

STRANTON ACADEMY TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

Registered number: 08561049

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STRANTON ACADEMY TRUST
(A company limited by guarantee)

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STRANTON ACADEMY TRUST
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS DIRECTORS AND ADVISERS
FOR THE PERIOD ENDED 31 AUGUST 2014**

Directors

J Ayre (appointed 7 June 2013)
P Hart (appointed 7 June 2013)
S Henry (appointed 26 June 2013)
G Hunter (appointed 7 June 2013)
E Killeen (appointed 26 June 2013)
N Nottingham (appointed 7 June 2013)
M Sumpter (appointed 26 June 2013)
J Thompson (appointed 26 June 2013)
M Westhorpe (appointed 26 June 2013)
K Kneale (appointed 26 June 2013, resigned 12 December 2013)

Company registered number

08561049

Principal and registered office

Stranton Academy, Southburn Terrace, Hartlepool, TS25 1SQ

Senior management team

N Nottingham, Executive Headteacher
E Killeen, Headteacher

Independent auditors

Waltons Clark Whitehill Limited, Maritime House, Harbour Walk, The Marina, Hartlepool, TS24 0UX

Bankers

National Westminster Bank PLC, 135 Bishopsgate, London, EC2M 3UR

Solicitors

Tilly Bailey & Irvine LLP, 12 Evolution, Wynyard Park, Wynyard, TS22 5TB

Members

P Hart
G Hunter
J Ayre

STRANTON ACADEMY TRUST
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DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2014

The directors present their annual report together with the audited financial statements and auditors' report of Stranton Academy Trust (the academy) for the period 7 June 2013 to 31 August 2014. The directors confirm that the annual report and financial statements of the academy comply with the current statutory requirements, the requirements of the academy's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Trust operates 2 primary academies in Hartlepool. It has a pupil capacity of 350 plus 52 nursery places at Stranton and 210 plus 52 nursery places at Eskdale. There was a roll of 340 (including nursery) at Stranton and 221 (including nursery) at Eskdale in the school census in autumn 2014.

Eskdale changed its name from Owton Manor Primary on 1 September 2014.

Structure, governance and management

● **CONSTITUTION**

Stranton Academy Trust is a charitable company limited by guarantee and exempt charity (registration number 05861049). The Charitable Company's memorandum and articles of association are the primary governing documents of the academy trust.

The academy is constituted under a Memorandum and Articles of Association dated 7 June 2013.

The principal object of the academy is to advance for public benefit education by establishing, maintaining, carry on, managing and developing schools, offering a broad and balanced curriculum, providing education for children of compulsory school age.

● **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.

● **METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF DIRECTORS**

The initial members of the Multi Academy Trust were nominated by the Governing Body of Stranton Primary School. The number of Trustees as set out in the Articles of Association and Funding Agreement shall not be less than 3.

Subject to Articles 48-49, the Company shall have the following directors:

- Up to 10 directors appointed under Article 50
- the Chief Executive Officer, where one is appointed;
- a minimum of 2 parent directors appointed under Articles 53-56D.

The company may also have any co opted director appointed under Article 58.

The management of the academy is the responsibility of the directors who are elected and co opted under the terms of the Trust deed.

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DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2014

● **POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF DIRECTORS**

During the period 2013/14 the directors held four meetings.

Following their appointment/election all new trustees/directors/governors will receive an induction to their role from Chair of Trustees and Executive Headteacher. This will include a tour of the Academy and the opportunity to meet members of the Senior Leadership Team, staff and pupils.

Training and induction will be dependent on their existing experience. Stranton Academy is committed to providing training opportunities so as to enable directors to undertake their role more effectively, and provides them with copies of policies, procedures, minutes, accounts, budgets, plans and other documentation.

● **ORGANISATIONAL STRUCTURE**

The Stranton Academy Trust is made up of a board of directors. Each school within the trust has its own separate governing body and a further subcommittee for finance each having their own delegated powers. The Headteacher of each school also has delegated powers.

● **RISK MANAGEMENT**

The directors have assessed the major risks to which the academy is exposed, in particular those related to the operations and finances of the academy, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks.

Objectives and Activities

● **OBJECTS AND AIMS**

- (a) The principal object and activity is the operation of The Stranton Academy Trust to provide to primary education services for children between the ages of 2 and 11.
- (b) The Stranton Academy Trust aims to improve the lives of children and young people through education.

● **OBJECTIVES, STRATEGIES AND ACTIVITIES**

- (a) The Academy Trust was set up on 1st July 2013 in order improve the educational lives of the pupils attending the Trust.
- (b) The initial objective was to ensure a smooth transition from Local Authority Schools to an Academy Trust. In doing this the Trust was determined to maintain the ethos, values, standards and achievements of both Stranton Primary School and Owton Manor Primary School whilst at the same time continually working to improve standards.

The aims of Stranton Academy Trust are to:

- Ensure every child is challenged to reach their full potential.
- Ensure our children are equipped with the skills for life in an ever changing world.
- Ensure every child, and their family, are welcomed into our learning environments – ensuring they receive the help, support and direction they require at differing times of their lives.
- Meet the needs and aspirations of our local communities.

STRANTON ACADEMY TRUST
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DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2014

● **ACTIVITIES FOR ACHIEVING OBJECTIVES**

To ensure we meet the aims of our Trust, we ensure our children:

- Have access to a broad, balanced and engaging curriculum.
- Have access to a wide range of extra-curricular activities – both academic and sporting.
- Have opportunity to undertake visits that enrich children's learning.
- Use our school buildings to offer programmes and opportunities for parents and wider family members.

● **PUBLIC BENEFIT**

The directors have complied with the duty in section 4 of the Charities Act 2006 to have due regard to the public benefit guidance published by the Commission.

Strategic report

Achievements and performance

● **GOING CONCERN**

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

● **KEY FINANCIAL PERFORMANCE INDICATORS**

Attainment in line or above national.
Progress in line or above national.
Successful Ofsted inspection.
To set a balanced budget and to not overspend within the year.

● **REVIEW OF ACTIVITIES**

A long term lease agreement is in place with Hartlepool Borough Council in relation to the land and buildings of the schools within the MAT these are included in the Fixed Assets of the Trust. The assets were used for providing educational and associated services to the pupils and families of the schools.

● **INVESTMENT POLICY AND PERFORMANCE**

The academy aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the academy aims to invest surplus cash funds to optimise returns, but ensuring the investment instruments are such that there is no risk to the loss of these cash funds.

Our aim is to spend the public monies with which we are entrusted for the direct education benefit of students as

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DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2014

soon as is prudent. The school does not consider the investment of surplus funds as a primary activity, rather it is the result of good stewardship as and when circumstances allow.

● **RESERVES POLICY**

The Trust is holding reserves towards future capital programmes and building contingencies for both schools in the Trust. The reserves have been kept at the level they are in order to assist with the future growth of the Trust.

● **FINANCIAL REVIEW**

The majority of the Trust's income is obtained from Department for Education via the Education Funding Agency, in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received and the associated expenditure are shown in the Statement of Financial Activities.

In addition capital grants are received and these are shown as restricted income in the fixed asset fund.

Total income for the year excluding capital funds and funds transferred on conversion was £3,479k and expenditure excluding depreciation and the deficit on the pension scheme transferred on conversion was £3,348k giving a surplus for the year of £131k.

The Trust generates income through lettings to external providers and groups. We also have a service level agreement with the Children's Services Department of Hartlepool Borough Council to provide services and facilities for 0 to 5 year olds.

All expenditure in the year was in furtherance of the Trust's objectives.

At 31 August 2014 the net book value of fixed assets was £3,130k and the movements in the year are shown in note 13. All assets are used exclusively for providing education and associated support services to pupils of the Trust.

The provision of FRS 17 Retirement Benefits have been applied resulting in a deficit of £418,000. Payments to fund the deficit will be made out of future income

At 31 August the Trust held fund balances of £3,148k being £2,816k restricted funds and £332k of unrestricted funds.

● **FUTURE DEVELOPMENTS**

It is the intention to grow the Academy Trust steadily over the coming years – potentially taking an additional school into the Trust by December 2015 and a fourth by December 2017. We will however, not be restrained by these plans and take each application on merit.

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DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2014

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

AUDITORS

The auditors, Waltons Clark Whitehill Limited, have indicated their willingness to continue in office. The Designated directors will propose a motion re-appointing the auditors at a meeting of the directors.

This report, incorporating the strategic report, was approved by order of the board of directors, as the company directors, on 18/12/14 and signed on the board's behalf by:

P Hart
Chair of Directors



STRANTON ACADEMY TRUST
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As directors, we acknowledge we have overall responsibility for ensuring that Stranton Academy 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 directors has delegated the day-to-day responsibility to the Executive Head, 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 Stranton Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of directors any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the directors' report and in the directors' responsibilities statement. The board of directors has formally met 4 times during the period. Attendance during the period at meetings of the board of directors was as follows:

Director	Meetings attended	Out of a possible
J Ayre	3	4
P Hart	4	4
S Henry	4	4
G Hunter	4	4
E Killeen	2	4
N Nottingham	4	4
M Sumpter	3	4
J Thompson	4	4
M Westhorpe	1	4
K Kneale	1	1

The Finance and Audit Committee has been set up as a sub committee of the main board of Governors in each school. Its purpose is to focus entirely on the financial aspects of the schools.

Attendance at meetings in the period was as follows:

Stranton

	Meetings attended	Out of a possible
J Ayre	1	1
P Hart	1	1
M Westhorpe	1	1

Eskdale	Meetings attended	Out of a possible
J Thompson	1	1
P Raine	1	1
K Gorton	1	1

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GOVERNANCE STATEMENT (continued)

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Stranton Academy Trust for the period 1 July 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The board of directors has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks, that has been in place for the period 1 July 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of directors.

THE RISK AND CONTROL FRAMEWORK

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

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

The board of directors has considered the need for a specific internal audit function and has decided to appoint Noel Adamson of Hartlepool Borough Council as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On an annual basis, the internal auditor reports to the board of directors on the operation of the systems of control and on the discharge of the board of directors' financial responsibilities.

The Internal Auditor attended the schools on 15th and 21st July 2014.

The aim of the audit was to review procedures in place to ensure that staff are correctly paid and goods / services are procured in accordance with the Trusts' Financial Procedures.

Their final report gave reasonable Assurance that the Trusts' control environment is operating as intended.

REVIEW OF EFFECTIVENESS

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

- the work of the internal auditor;
- the work of the external auditors;

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GOVERNANCE STATEMENT (continued)

- the financial management and governance self-assessment process;
- the work of the executive managers within the academy who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the board of directors on 18.12.14 and signed on its behalf, by:


P Hart
Chair of Directors


N Nottingham
Accounting Officer

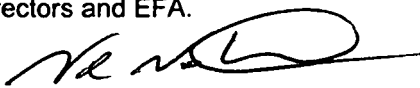
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Stranton Academy Trust I have considered my responsibility to notify the academy board of directors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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 directors and EFA.


N Nottingham
Accounting Officer

Date: 18.12.2014

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DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2014

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

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors 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 directors are required to:

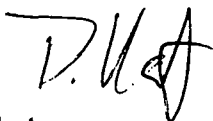
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material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

The directors 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 directors 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 EFA/DfE have been applied for the purposes intended.

The directors 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 directors on 18.12.14 and signed on its behalf by:



P Hart
Chair of Directors

STRANTON ACADEMY TRUST
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF STRANTON ACADEMY TRUST

We have audited the financial statements of Stranton Academy Trust for the period ended 31 August 2014 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the directors' responsibilities statement, the directors (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report, incorporating the strategic report, for the financial period for which the financial statements are prepared is consistent with the financial statements.

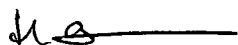
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF STRANTON ACADEMY TRUST

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Heather O'Driscoll FCA (senior statutory auditor)

for and on behalf of

Waltons Clark Whitehill Limited

Chartered Accountants
Statutory Auditors

Maritime House
Harbour Walk
The Marina
Hartlepool
TS24 0UX

Date: 12/12/14

STRANTON ACADEMY TRUST
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO STRANTON ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 25 April 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Stranton Academy Trust during the period 1 July 2013 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

RESPECTIVE RESPONSIBILITIES OF STRANTON ACADEMY TRUST'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The accounting officer is responsible, under the requirements of Stranton Academy Trust's funding agreement with the Secretary of State for Education dated 27 June 2013, and the Academies Financial Handbook extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. 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 July 2013 to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2013 to 2014 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes a review of the design and implementation of the academy's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the academy and specific transactions identified from our review.

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO STRANTON
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 July 2013 to 31 August 2014 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Heather O'Driscoll FCA (senior statutory auditor)

Waltons Clark Whitehill Limited

Chartered Accountants
Statutory Auditors

Maritime House
Harbour Walk
The Marina
Hartlepool
TS24 0UX

Date: 18/11/14

STRANTON ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating Income and Expenditure Account and Statement of Total Recognised Gains and Losses)
FOR THE PERIOD ENDED 31 AUGUST 2014

	Note	Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £
INCOMING RESOURCES					
Incoming resources from generated funds:					
Funds transferred from local authority on conversion	2	211,302	50,000	2,828,167	3,089,469
Other voluntary income	2	42,455	403	-	42,858
Activities for generating funds	3	193,170	-	-	193,170
Incoming resources from charitable activities	4	26,480	3,216,834	427,719	3,671,033
TOTAL INCOMING RESOURCES		473,407	3,267,237	3,255,886	6,996,530
RESOURCES EXPENDED					
Costs of generating funds:					
Costs of generating voluntary income	7	7,498	72,908	-	80,406
Charitable activities	6	84,661	3,131,298	89,750	3,305,709
Governance costs	8	-	49,965	-	49,965
Other resources expended	9	-	208,000	-	208,000
TOTAL RESOURCES EXPENDED	5	92,159	3,462,171	89,750	3,644,080
NET INCOMING / (OUTGOING) RESOURCES BEFORE TRANSFERS		381,248	(194,934)	3,166,136	3,352,450
Transfers between funds	17	(49,664)	14,879	34,785	-
NET INCOME FOR THE PERIOD		331,584	(180,055)	3,200,921	3,352,450
Actuarial gains and losses on defined benefit pension schemes		-	(204,000)	-	(204,000)
NET MOVEMENT IN FUNDS FOR THE PERIOD		331,584	(384,055)	3,200,921	3,148,450
<i>Total funds at 1 July 2013</i>		-	-	-	-
TOTAL FUNDS AT 31 AUGUST 2014		331,584	(384,055)	3,200,921	3,148,450

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

The Statement of Financial Activities includes all gains and losses recognised in the period.

The notes on pages 19 to 39 form part of these financial statements.

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(A company limited by guarantee)
REGISTERED NUMBER: 08561049

BALANCE SHEET
AS AT 31 AUGUST 2014

	Note	£	2014 £
FIXED ASSETS			
Tangible assets	13		3,129,750
CURRENT ASSETS			
Stocks	14	4,000	
Debtors	15	132,999	
Cash at bank		383,354	
		<u>520,353</u>	
CREDITORS: amounts falling due within one year	16	<u>(83,653)</u>	
NET CURRENT ASSETS			<u>436,700</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,566,450</u>
Defined benefit pension scheme liability	23		<u>(418,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			<u><u>3,148,450</u></u>
FUNDS OF THE ACADEMY			
Restricted funds:			
Restricted funds	17	33,945	
Restricted fixed asset funds	17	3,200,921	
		<u>3,234,866</u>	
Restricted funds excluding pension liability			
Pension reserve		<u>(418,000)</u>	
Total restricted funds			<u>2,816,866</u>
Unrestricted funds	17		<u>331,584</u>
TOTAL FUNDS			<u><u>3,148,450</u></u>

The financial statements were approved by the directors, and authorised for issue, on 18/12/14 and are signed on their behalf, by:

P Hart
Chair of Directors

The notes on pages 19 to 39 form part of these financial statements.

STRANTON ACADEMY TRUST
(A company limited by guarantee)

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2014

	Note	2014 £
Net cash flow from operating activities	19	84,138
Capital expenditure and financial investment	20	31,608
Cash transferred on conversion to an academy trust	22	267,608
INCREASE IN CASH IN THE PERIOD		383,354

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

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE PERIOD ENDED 31 AUGUST 2014

	2014 £
Increase in cash in the period	383,354
MOVEMENT IN NET FUNDS IN THE PERIOD	383,354
NET FUNDS AT 31 AUGUST 2014	383,354

The notes on pages 19 to 39 form part of these financial statements.

STRANTON ACADEMY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 to 2014 issued by EFA, and the Companies Act 2006.

1.2 Fund accounting

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

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 and include grants from Education Funding Agency.

1.3 Incoming resources

All incoming resources are included in the statement of financial activities when the academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

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

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

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

STRANTON ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

1. ACCOUNTING POLICIES (continued)

1.4 Resources expended

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

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

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

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Going concern

The directors 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 to continue as a going concern. The directors make this assessment in respect of a period of one year from the date of approval of the financial statements.

1.6 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the statement of financial activities and are carried forward in the balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on leasehold land. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long term leasehold property	-	20-50 years straight line
Plant & machinery	-	5 years straight line
Computer equipment	-	3 years straight line

STRANTON ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

1. ACCOUNTING POLICIES (continued)

1.7 Operating leases

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

1.8 Stocks

Stocks are valued at cost and are goods purchased in the summer term for use in the 2014-15 year.

1.9 Taxation

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

1.10 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 23, the TPS is a multi-employer scheme and the academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

STRANTON ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

1. ACCOUNTING POLICIES (continued)

1.11 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Stranton Primary School and Owton Manor Primary School to an academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Stranton Academy Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

2. VOLUNTARY INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £
Funds transferred from local authority on conversion	211,302	2,878,167	3,089,469
Donations	39,353	-	39,353
Income from trips and visits	3,102	-	3,102
Donations towards course fees	-	403	403
Subtotal	42,455	403	42,858
Voluntary income	253,757	2,878,570	3,132,327

3. FUNDRAISING INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £
Catering income	42,063	-	42,063
Provision of staff	65,272	-	65,272
Lettings income	59,368	-	59,368
Receipts from supply teacher insurance claims	26,467	-	26,467
	193,170	-	193,170

STRANTON ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

4. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £
DfE/EFA revenue grants			
General annual grant	-	2,500,908	2,500,908
Capital grant	-	351,857	351,857
Pupil premium	-	357,488	357,488
	<u>-</u>	<u>3,210,253</u>	<u>3,210,253</u>
Other government grants			
National college school leadership	-	7,001	7,001
Nursery milk income	-	1,565	1,565
Ethnic minority grant	-	1,290	1,290
Early years income	-	239,461	239,461
High needs income	-	109,121	109,121
Capital grant	-	75,862	75,862
Student placements	26,480	-	26,480
	<u>26,480</u>	<u>434,300</u>	<u>460,780</u>
	<u>26,480</u>	<u>3,644,553</u>	<u>3,671,033</u>

STRANTON ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

5. RESOURCES EXPENDED

	Staff costs	Non Pay Premises	Expenditure Other costs	Total
	2014	2014	2014	2014
	£	£	£	£
Costs of generating voluntary income	51,188	-	29,218	80,406
Costs of generating funds	51,188	-	29,218	80,406
Direct costs	2,216,246	-	236,625	2,452,871
Support costs	289,247	323,317	240,274	852,838
Charitable activities	2,505,493	323,317	476,899	3,305,709
Governance	15,015	-	34,950	49,965
Other resources expended	208,000	-	-	208,000
	2,779,696	323,317	541,067	3,644,080

STRANTON ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

6. CHARITABLE ACTIVITIES

	Total funds 2014 £
DIRECT COSTS - EDUCATIONAL OPERATIONS	
Wages and salaries	1,852,291
National insurance	127,325
Pension cost	236,630
Educational supplies	111,307
Staff development and training	9,517
Insurance	50,541
Other staff costs	31,978
Educational consultancy	12,151
HR and advisory services	21,131
	<u>2,452,871</u>
SUPPORT COSTS - EDUCATIONAL OPERATIONS	
Wages and salaries	223,473
National insurance	16,252
Pension cost	49,522
Depreciation	88,222
Catering	110,730
Postage and telephone	8,829
Repairs and maintenance	162,750
Energy costs	57,449
Rates	26,962
Cleaning	67,268
Travel	10,440
Printing postage & stationery	24,298
Trips and activities	7,589
Bank charges	367
HR and advisory services	6,647
Pension finance cost	(9,000)
Other support costs	1,040
	<u>852,838</u>
	<u><u>3,305,709</u></u>

STRANTON ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

7. COSTS OF GENERATING VOLUNTARY INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £
Trips and activities	7,498	12,832	20,330
Premises costs	-	8,888	8,888
Wages and salaries	-	51,188	51,188
	<u>7,498</u>	<u>72,908</u>	<u>80,406</u>

8. GOVERNANCE COSTS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £
Governance auditors' remuneration	-	7,350	7,350
Auditors' non audit fees	-	1,450	1,450
Legal and professional fees	-	7,297	7,297
Start up legal fees	-	18,853	18,853
Wages and salaries	-	15,015	15,015
	<u>-</u>	<u>49,965</u>	<u>49,965</u>

9. OTHER RESOURCES EXPENDED

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £
Pension deficit on conversion	-	208,000	208,000
	<u>-</u>	<u>208,000</u>	<u>208,000</u>

10. NET INCOMING / (OUTGOING) RESOURCES

This is stated after charging:

	2014 £
Depreciation of tangible fixed assets:	
- owned by the charity	88,222
Auditors' remuneration	7,350
Operating lease rentals:	
- plant and machinery	2,532
	<u>98,104</u>

STRANTON ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

11. STAFF

a. Staff costs

Staff costs were as follows:

	2014 £
Wages and salaries	2,098,219
Social security costs	143,577
Other pension costs (Note 23)	494,152
	<hr/> 2,735,948
Supply teacher costs	38,437
Compensation payments	5,311
	<hr/> <hr/> 2,779,696

Included within compensation payments was one staff severance payment totalling £5,311.

b. Staff numbers

The average number of persons employed by the academy during the period expressed as full time equivalents was as follows:

	2014 No.
Teachers	61
Administration and support	8
Management	1
	<hr/> 70

c. Higher paid staff

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

	2014 No.
In the band £60,001 - £70,000	1

STRANTON ACADEMY TRUST
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

11. STAFF (continued)

The above employee participated in the Teachers' Pension Scheme. During the period ended 31 August 2014 employer's pension contributions for this member of staff amounted to £11,232.

Related Party Transactions - Directors' Remuneration and Expenses

The Executive Head and other staff directors only receive remuneration in respect of services they provide undertaking the roles of Executive Head and staff, and not in respect of their services as directors. Other directors did not receive any payments, other than expenses, from the academy trust in respect of their role as directors. The value of directors' remuneration was as follows:

N Nottingham (Executive Head and director): £65,000 - £70,000
E Killeen (staff director): £55,000 - £60,000
S Henry (staff director): £45,000 - £50,000

During the year ended 31 August 2014, travel and subsistence expenses totalling £170 were reimbursed to 1 director.

Other related party transactions involving the directors are set out in note 24.

12. DIRECTORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the period ended 31 August 2014 was £2,254. The cost of this insurance is included in the total insurance cost.

13. TANGIBLE FIXED ASSETS

	Long term leasehold property £	Plant & machinery £	Computer equipment £	Total £
Cost or valuation				
Additions	308,153	62,737	25,221	396,111
Assets inherited on conversion	2,799,000	9,223	13,638	2,821,861
At 31 August 2014	3,107,153	71,960	38,859	3,217,972
Depreciation				
Charge for the period	62,479	11,525	14,218	88,222
At 31 August 2014	62,479	11,525	14,218	88,222
Net book value				
At 31 August 2014	3,044,674	60,435	24,641	3,129,750

Included within long term leasehold property is land at cost of £165,000 which is not depreciated.

STRANTON ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

14. STOCKS

	2014
	£
School supplies	4,000
	=====

15. DEBTORS

	2014
	£
Trade debtors	39,320
VAT	7,753
Prepayments and accrued income	85,926
	=====
	132,999
	=====

16. CREDITORS:
Amounts falling due within one year

	2014
	£
Trade creditors	5,871
Other creditors	509
Accruals and deferred income	77,273
	=====
	83,653
	=====

	£
Deferred income	
Resources deferred during the year	14,638
	=====

At the balance sheet date the academy was holding funds received in advance to fund free school meals in the 2014-2015 academic year.

STRANTON ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

17. STATEMENT OF FUNDS

	Brought forward £	Incoming resources £	Resources expended £	Transfers in/out £	Gains/ (losses) £	Carried forward £
Unrestricted funds						
General funds	-	473,407	(92,159)	(49,664)	-	331,584
Restricted funds						
General annual grant	-	2,500,910	(2,483,365)	14,879	-	32,424
Pupil premium	-	357,488	(357,488)	-	-	-
Higher educational needs	-	109,121	(109,121)	-	-	-
Early years and nursery	-	239,460	(239,460)	-	-	-
Ethnic minority grant	-	1,290	(1,290)	-	-	-
Funding towards attendance on training course	-	403	(403)	-	-	-
National college of school leadership	-	7,000	(7,000)	-	-	-
Nursery milk income	-	1,565	(1,565)	-	-	-
Start up grant	-	50,000	(48,479)	-	-	1,521
Pension reserve	-	-	(214,000)	-	(204,000)	(418,000)
	-	3,267,237	(3,462,171)	14,879	(204,000)	(384,055)
Restricted fixed asset funds						
Capital transferred on conversion	-	2,828,166	(68,916)	-	-	2,759,250
Other capital grants	-	427,720	(9,468)	-	-	418,252
Capital expenditure from GAG	-	-	(11,366)	34,785	-	23,419
	-	3,255,886	(89,750)	34,785	-	3,200,921
Total restricted funds	-	6,523,123	(3,551,921)	49,664	(204,000)	2,816,866
Total of funds	-	6,996,530	(3,644,080)	-	(204,000)	3,148,450

STRANTON ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

17. STATEMENT OF FUNDS (continued)

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

General annual grant - this is the money provided to the academy for normal school running costs. Transfers in the year represent GAG spent on fixed assets less money transferred from unrestricted to cover the deficit on the GAG in Stranton Primary School.

The pupil premium is paid based upon the number of pupils with service parents or who are entitled to free school meals. This funding has paid for support assistants within classrooms and extra resources.

The funding for higher educational needs has been spent on teaching assistants in class and working one to one with children that have been identified as needing extra support. Some of the funding was spent on resources as well.

The early years funding has been spent on providing a nursery and 2 year old centre in both schools.

The ethnic minority grant was to work with children who need additional support due to having English as a second language.

Funding towards training was a donation received for the Headteacher of Eskdale Primary to attend a training course.

National College of School Leadership income was towards the costs of the Executive Head working with other schools.

Nursery milk income is money received from the NHS towards milk in the nursery.

The capital transferred on conversion represents the land and buildings and other assets transferred to the school at nil consideration from Hartlepool Borough Council upon conversion to an Academy. This fund is being depreciated in line with the assets represented.

Other capital grants are government funds received for the purchase of capital equipment and expenditure on repairs projects. This includes funding received for roof repairs at Stranton Primary School. The amount carried forward represents assets purchased in the period at their net book value and funding yet to be spent.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

Analysis of academies by fund balance

Fund balances at 31 August 2014 were allocated as follows:

Stranton Primary School	276,222
Eskdale Primary School	89,307
	<hr/>
Total before fixed asset fund and pension reserve	365,529
Restricted fixed asset fund	3,200,921
Pension reserve	(418,000)
	<hr/>
Total	3,148,450
	<hr/>

STRANTON ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

17. STATEMENT OF FUNDS (continued)

Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total £
Stranton Primary School	1,302,511	214,746	52,567	494,093	2,063,917
Eskdale Primary School	913,735	74,501	58,740	236,963	1,283,939
	<u>2,216,246</u>	<u>289,247</u>	<u>111,307</u>	<u>731,056</u>	<u>3,347,856</u>

SUMMARY OF FUNDS

	Brought forward £	Incoming resources £	Resources expended £	Transfers in/out £	Gains/ (losses) £	Carried forward £
General funds	-	473,407	(92,159)	(49,664)	-	331,584
Restricted funds	-	3,267,237	(3,462,171)	14,879	(204,000)	(384,055)
Restricted fixed asset funds	-	3,255,886	(89,750)	34,785	-	3,200,921
	<u>-</u>	<u>6,996,530</u>	<u>(3,644,080)</u>	<u>-</u>	<u>(204,000)</u>	<u>3,148,450</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £
Tangible fixed assets	-	-	3,129,750	3,129,750
Current assets	331,584	117,599	71,171	520,354
Creditors due within one year	-	(83,654)	-	(83,654)
Provisions for liabilities and charges	-	(418,000)	-	(418,000)
	<u>331,584</u>	<u>(384,055)</u>	<u>3,200,921</u>	<u>3,148,450</u>

STRANTON ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £
Net incoming resources before revaluations	3,352,450
Assets inherited on conversion	(3,089,469)
Depreciation of tangible fixed assets	88,222
Capital grants from DfE	(427,719)
Increase in stocks	(4,000)
Increase in debtors	(132,999)
Increase in creditors	83,653
FRS 17 adjustments	214,000
Net cash inflow from operations	84,138

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

	2014 £
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(396,111)
Capital grants from DfE	427,719
Net cash inflow capital expenditure	31,608

21. ANALYSIS OF CHANGES IN NET FUNDS

	1 July 2013 £	Cash flow £	Other non-cash changes £	31 August 2014 £
Cash at bank and in hand:	-	383,354	-	383,354
Net funds	-	383,354	-	383,354

22. CONVERSION TO AN ACADEMY TRUST

On 1 July 2013 Stranton Primary School and Owton Manor Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Stranton Academy Trust from Hartlepool Borough Council for £NIL consideration.

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

STRANTON ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014**

22. CONVERSION TO AN ACADEMY TRUST (continued)

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
- Leasehold land and buildings	-	-	2,799,000	2,799,000
- Other tangible fixed assets	-	-	22,861	22,861
Budget surplus/(deficit) on LA funds	261,302	-	6,306	267,608
LGPS pension surplus/(deficit)	-	(208,000)	-	(208,000)
Net assets/(liabilities)	<u>261,302</u>	<u>(208,000)</u>	<u>2,828,167</u>	<u>2,881,469</u>

The above net assets include £267,608 that was transferred as cash.

23. PENSION COMMITMENTS

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) 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.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

23. PENSION COMMITMENTS (continued)

Valuation of the Teachers' Pension Scheme

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 for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

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

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

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

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatting Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatting scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and

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23. PENSION COMMITMENTS (continued)

liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2014 was £140,000, of which employer's contributions totalled £101,000 and employees' contributions totalled £39,000. The agreed contribution rates for future years are 16.4% for employers and 5.5-7.5% 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.

As described in note 22 the LGPS obligation relates to the employees of the academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy at the balance sheet date.

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

	Expected return at 31 August 2014 %	Fair value at 31 August 2014 £
Equities	7.50	811,969
Government Bonds	2.90	18,791
Property	6.80	53,406
Corporate Bonds	3.30	43,516
Cash	1.10	38,571
Other	7.50	22,747
Total market value of assets		989,000
Present value of scheme liabilities		(1,407,000)
(Deficit)/surplus in the scheme		(418,000)

The amounts recognised in the balance sheet are as follows:

	2014 £
Present value of funded obligations	(1,407,000)
Fair value of scheme assets	989,000
Net liability	(418,000)

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NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

The amounts recognised in the statement of financial activities are as follows:

	2014 £
Current service cost	(116,000)
Interest cost	(4,000)
	<hr/>
Total	(120,000)
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Movements in the present value of the defined benefit obligation were as follows:

	2014 £
Obligation transferred from local authority	968,000
Current service cost	116,000
Contributions by scheme participants	39,000
Actuarial losses	229,000
Benefits paid	(2,000)
Interest cost	57,000
	<hr/>
Closing defined benefit obligation	1,407,000
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Movements in the fair value of the academy's share of scheme assets:

	2014 £
Fair value on transfer from local authority	760,000
Actuarial gains and (losses)	25,000
Contributions by employer	101,000
Contributions by employees	39,000
Benefits paid	(2,000)
Expected return on assets	66,000
	<hr/>
	989,000
	<hr/>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £(204,000).

The academy expects to contribute £109k to its defined benefit pension scheme in 2015.

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

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

	2014
Equities	82.10 %
Government bonds	1.90 %
Corporate bonds	4.40 %
Property	5.40 %
Cash	3.90 %
Other	2.30 %

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

	2014
Discount rate for scheme liabilities	3.70 %
Expected return on scheme assets at 31 August	5.70 %
Rate of increase in salaries	3.60 %
Rate of increase for pensions in payment / inflation	2.10 %
Inflation assumption (CPI)	2.10 %

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

	2014
Retiring today	
Males	22.5
Females	25
Retiring in 20 years	
Males	24.7
Females	27.3

Amounts for the current period are as follows:

Defined benefit pension schemes

	2014
	£
Defined benefit obligation	(1,407,000)
Scheme assets	989,000
Deficit	(418,000)
Experience adjustments on scheme liabilities	(229,000)
Experience adjustments on scheme assets	25,000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2014

24. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy's operations 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 a directors has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures.

The following related party transactions took place in the period of account:

The academy paid £7,700 to Gill Hunter Educational Associates (a company owned by a member, Gill Hunter) in respect of consultancy services.

25. ACCOUNTING PERIOD

The financial statements have been prepared from the date of incorporation, 7 June 2013, to 31 August 2014.