- To consider on behalf of the Trust Board the overall human resources strategy.
- To agree key personnel and staff development policies which form part of that strategy.
- To monitor the effectiveness of the Trust's human resources strategy.
- Consideration and approval of the curriculum and extra curriculum provision and the teaching and support staff resources required to deliver the entitlement curriculum in the academies.
- Consideration and approval of the Academies Improvement Plans – short and medium term.
- The consideration of the general view of the condition and suitability for learning of the academies buildings and sites and consideration of the quality of premises and the learning environment.
- To review the procedures for risk assessment of health and safety matters in academies and to ensure that Health and Safety issues are appropriately prioritised for action.
- To establish and review a Performance Management policy for all staff.
- Consideration and approval of the plans to develop and support the professional development of all staff, alongside the resources required.

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GOVERNANCE STATEMENT (continued)

Attendance at meetings in the year was as follows:	Meetings attended	Out of a possible
T Grieveson - Chair	5	5
J Foster	5	5
S Duncan	5	5
R Tam (CEO and Accounting Officer)	5	5

REVIEW OF VALUE FOR MONEY

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

The Accounting Officer considers how the Academy Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Chief Executive as Accounting Officer is personally responsible for the regularity and propriety of public funds and ensuring they are consistent with the purposes for which parliament intended. The continuous focus on improved value for money can be sought from the following examples below (which can be considered in detail from the narrative within the Trustees Report):

1. The Trust in both Primary and Secondary performance has improved dramatically in 2018. The Trustees Report shares many of these successes and improved outcomes for children, which in summary are
 - a. Primary results rose by 16% between 2016 and 2017, the proportion of children reaching the expected standard rose by a further 12% in 2018.
 - b. Secondary students attaining a standard pass in both Maths and English (4+) was much improved as was the proportion of students achieving the new benchmark of 5+.
 - i. Mathematics
 1. Approximately 200 school nationally improved their 4+ Maths pass rate by more than 10%, 5 of these schools are in our Trust.
 2. The Trust average increase at 4+ is 11%, whilst 5+ passes increased by 14%. Overall five academies improved their pass rate by 20% or more.
 - ii. English – whilst already performing relatively well in comparison to other subjects, results rose to give a Trust average of 69% 4+ and 53% 5+.
2. Curriculum Led Financial Planning has driven the budget setting and medium term financial planning of academies. The introduction or application of a contact ratio of 0.79 and in secondary academies a bonus of 8% ensures financial viability and sustainability with curriculum breadth and student pathways across subjects.
3. A Central Team restructure and newly established Executive Team in 2017 has provided much improved leadership and capacity to academies and been a major factor to the implementation of new systems, processes and overall outcomes for children. For example, NORTHERN school improvement model, 17 FTE Subject Directors, Executive Principals, common assessment calendar and student intervention based on weekly accountability meetings (RAG).

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 Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Northern Education Trust for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

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

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

THE RISK AND CONTROL FRAMEWORK

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint Beever and Struthers as internal auditor.

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

- testing of Payroll and HR systems
- testing of Education and Skills Funding Agency, Academies Financial Handbook "Musts"
- testing of Financial Management, Financial Administration and Procurement
- testing of Business Continuity, Risk Management, ICT and Health and Safety.

On a quarterly basis, the internal auditor reports to the Board of Trustees through the audit and risk committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The Academy Trust can confirm that the internal auditor delivered their schedule of work as planned.

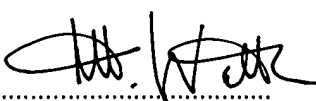
REVIEW OF EFFECTIVENESS


As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit and Risk Committee and a plan to address auditor recommendations and ensure continuous improvement and further strengthening of the system is in place.

Approved by order of the members of the Board of Trustees on 14 December 2018 and signed on their behalf, by:


.....
L Walton
Chair of Trustees


.....
R Tarn
Accounting Officer

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and ESFA.



.....
R Tarn
Accounting Officer

Date: 14/12/18.....

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

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

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

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

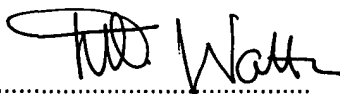
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting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

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

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

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

Approved by order of the members of the Board of Trustees on 14/12/18 and signed on its behalf by:



.....
L H Walton
Chair of Trustees

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN EDUCATION TRUST

OPINION

We have audited the financial statements of Northern Education Trust (the 'charitable company') for the year ended 31 August 2018 which comprise the Statement of Financial Activities incorporating Income and Expenditure account, the Balance sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN EDUCATION TRUST

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' Report which includes the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year to which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report included within the Trustees' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report or the Strategic Report included within the Trustees' Report.

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

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

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' responsibilities set out on page 23, the Trustees (who act as trustees for the charitable activities of the charitable company are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN EDUCATION TRUST

USE OF OUR REPORT

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

RSM UK Audit LLP

Claire Leece (Senior statutory auditor)

for and on behalf of

RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants
Central Square, 5th Floor,
29 Wellington Street
Leeds
LS1 4DL

Date:

14/12/18

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO NORTHERN
EDUCATION TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY**

CONCLUSION

We have carried out an engagement in accordance with the terms of our engagement letter dated 29 August 2017 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, to obtain limited assurance about whether the expenditure disbursed and income received by Northern Education Trust during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

BASIS FOR CONCLUSION

The framework that has been applied is set out in the Academies Accounts Direction 2017 to 2018 Part 9: Regularity Reporting. We are independent of Northern Education Trust in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

RESPONSIBILITIES OF NORTHERN EDUCATION TRUST'S ACCOUNTING OFFICER AND TRUSTEES

The Accounting Officer is responsible, under the requirements of Northern Education Trust's funding agreement with the Secretary of State for Education dated 4 July 2012, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The accounting officer is also responsible for preparing the Statement of Regularity, Propriety and Compliance. The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the proper conduct and financial operation of Northern Education Trust and appointment of the accounting officer.

REPORTING ACCOUNTANT'S RESPONSIBILITIES FOR REPORTING ON REGULARITY

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the funding agreement with the Secretary of State for Education, the Academies Financial Handbook 2017 published by the Education and Skills Funding Agency and high level financial control areas where we identified a material risk of irregularity is likely to arise. It also included areas assessed as presenting a higher risk of impropriety. We undertook detailed testing, on a sample basis, based on the identified areas where a material irregularity is likely to arise, or potential impropriety where such areas are in respect of controls, policies and procedures that apply to classes of transactions. Our work was undertaken with due regard to the 'Evidence to support conclusion on regularity' guidance in Academies Accounts Direction 2017 to 2018.

This work was integrated with our audit on the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

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

USE OF OUR REPORT

This report is made solely to Northern Education Trust and the ESFA in accordance with the terms of our engagement letter dated 29 August 2017. Our work has been undertaken so that we might state to Northern Education Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Northern Education Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

RSM UK Audit Ltd

RSM UK AUDIT LLP,
Chartered Accountants
Central Square, 5th Floor,
29 Wellington Street
Leeds
LS1 4DL

Date:

14/12/18

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

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

	Note	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Endowment funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
INCOME AND ENDOWMENTS:							
Donations and capital grants	2	171	476	954	-	1,601	1,578
Charitable activities:	5						
Educational operations		1,874	68,267	-	-	70,141	71,268
Teaching School		-	-	-	-	-	90
Other trading activities	3	1,207	-	-	-	1,207	1,808
Investments	4	3	-	-	-	3	6
Capital donations - transfer from Local Authority		-	-	-	-	-	18,800
TOTAL INCOME AND ENDOWMENTS		3,255	68,743	954	-	72,952	93,550
EXPENDITURE ON:							
Charitable activities:							
Teaching School		-	-	-	-	-	97
Other educational operations		2,964	71,604	4,178	-	78,746	80,062
Other educational operations - impairment of fixed assets		-	-	5,876	-	5,876	-
TOTAL EXPENDITURE	6	2,964	71,604	10,054	-	84,622	80,159
NET INCOME / (EXPENDITURE) BEFORE INVESTMENT GAINS							
Net gains on investments		291	(2,861)	(9,100)	-	(11,670)	13,391
		173	-	-	73	246	515
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS		464	(2,861)	(9,100)	73	(11,424)	13,906
Transfers between Funds	20	(670)	206	504	(40)	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		(206)	(2,655)	(8,596)	33	(11,424)	13,906

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

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

	Note	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Endowment funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Actuarial gains on defined benefit pension schemes	26	-	5,789	-	-	5,789	15,463
NET MOVEMENT IN FUNDS		(206)	3,134	(8,596)	33	(5,635)	29,369
RECONCILIATION OF FUNDS:							
Total funds brought forward		7,236	(20,640)	143,505	1,405	131,506	102,137
TOTAL FUNDS CARRIED FORWARD		<u>7,030</u>	<u>(17,506)</u>	<u>134,909</u>	<u>1,438</u>	<u>125,871</u>	<u>131,506</u>

NORTHERN EDUCATION TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 07189647

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£000	2018 £000	2017 £000
FIXED ASSETS				
Intangible assets	13		35	-
Tangible assets	14		133,302	141,740
Investments	15		-	4,701
			<u>133,337</u>	<u>146,441</u>
CURRENT ASSETS				
Debtors	16	2,919		2,629
Cash at bank and in hand		13,286		8,859
		<u>16,205</u>		<u>11,488</u>
CREDITORS: amounts falling due within one year	17	(6,086)		(5,360)
NET CURRENT ASSETS			<u>10,119</u>	<u>6,128</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>143,456</u>	<u>152,569</u>
CREDITORS: amounts falling due after more than one year	18		(79)	(96)
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>143,377</u>	<u>152,473</u>
Defined benefit pension scheme liability	26		(17,506)	(20,967)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>125,871</u>	<u>131,506</u>
FUNDS OF THE ACADEMY				
Endowment funds	20		1,438	1,405
Restricted income funds:				
Restricted income funds	20	-		327
Restricted fixed asset funds	20	134,909		143,505
		<u>134,909</u>		<u>143,832</u>
Restricted income funds excluding pension liability				
Pension reserve		(17,506)		(20,967)
		<u></u>		<u></u>
Total restricted income funds			117,403	122,865
Unrestricted income funds	20		7,030	7,236
TOTAL FUNDS			<u>125,871</u>	<u>131,506</u>

The financial statements on pages 29 to 64 were approved by the Trustees, and authorised for issue, on 14/12/18 and are signed on their behalf, by:

.....
L Walton
Chair of Trustees

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	22	(277)	2,201
Cash flows from investing activities:			
Investment income		3	6
Purchase of intangible fixed assets		(37)	-
Purchase of tangible fixed assets		(1,621)	(1,821)
Capital grants from DfE Group		1,430	1,350
Disposal of other investments		4,947	320
Net cash provided by/(used in) investing activities		4,722	(145)
Cash flows from financing activities:			
Cash outflow to Salix Loan		(18)	(18)
Net cash used in financing activities		(18)	(18)
Change in cash and cash equivalents in the year		4,427	2,038
Cash and cash equivalents brought forward		8,859	6,821
Cash and cash equivalents carried forward		13,286	8,859

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES

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

1.1 Company status

Northern Education Trust is a charitable company (the 'Academy Trust'). The address of the trust's principal place of business is given on page 1. The nature of the trust's operations are set out in the Trustees' Report.

1.2 Basis of accounting

The financial statements of the Academy Trust have been prepared under the historical cost convention except for the valuation of investments which are included at fair value, in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

The financial statements are presented in sterling which is also the functional currency of the Academy Trust.

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

The principal accounting policies adopted are set out below.

1.3 Going concern

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

1.4 Income

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

NORTHERN EDUCATION TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.5 Grants receivable

Grant income is included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

Capital grants are recognised when there is entitlement, when performance-related conditions have been met, 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 sheet in the restricted fixed asset fund.

Other grants from government agencies and other bodies are recognised in the period in which they are receivable to the extent the conditions of funding have been met. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received the income is accrued.

1.6 Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions), where the receipt is probable and the amount can be reliably measured.

1.7 Other income

Other income, including the hire of facilities, is recognised at fair value of the consideration received or receivable in the period it is receivable and to the extent the Academy Trust has provided the goods or services.

1.8 Donated properties

A donated property, being the gift of a fixed asset, is capitalised only when it is brought into use. The property is measured at existing use value, unless it is impractical to measure this reliably, in which case the cost of the property to the donor should be used. The property value is recognised as income in the restricted fixed asset funds and corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

1.9 Interest receivable

Interest receivable is included in the Statement of Financial Activities on a receivable basis.

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

1. ACCOUNTING POLICIES (continued)

1.10 Expenditure

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

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

Expenditure on charitable activities are costs incurred on the Academy Trust's educational operations including support costs and these costs relating to the governance of the Academy Trust appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

1.11 Intangible fixed assets and amortisation

Intangible assets costing £5,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset, less their estimated residual value, over their expected useful lives on the following bases:

Computer software	- 20% to 33.3% straight line basis
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1.12 Tangible fixed assets and depreciation

All assets costing more than £5,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment. Subsequent costs are capitalised only when it is probable that such costs will generate future economic benefits. All other costs of repairs and maintenance are charged to the Statement of Financial Activities as incurred.

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

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

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

1. ACCOUNTING POLICIES (continued)

Leasehold property and improvement	-	2% to 15% straight line basis
Furniture and fixtures	-	25% straight line basis
Plant and equipment	-	25% straight line basis

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities (incorporating income and expenditure account).

1.13 Leasehold Property

Leasehold properties are recognised in the balance sheet at their depreciated replacement cost as specialised properties (in accordance with FRS 102 section 17). It is deemed appropriate to capitalise leasehold properties as the organisation will have full use of the asset for its useful economic life.

Where leasehold properties represent donated assets they are recognised in the Balance Sheet at the fair value of their depreciated replacement cost on their conversion.

The fair value of their depreciated replacement cost is determined through calculation by an independent expert; or historic cost transferred from previous Local Education Authority body; or internal valuation.

In accordance with FRS 102 section 27 where an event or circumstance arises that may indicate that the carrying value of the asset is not recoverable an impairment is recognised. This risk is assessed on annual basis by those charged with governance.

Where independent valuations for ESFA reporting requirements have been obtained, these are considered to represent such an event or circumstance. Due to the cost outweighing the benefit it is not the organisation's policy to obtain an independent valuation for every property recognised in the balance sheet.

Leasehold property is depreciated over its estimated useful economic life. Estimated useful economic life is determined by industry experience driven by information provided by independent experts.

1.14 Liabilities

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

1.15 Leases

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term. Where the properties occupied by acquired academies are the subject of PFI contracts (where the trust is party to the contract under the supplemental agreement), consideration is given to the detailed items of the relevant contract and to whether or not the PFI contract transfers the risks and rewards of ownership to the Academy Trust. If there is such a transfer of risk and rewards such assets are accounted for under the policies for leasehold property set out above. If such risks and rewards are not transferred, the payments under the PFI contract are treated as operating lease payments.

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

1. ACCOUNTING POLICIES (continued)

1.16 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance Sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Net Gains/(losses) on investments' in the Statement of Financial Activities (incorporating income and expenditure account).

1.17 Debtors

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

1.18 Cash at Bank and in hand

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

1.19 Liabilities and provisions

Liabilities and provisions are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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

1. ACCOUNTING POLICIES (continued)

1.20 Financial Instruments

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

Financial assets and liabilities

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

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

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

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

Derecognition of financial assets and liabilities

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

1.21 Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation and Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.22 Short-term Employment Benefits

Short-term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the Academy Trust. The cost of any unused holiday entitlement the Academy Trust expects to pay in future periods is recognised in the period the employees' services are rendered.

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

1. ACCOUNTING POLICIES (continued)

1.23 Pension Benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS") which are multi-employer defined benefit schemes.

Teachers' Pension Scheme

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a projected unit credit method. As stated in note 26, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The Local Government Pension Scheme

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to net income are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other comprehensive income.

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

1.24 Fund accounting

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

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

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

Endowment funds are resources to be held on Trust to be retained for the benefit of the Academy Trust as a capital fund.

1.25 Agency Arrangements

The Academy Trust acts as an agent in the administering of 16-19 Bursary Funds from the ESFA. Related payments received from the ESFA and subsequent disbursements to students are excluded from the Statement of Financial Activities to the extent that the trust does not have a beneficial interest in the individual transactions. Where funds have not been fully applied in the year then an amount will be included as amounts due to the ESFA. The funds received and paid and any balances held with the ESFA are disclosed in note 30.

1.26 Employee termination benefits

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Academy Trust is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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

1. ACCOUNTING POLICIES (continued)

1.27 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgment:

Useful economic lives of tangible assets

The annual depreciation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the property plant and equipment and note 1.12 for the depreciation accounting policy.

Defined benefit pension scheme

The company has the obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 26 for the disclosure relating to the defined benefit pension scheme.

Property valuations

When new schools join the Academy Trust, the new school land and buildings are included at a valuation at the date of transfer. This valuation is then treated as deemed cost. During the year no new school buildings were gifted to the Academy Trust.

Management have taken advice from professional valuers in determining the amounts at which those buildings are included in the financial statements.

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

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Endowment funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Donations	171	-	-	-	171	201
Devolved Formula Capital	-	-	235	-	235	260
Other capital grants	-	476	719	-	1,195	1,117
	171	476	954	-	1,601	1,578
<i>Total 2017</i>	201	224	1,153	-	1,578	

3. TRADING ACTIVITIES

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Endowment funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Charity trading income					
School lettings	393	-	-	393	663
Uniforms	32	-	-	32	45
Consultancy	34	-	-	34	66
Insurance claims	193	-	-	193	206
Other income	555	-	-	555	828
	1,207	-	-	1,207	1,808
Net income from trading activities	1,207	-	-	1,207	1,808

Other trading activities income in 2017 was £1,808k, of which £1,808k was unrestricted.

4. INVESTMENT INCOME

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Endowment funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Bank Interest	3	-	-	3	6
<i>Total 2017</i>	6	-	-	6	

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

5. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Endowment funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Trust's educational operations	1,874	68,267	-	70,141	71,358
<i>Total 2017</i>	<i>1,624</i>	<i>69,734</i>	<i>-</i>	<i>71,358</i>	

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Endowment funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
DfE/ESFA grants					
General Annual Grant	-	58,970	-	58,970	60,012
Start up grants	-	29	-	29	35
Pupil Premium	-	5,855	-	5,855	5,999
Other DfE/ESFA grants	-	1,155	-	1,155	1,063
	-	66,009	-	66,009	67,109
Other government grants					
Local Authority grants	-	405	-	405	279
SEN from LA	-	790	-	790	875
Other Government Grants	-	44	-	44	157
Nursery Grants and EYSFF	-	1,019	-	1,019	1,315
	-	2,258	-	2,258	2,626
Other funding					
Catering income	1,389	-	-	1,389	1,053
Trip income	485	-	-	485	570
	1,874	-	-	1,874	1,623
	1,874	68,267	-	70,141	71,358
<i>Total 2017</i>	<i>1,624</i>	<i>69,734</i>	<i>-</i>	<i>71,358</i>	

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

6. EXPENDITURE

	Staff costs 2018 £000	Premises 2018 £000	Other costs 2018 £000	Total 2018 £000	Total 2017 £000
Trust's educational operations					
Direct costs	45,045	-	6,492	51,537	54,305
Support costs	10,369	13,669	9,047	33,085	25,854
	<u>55,414</u>	<u>13,669</u>	<u>15,539</u>	<u>84,622</u>	<u>80,159</u>
<i>Total 2017</i>	<u>57,464</u>	<u>7,809</u>	<u>14,886</u>	<u>80,159</u>	

7. ANALYSIS OF EXPENDITURE BY ACTIVITIES

	Direct costs 2018 £000	Support costs 2018 £000	Total 2018 £000	Total 2017 £000
Trust's educational operations	51,537	33,085	84,622	80,159
<i>Total 2017</i>	<u>54,305</u>	<u>25,854</u>	<u>80,159</u>	

Analysis of support costs

	Trust's educational operations £000	Total 2018 £000	Total 2017 £000
Staff costs	10,369	10,369	10,076
Depreciation, amortisation and impairment	10,054	10,054	4,106
Technology costs	1,006	1,006	1,134
Recruitment and support	164	164	266
Maintenance of premises and equipment	1,928	1,928	1,581
Administration	920	920	656
Cleaning	628	628	579
Energy costs	1,252	1,252	1,150
Rent, Rates and other occupancy costs	985	985	1,106
Insurance	571	571	661
Bank charges	16	16	58
Security and transport	477	477	498
Catering supplies	3,008	3,008	2,242
Other support costs	697	697	546
Governance costs	519	519	534
Defined benefit pension costs	491	491	661
	<u>33,085</u>	<u>33,085</u>	<u>25,854</u>
<i>Total 2017</i>	<u>25,854</u>	<u>25,854</u>	

Expenditure on charitable activities was £84,622k (2017 - £80,159k) of which £2,964k (2017 - £2,293k) was unrestricted, £10,054k (2017 - £4,106k) was restricted fixed asset fund and £71,604k (2017 - £73,760k) was restricted general funds.

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

8. NET INCOME

This is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets:		
- owned by the charity	4,181	4,106
Impairment of fixed assets	5,876	-
Amortisation	2	-
Profit on disposal of assets	(5)	-
Operating lease rentals	1,226	1,106
Net interest on defined benefit pension liability	(1,645)	(1,436)
	<u> </u>	<u> </u>

Fees payable to RSM UK Audit LLP and its associates for:

	2018 £000	2017 £000
Audit services - statutory audit	73	73
Other services - audit	13	18
Other services - non audit	4	5
	<u> </u>	<u> </u>
Total	<u>90</u>	<u>96</u>

Fees payable for internal audit services

Fees payable for internal audit services during the year were £37k (2017: 31k)

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

9. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	40,083	41,786
Social security costs	3,983	4,230
Pension costs	8,262	8,792
	<u>52,328</u>	<u>54,808</u>
Agency staff costs	2,009	2,075
Staff restructuring costs	1,077	580
	<u>55,414</u>	<u>57,463</u>

Staff restructuring costs comprise:

	2018 £000	2017 £000
Redundancy payments	573	274
Severance payments	504	306
	<u>1,077</u>	<u>580</u>

b. Non-statutory/non-contractual staff severance payments

Staff severance payments

Included in staff costs are non-statutory/non-contractual severance payments totalling £49,220 (2017: £305,929). Individually, the payments were £2,436 made on 06/11/2017, £4,000 made on 21/11/2017, £10,742 made on 04/04/2018, £1,932 made on 20/06/2018, £24,865 made on 05/12/2017, £3,538 made on 19/09/2018, £513 made on 07/09/2018, £1,194 made on 10/08/2018.

c. Staff numbers

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

	2018 No.	2017 No.
Teachers	645	656
Administration and support	1,098	1,170
Management	98	125
	<u>1,841</u>	<u>1,951</u>

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

9. STAFF COSTS (continued)

Average headcount expressed as a full time equivalent:

	2018 No.	2017 No.
Teachers	623	639
Administration and support	614	672
Management	97	121
	1,334	1,432

d. Higher paid staff

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

	2018 No.	2017 No.
In the band £ 60,001 - £ 70,000	14	14
In the band £ 70,001 - £ 80,000	3	4
In the band £ 80,001 - £ 90,000	10	8
In the band £ 90,001 - £ 100,000	3	4
In the band £ 100,001 - £ 110,000	1	4
In the band £ 110,001 - £ 120,000	2	2
In the band £ 120,001 - £ 130,000	1	1
In the band £ 130,001 - £ 140,000	2	1
In the band £ 140,001 - £ 150,000	0	1
In the band £ 180,001 - £ 190,000	1	0

Key Management Personnel

The key management personnel of the Academy Trust comprise of the trustees and the senior management team as listed on page 1 under Trust Corporate Senior Management Team. The total amount of employee benefits (including employer pension contributions and employer national insurance) received by key management personnel for their services to the trust was £414,610 (2017: £859,978).

During the year, the Trust restructured it's Executive Team to now only include the names listed on page 4 in the Trustees' Report.

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

10. CENTRAL SERVICES

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

- School improvement
- Financial management
- HR and legal advice
- Estates management
- Curriculum design
- Staff deployment
- Recruitment
- Audit services (internal and external)
- Data and Civica support
- Business services
- Health and safety
- Compliance and communications
- Marketing and media

The Academy Trust charges for these services on the following basis:

A flat 5% of income received (4% in 2016/17), excluding targeted grants

The actual amounts charged during the year were as follows:

	2018	2017
	£000	£000
The Blyth Academy	218	176
Dyke House Sports & Technology College	337	267
The Grangefield Academy	156	133
Kearsley Academy	166	131
Kirk Balk Academy	248	190
Manor Academy	310	249
North Shore Academy	197	157
Red House Academy	153	130
Thomas Hepburn Community Academy	144	121
Thorp Academy	246	220
Abbey Park Primary Academy	42	35
The Ferns Primary Academy	70	57
Frederick Nattrass Primary Academy	51	39
Hilton Primary Academy	83	69
Merlin Top Primary Academy	75	64
Mount Pellon Infants & Junior Primary Academy	110	93
Norton Primary Academy	76	61
The Oak Tree Academy	85	72
Ryecroft Primary Academy	74	61
Southmere Primary Academy	87	72
	<u>2,928</u>	<u>2,397</u>
Total	<u><u>2,928</u></u>	<u><u>2,397</u></u>

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

11. TRUSTEES' REMUNERATION AND EXPENSES

Principals and Staff Trustees and Directors only receive remuneration in respect of services they provide under the roles of Principals and staff members under their contracts of employments and not in respect of their services as Trustees or Directors. Other Trustees did not receive any payments from the Trust in respect of their role as Trustees.

Rob Tarn, Chief Executive, received remuneration of £183,000 and is accruing benefits under Teachers Pension Scheme. The contributions paid in the year amounted to £28,820. (In 2017, Ian Kershaw, Chief Executive, received remuneration of £141,989).

Gareth Edmunds, a Director of the Trust received remuneration of £109,088 (2017 - £91,279) and is accruing benefits under Local Government Pension Scheme. The contributions paid in the year amounted to £17,454 (2017 - £18,635).

Related party transactions involving the Trustees are set out in note 28.

During the year ended 31 August 2018, travel and subsistence expenses totalling £2,449 (2017 - £7,161) were reimbursed to 4 (2017 - 4) Trustees.

12. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ending 31 August 2018 was £5,480 (2017 - £6,022).

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

13. INTANGIBLE FIXED ASSETS

	Computer software £000
Cost	
Additions	37
At 31 August 2018	37
Amortisation	
Charge for the year	2
At 31 August 2018	2
Carrying amount	
At 31 August 2018	35

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

14. TANGIBLE FIXED ASSETS

	Leasehold property £000	Furniture and fixtures £000	Plant and equipment £000	Total £000
Cost				
At 1 September 2017	149,980	3,983	4,296	158,259
Additions	569	194	858	1,621
Disposals	-	(1,465)	(568)	(2,033)
At 31 August 2018	150,549	2,712	4,586	157,847
Depreciation				
At 1 September 2017	10,990	2,444	3,085	16,519
Charge for the year	3,087	572	523	4,182
On disposals	-	(1,465)	(567)	(2,032)
Impairment charge	5,876	-	-	5,876
At 31 August 2018	19,953	1,551	3,041	24,545
Net book value				
At 31 August 2018	130,596	1,161	1,545	133,302
<i>At 31 August 2017</i>	<i>138,990</i>	<i>1,539</i>	<i>1,211</i>	<i>141,740</i>

During the year Trustees made the decision to close Thomas Hepburn Community Academy and ministerial approval was granted. The academy will close with effect from 31 August 2019. Consequently, from that date the land and buildings from which the academy operates will have no value to NET. Therefore, an impairment of £5,876k has been included within the Statement of Financial Activities within the year so that the carrying value of the land and buildings at Thomas Hepburn Community Academy included in the balance sheet at 31 August 2018 reflects the value in use to NET at that time.

15. FIXED ASSET INVESTMENTS

Fixed asset investment by funds

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total £000
Fair value as 1 September 2017	3,305	-	1,396	4,701
Valuation changes	173	-	73	246
Disposals	(3,478)	-	(1,469)	(4,947)
Fair value at 31 August 2018	-	-	-	-

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16. DEBTORS

	2018 £000	2017 £000
Trade debtors	178	115
VAT recoverable	721	664
Other debtors	19	4
Prepayments and accrued income	2,001	1,846
	<u>2,919</u>	<u>2,629</u>

17. CREDITORS: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	2,328	1,066
Other taxation and social security	971	1,026
Other creditors	930	936
Accruals and deferred income	1,857	2,332
	<u>6,086</u>	<u>5,360</u>

Included in other creditors due within one year is a loan of £17k from Salix which is provided on the following terms; repayment of £8,750 every 6 months, no interest is payable on the loan.

	2018 £000	2017 £000
Deferred income		
Deferred income brought forward	87	104
Resources deferred during the year	276	87
Amounts released from previous years	(87)	(104)
Deferred income carried forward	<u>276</u>	<u>87</u>

Deferred income held at 31 August 2018 includes unspent trip income carried forward of £18k (2017 - £87k) and £258k income from a catering provider, deferred over the life of the contract.

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18. CREDITORS: Amounts falling due after more than one year

	2018 £000	2017 £000
Other loans	79	96

Included within the above are amounts falling due as follows:

	2018 £000	2017 £000
Between two and five years		
Other loans	70	70
Over five years		
Other loans	9	26

Creditors include amounts not wholly repayable within 5 years as follows:

	2018 £000	2017 £000
Repayable by instalments	9	26

Included in other creditors falling due more than one year is a loan of £79k (2017 - £96k) from Salix which is provided on the following terms; repayment of £8,750 every 6 months, no interest is payable on the loan.

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19. FINANCIAL INSTRUMENTS

	2018 £000	2017 £000
Financial assets measured at amortised cost	1,370	1,233
Financial liabilities measured at amortised cost	4,793	4,343

Financial assets measured at amortised cost comprise trade debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and other creditors.

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**NOTES TO THE FINANCIAL STATEMENTS
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20. STATEMENT OF FUNDS & COMPARATIVE STATEMENT OF FUNDS

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Unrestricted funds						
Unrestricted funds	7,236	3,255	(2,964)	(670)	173	7,030
Endowment funds						
Endowment fund	1,405	-	-	(40)	73	1,438
Restricted funds						
General Annual Grant (GAG)	327	59,446	(59,979)	206	-	-
Start up grants	-	29	(29)	-	-	-
Pupil premium	-	5,991	(5,991)	-	-	-
Other DfE/ESFA grants	-	1,155	(1,155)	-	-	-
Local Authority grants	-	438	(438)	-	-	-
SEN from Local Authority	-	621	(621)	-	-	-
Other government grants	-	44	(44)	-	-	-
Nursery grants and EYSFF	-	1,019	(1,019)	-	-	-
Pension reserve	(20,967)	-	(2,328)	-	5,789	(17,506)
	(20,640)	68,743	(71,604)	206	5,789	(17,506)
Restricted fixed asset funds						
DfE/ESFA grants	216	235	(12)	-	-	439
Other DfE capital grant	1,206	719	(1,248)	-	-	677
Sponsorship capital contribution	606	-	(32)	30	-	604
Assets inherited on conversion	128,416	-	(8,224)	-	-	120,192
Assets inherited on transfer	12,440	-	(338)	-	-	12,102
Capital expenditure from GAG	621	-	(200)	474	-	895
	143,505	954	(10,054)	504	-	134,909
Total restricted funds	122,865	69,697	(81,658)	710	5,789	117,403
Total of funds	131,506	72,952	(84,622)	-	6,035	125,871

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

(i) GAG balance carry forward is to be used for recurrent expenditure in the forthcoming period. Under the Trust's Funding Agreement with the Secretary of State the Trust was not subject to a limit of GAG which could be carried forward as at 31 August 2018.

(ii) Restricted Fixed Asset Funds relate to income received from the DfE, other government grants, transfers from GAG income and income from sponsors of individual companies prior to the merger of the Trust. The funds balance includes donated capital, being academy buildings, contents and ICT assets. The depreciation relating to the assets procured is charged against these funds over the life of the assets.

(iii) Unrestricted Funds relate to funds brought forward upon individual schools integrating with the Trust and self-generated income by the Trust's Academies.

(iv) Restricted Pension Fund is in deficit to the value of £17,506k (2017 - £20,967k) at the year end. However, this has been inherited upon conversion to Academy status. The Trustees will continue to monitor the situation closely.

(v) Endowment Fund - during the year £30k (2017 - £345k) was transferred to Restricted Fixed Asset funds.

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**NOTES TO THE FINANCIAL STATEMENTS
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20. STATEMENT OF FUNDS & COMPARATIVE STATEMENT OF FUNDS (continued)

A total of £474k (2017 - £680k) has been transferred from unrestricted funds to restricted fixed asset funds to allocate the unspent capital included within unrestricted funds that is required to be recognised within restricted fixed asset funds.

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2017 £000
General funds						
Unrestricted funds	5,531	3,638	(2,293)	-	360	7,236
Endowment funds						
Endowment funds	1,595	-	-	(345)	155	1,405
Restricted funds						
General Annual Grant (GAG)	2,118	60,237	(61,348)	(680)	-	327
Start up grants	-	35	(35)	-	-	-
Pupil premium	-	5,999	(5,999)	-	-	-
Other DfE/ESFA grants	-	1,063	(1,063)	-	-	-
Local Authority grants	-	391	(391)	-	-	-
SEN from Local Authority	-	762	(762)	-	-	-
Other government grants	15	157	(172)	-	-	-
Nursery grants and EYSFF	-	1,315	(1,315)	-	-	-
Pension reserve	(33,755)	-	(2,675)	-	15,463	(20,967)
	(31,622)	69,959	(73,760)	(680)	15,463	(20,640)
Restricted fixed asset funds						
DfE/ESFA grants	-	260	(44)	-	-	216
Other DfE capital grant	1,218	866	(878)	-	-	1,206
Sponsorship capital contribution	190	27	44	345	-	606
Assets inherited on conversion	112,268	18,800	(2,652)	-	-	128,416
Assets inherited on transfer	12,957	-	(517)	-	-	12,440
Capital expenditure from GAG	-	-	(59)	680	-	621
	126,633	19,953	(4,106)	1,025	-	143,505
Total restricted funds	95,011	89,912	(77,866)	345	15,463	122,865
Total of funds	102,137	93,550	(80,159)	-	15,978	131,506

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

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Unrestricted funds						
Unrestricted funds	5,531	6,893	(5,257)	(670)	533	7,030
Endowment funds						
Endowment funds	1,595	-	-	(385)	228	1,438
	1,595	-	-	(385)	228	1,438
Restricted funds						
General Annual Grant (GAG)	2,118	119,683	(121,327)	(474)	-	-
Start up grants	-	64	(64)	-	-	-
Pupil premium	-	11,990	(11,990)	-	-	-
Other DfE/ESFA grants	-	2,218	(2,218)	-	-	-
Local Authority grants	-	829	(829)	-	-	-
SEN from Local Authority	-	1,383	(1,383)	-	-	-
Other government grants	15	201	(216)	-	-	-
Nursery grants and EYSFF	-	2,334	(2,334)	-	-	-
Pension reserve	(33,755)	-	(5,003)	-	21,252	(17,506)
	(31,622)	138,702	(145,364)	(474)	21,252	(17,506)
Restricted fixed asset funds						
DfE/ESFA grants	-	495	(56)	-	-	439
Other DfE capital grant	1,218	1,585	(2,126)	-	-	677
Sponsorship capital contribution	190	27	12	375	-	604
Assets inherited on conversion	112,268	18,800	(10,876)	-	-	120,192
Assets inherited on transfer	12,957	-	(855)	-	-	12,102
Capital expenditure from GAG	-	-	(259)	1,154	-	895
	126,633	20,907	(14,160)	1,529	-	134,909
Total restricted funds	95,011	159,609	(159,524)	1,055	21,252	117,403
Total of funds	102,137	166,502	(164,781)	-	22,013	125,871

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NOTES TO THE FINANCIAL STATEMENTS
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TOTAL COST ANALYSIS BY ACADEMY

	Teaching and education staff costs	Other support costs	Educational supplies	Other costs (excluding depreciation)	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000	£'000
The Ferns Primary Academy	1,181	174	20	423	1,798	1,801
Hilton Academy	1,533	177	60	528	2,298	2,411
Merlin Top Primary Academy	1,284	114	54	537	1,989	2,050
Mount Pellon Infants & Junior Academy	1,676	392	94	564	2,726	2,651
Ryecroft Primary Academy	1,243	143	80	508	1,974	1,938
Kearsley Academy	2,101	348	112	801	3,362	3,343
North Shore Academy	2,570	498	134	1,238	4,440	4,584
Dyke House Sports & Technology College	5,077	1,041	313	1,492	7,923	8,218
Abbey Park Primary Academy	705	159	41	202	1,107	1,104
Thomas Hepburn Community Academy	1,665	335	70	791	2,861	3,556
The Grangefield Academy	2,488	418	128	813	3,847	3,591
The Blyth Academy	3,418	573	155	1,292	5,438	5,282
Frederick Nattrass Primary Academy	894	125	92	377	1,488	1,490
The Oak Tree Academy	1,438	201	100	432	2,171	2,227
Norton Primary Academy	1,332	120	77	437	1,966	1,915
Southmere Primary Academy	1,382	170	91	433	2,076	2,115
Kirk Balk Academy	3,466	477	288	1,855	6,086	5,502
Manor Academy	4,959	586	165	1,214	6,924	7,286
Red House Academy	2,491	445	101	783	3,820	3,730
Thorp Academy	3,649	502	180	1,087	5,418	7,039
The Centre	492	3,371	0	991	4,854	4,220
	<u>45,044</u>	<u>10,369</u>	<u>2,355</u>	<u>16,798</u>	<u>74,566</u>	<u>76,053</u>

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ANALYSIS OF ACADEMIES BY FUND BALANCE

	Total 2018 £'000	Total 2017 £'000
The Ferns Primary Academy	15	15
Hilton Academy	15	15
Merlin Top Primary Academy	15	15
Mount Pellon Infants & Junior Academy	15	15
Ryecroft Primary Academy	15	15
Kearsley Academy	15	15
North Shore Academy	15	15
Dyke House Sports & Technology College	15	15
Abbey Park Primary Academy	15	15
Thomas Hepburn Community Academy	15	15
The Grangefield Academy	15	15
The Blyth Academy	15	15
Frederick Nattrass Primary Academy	15	15
The Oak Tree Academy	15	15
Norton Primary Academy	15	15
Southmere Primary Academy	15	15
Kirk Balk Academy	15	15
Manor Academy	15	15
Red House Academy	15	15
Thorp Academy	15	15
The Centre	<u>6,730</u>	<u>7,263</u>
	<u>7,030</u>	<u>7,563</u>
 Restricted fixed asset fund	 134,909	 143,505
Endowment fund	1,438	1,405
Pension reserve	<u>(17,506)</u>	<u>(20,967)</u>
	<u>125,871</u>	<u>131,506</u>

Trustees take seriously their responsibility to ensure the Trust continues as a going concern over the medium term. Given the current overall economic climate, pressure on government spending, changes in establishing national oversight of academies and MAT's and funding of Local Government Pension Schemes (LGPS), medium term financial planning is a high priority for Trustees.

The Trust continues to successfully evidence an effective and progressive approach to Financial Planning and Management with a seamless link to both school improvement and continuous student welfare. Overall Trust Reserves have risen incrementally (2012/13: £2m to £7.1m in 2017/18) providing financial stability. Having this solid foundation, the Trust has been able to invest substantially in school improvement and IT throughout the year.

As per the reserves policy outlined in the Trustees' Report, Trustees have considered individual academy reserves within the Academy Trust with the plan going forward to manage funds (at £15k per academy) at a Trust level. These funds will better support a new, consistent and student focussed approach to school improvement across all academies.

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**NOTES TO THE FINANCIAL STATEMENTS
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21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Endowment funds 2018 £000	Total funds 2018 £000
Intangible fixed assets	-	-	35	-	35
Tangible fixed assets	-	-	133,302	-	133,302
Current assets	7,030	6,165	1,572	1,438	16,205
Creditors due within one year	-	(6,086)	-	-	(6,086)
Creditors due in more than one year	-	(79)	-	-	(79)
Provisions for liabilities and charges	-	(17,506)	-	-	(17,506)
	<u>7,030</u>	<u>(17,506)</u>	<u>134,909</u>	<u>1,438</u>	<u>125,871</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Endowment funds 2017 £000	Total funds 2017 £000
Tangible fixed assets	-	-	141,739	-	141,739
Trade investments	3,305	-	-	1,396	4,701
Current assets	4,275	5,440	1,766	9	11,490
Creditors due within one year	(87)	(5,274)	-	-	(5,361)
Creditors due in more than one year	-	(96)	-	-	(96)
Provisions for liabilities and charges	-	(20,967)	-	-	(20,967)
	<u>7,493</u>	<u>(20,897)</u>	<u>143,505</u>	<u>1,405</u>	<u>131,506</u>

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

	2018 £000	2017 £000
Net (expenditure)/income for the year (as per Statement of Financial Activities)	(11,424)	13,906
Adjustment for:		
Depreciation charges	4,182	4,106
Amortisation	2	-
Investment income	(3)	(6)
Impairment of fixed assets	5,876	-
Decrease/(increase) in stocks	-	17
(Increase)/decrease in debtors	(290)	1,628
Increase in creditors	728	485
Capital grants from DfE and other capital income	(1,430)	(1,350)
Defined benefit pension scheme cost less contributions payable	1,840	2,018
Defined benefit pension scheme finance cost	488	657
Net (gain)/loss on assets and liabilities from local authority on conversion	-	(18,800)
Investment gains	(246)	(460)
Net cash (used in)/provided by operating activities	<u>(277)</u>	<u>2,201</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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23. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash in hand and at bank	13,286	8,859
Total	<u>13,286</u>	<u>8,859</u>

24. CONTINGENT LIABILITIES

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the trust is required either to re-invest the proceeds or to repay to the ESFA the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the trust serving notice, the trust shall repay to the Secretary of State sums determined by reference to:

- (a) the value at that time of the trust's assets held for the purpose of the trust; and
- (b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

25. CAPITAL COMMITMENTS

At 31 August 2018 the Academy Trust had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	<u>494</u>	<u>-</u>

26. PENSION COMMITMENTS

The Academy Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff. Both are Multi-employer defined benefit pension schemes.

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

Contributions amounting to £738k were payable to the schemes at 31 August 2018 (2017 - £783k) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with

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26. PENSION COMMITMENTS (continued)

the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

The TPS valuation for 2012 determined an employer rate of 16.48% (including 0.8% administration fees), which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £4,090k (2017 - £4,226k).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £3,126k (2017 - £3,345k), of which employer's contributions totalled £2,373k (2017 - £2,552k) and employees' contributions totalled £753k (2017 - £793k). The agreed contribution rates for future years are 12.8% for employers and 5.5-12.5% for employees.

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.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') Equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pension Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

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

The Academy Trust's share of the assets in the scheme was:

	Fair value at 31 August 2018 £000	Fair value at 31 August 2017 £000
Equities	35,052	33,003
Bonds	2,865	2,471
Other bonds	2,335	2,183
Property	3,649	3,122
Cash and other liquid assets	4,261	2,999
Other	1,972	1,520
Total market value of assets	<u>50,134</u>	<u>45,298</u>

The actual return on scheme assets was £2,607k (2017 - £6,168k).

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

	2018 £000	2017 £000
Current service cost	(3,879)	(4,550)
Net interest cost	(488)	(657)
Past service cost	(331)	(16)
Administration expenses	(3)	(4)
Total	<u>(4,701)</u>	<u>(5,227)</u>

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

	2018 £000	2017 £000
Opening defined benefit obligation	66,265	70,270
Current service cost	3,879	4,550
Interest cost	1,645	1,436
Employee contributions	753	793
Actuarial gains	(4,339)	(10,074)
Benefits paid	(760)	(726)
Past service costs	331	16
Other	(135)	-
Closing defined benefit obligation	<u>67,639</u>	<u>66,265</u>

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26. PENSION COMMITMENTS (continued)

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

	2018 £000	2017 £000
Opening fair value of scheme assets	45,298	36,515
Return on plan assets	1,157	779
Actuarial gains	1,450	5,389
Employer contributions	2,373	2,552
Employee contributions	753	793
Administration charges	(3)	(4)
Benefits paid	(760)	(726)
Other	(135)	-
	<u>50,133</u>	<u>45,298</u>
Closing fair value of scheme assets	<u>50,133</u>	<u>45,298</u>

Principal actuarial assumptions

	Rate of increase on salaries		Rate of increase for pension payments/inflation		Discount rate for scheme liabilities	
	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%
The Ferns Primary Academy	3.1	3.2	2.3	2.4	2.8	2.5
Hilton Academy	3.5	3.4	2.0	1.9	2.8	2.5
Merlin Top Primary Academy	3.3	3.3	2.0	2.0	2.8	2.5
Mount Pellon Infants & Junior Academy	3.3	3.3	2.0	2.0	2.8	2.5
Ryecroft Primary Academy	3.3	3.3	2.0	2.0	2.8	2.5
Kearsley Academy	3.2	3.2	2.4	2.4	2.8	2.5
North Shore Academy	3.0	2.9	2.0	1.9	2.8	2.5
Dyke House Sports & Technology College	3.0	2.9	2.0	1.9	2.8	2.5
Abbey Park Primary Academy	3.3	3.3	2.0	2.0	2.8	2.5
Thomas Hepburn Community Academy	3.5	3.4	2.0	1.9	2.8	2.5
The Grangefield Academy	3.0	3.0	2.0	2.0	2.8	2.5
The Blyth Academy	3.5	3.6	2.0	2.1	2.8	2.5
Frederick Nattrass Primary Academy	3.0	3.0	2.0	2.0	2.8	2.5
The Oak Tree Academy	3.0	3.0	2.0	2.0	2.8	2.5
Norton Primary Academy	3.0	3.0	2.0	2.0	2.8	2.5
Southmere Primary Academy	3.3	3.3	2.0	2.0	2.8	2.5
Kirk Balk Academy	3.4	3.4	2.2	2.2	2.8	2.4
Manor Academy	3.0	3.0	2.0	2.0	2.8	2.5
Red House Academy	3.5	3.4	2.0	1.9	2.8	2.5
Thorp Academy	3.5	3.4	2.0	1.9	2.8	2.5
The Centre	3.5	3.4	2.0	1.9	2.8	2.5

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Mortality

The assumed life expectations on retirement age 65 are:

	Males		Females	
	Retiring today	Retiring in 20 years	Retiring today	Retiring in 20 years
The Ferns Primary Academy	21.5	23.7	24.1	26.2
Hilton Academy	22.9	25.1	26.4	28.7
Merlin Top Primary Academy	22.1	23.1	25.3	27.1
Mount Pellon Infants & Junior Academy	22.1	23.1	25.3	27.1
Ryecroft Primary Academy	22.1	23.1	25.3	27.1
Kearsley Academy	21.5	23.7	24.1	26.2
North Shore Academy	22.9	25.1	25.0	27.3
Dyke House Sports & Technology College	22.9	25.1	25.0	27.3
Abbey Park Primary Academy	22.1	23.1	25.3	27.1
Thomas Hepburn Community Academy	22.9	25.1	26.4	28.7
The Grangefield Academy	22.9	25.1	25.0	27.3
The Blyth Academy	22.9	25.1	25.0	27.3
Frederick Nattrass Primary Academy	22.9	25.1	25.0	27.3
The Oak Tree Academy	22.9	25.1	25.0	27.3
Norton Primary Academy	22.9	25.1	25.0	27.3
Southmere Primary Academy	22.0	23.1	25.3	27.1
Kirk Balk Academy	23.0	25.2	25.8	28.1
Manor Academy	22.9	25.1	25.0	27.3
Red House Academy	22.9	25.1	26.4	28.7
Thorp Academy	22.9	25.1	26.4	28.7
The Centre	22.9	25.1	26.4	28.7

27. OPERATING LEASE COMMITMENTS

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

	2018 £000	2017 £000
Land and Buildings		
Within 1 year	939	972
Between 1 and 5 years	3,757	2,768
After more than 5 years	12,211	12,614
Total	16,907	16,354
Other		
Within 1 year	168	99
Between 1 and 5 years	423	193
Total	591	292

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NOTES TO THE FINANCIAL STATEMENTS
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28. RELATED PARTY TRANSACTIONS

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

The following related party transactions took place in the financial period:

Income Related Party Transaction

During the year the Academy Trust received income of £nil (2017: £13k) from Leighton Management Limited and with whom former trustee Paul Callaghan is the chairman. This was for a contribution to a trip to Chicago for the students of Red House Academy. The balance outstanding in debtors in relation to this transaction is £nil (2017: nil).

Key management personnel compensation disclosure is included in note 9.

29. 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 he/she ceases to be a member.

30. AGENCY ARRANGEMENTS

The trust administers the disbursement of the new discretionary support for learners, 16-19 Bursary Funds, on behalf of the ESFA. In the year it received £48k (2017 - £57k) and disbursed £36k (2017 - £25k) from the fund. An amount of £75k (2017: £63k) is included in other creditors relating to undistributed funds that is repayable to ESFA. The trust retained a beneficial interest in individual transactions such that less than £1k has been recognised in income and expenditure in the statement of financial activities.