

**NORTH EAST LEARNING TRUST LIMITED**

(a company limited by guarantee)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 August 2018**

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<b>Members</b>	Mr R Simpson Mrs D Nicholson Mr J Cameron
<b>Trustees</b>	Mrs L Powell CBE- CEO and Accounting Officer Mrs M Saxton - Chair Mrs S McDonnell Mr D Gibson Mrs B Waugh Mrs S Mason Mrs A Moon Major J Bartlett – appointed 18 <sup>th</sup> September 2017
<b>Executive Principal</b>	Mrs Lesley Powell CBE
<b>Company Secretary</b>	Mr Lee Alexander
<b>Senior Management Team</b> Chief Executive Officer (CEO) Deputy CEO Deputy CEO Head of Financial Services Head of Human Resources	Mrs Lesley Powell CBE Dr Janice Gorlach Ms Toni Spoors Mr Lee Alexander Mrs Deborah Piggett
<b>Principal and Registered Office</b>	North East Learning Trust Passfield Way Peterlee Co Durham SR8 1AU
<b>Company Registration Number</b>	07492165
<b>Independent Auditor</b>	RSM UK Audit LLP 1 St James' Gate Newcastle upon Tyne NE1 4AD
<b>Bankers</b>	Lloyds PO Box 1000 Andover BX1 1LT
<b>Solicitors</b>	Ward Hadaway Law Firm Sandgate House 102 Quayside Newcastle upon Tyne NE1 3DX

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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.

The Trust currently operates three primary and five secondary academies across the North East of England. Its academies have a combined total of 4,378 on role as per the October 2017 census.

### **Structure, Governance and Management**

#### **Constitution**

The Trust is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy Trust. The governors act as trustees for charitable activities of North East Learning Trust are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is now known as North East Learning Trust. North East Learning Trust is a multi-academy trust consisting of The Academy at Shotton Hall, Browney Primary Academy, Teesdale Academy, Easington Academy, Sacriston Academy, Diamond Hall Junior Academy, Ashington Academy and Bedlington Academy.

Details of the Governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 3.

#### **Members' liability**

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

#### **Trustees Indemnities**

Companies Act 2006 s236 requires disclosure concerning qualifying third party indemnity provisions. As required in the Academy's Articles of Association indemnity insurance with Zurich has been taken out to cover the liability of Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the Trust. Provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard of whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Governors in their capacity as Trustees.

#### **Principal activities**

The Trust's object ("the Object") is specifically restricted to the following: 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 a school offering a broad and balanced curriculum. The Academy Trust shall ensure that the broad and balanced curriculum includes English, Mathematics and Science and shall make provision for the teaching of religious education. The Academy Trust shall ensure that the Trust complies with any guidance issued by the Secretary of State from time to time to ensure that pupils take part in assessments and in teacher assessments of pupils' performance as they apply to maintained schools. In respect of all key stages the Academy Trust will submit the Trust to monitoring and moderation of its assessment arrangements as prescribed by the Secretary of State.

#### **Method of recruitment and appointment or election of trustees**

The Members of the Trust comprise the three signatories to the Memorandum and any person appointed under article 15A, provided that at any time the minimum number of members shall not be less than 3.

Details of the members and trustees of the board are shown in the Reference and Administration details. The members may appoint by ordinary resolution up to eight Trustees and the total number of Trustees including the Chief Executive Officer who are employees of the Academy Trust shall not exceed one third of the total number of Trustees. The quorum for meetings of the Trustees will be three voting Trustees and the term of office for all Trustees will be four years, save that this time limit shall not apply to any post which is held ex-officio.

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The Trustees are responsible for the performance of each Academy within the MAT, however, a range of responsibilities may be delegated to Local Academy Councils (LAC). The levels of delegation will be decided by the Trustees and the Executive Board and will be dependent upon the strength and capacity of the Academy. The Secretary of State may appoint such Additional Trustees as he thinks fit under Article 62, 62A, 62C or 68A. The Chairs of the Trustees will be elected at the first meeting of the academic year and must be ratified by members prior to taking up the position.

**Policies and procedures adopted for the induction and training of governors**

The Trust is fully committed to the development of effective governance and provide training to assist Trustees and LAC members in undertaking their role. A regular skills audit is carried out which enables the trust to ensure that Trustees and LAC members have the necessary skills and experience to carry out their governance roles. Trustees and LAC members are provided with regular statutory updates and also have access to the website and a Governor POD (new SharePoint system to facilitate the sharing and reporting of relevant academy information) to assist in their continuous professional development.

**Organisational Structure**

The management structure consists of five levels; the Member, The Board of Trustees, the Local Academy Councils, Executive Board of senior management and phase specific strategy groups.

The Board of Trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the Trust by the use of performance figures, budgets and making strategic decisions regarding Trust development, capital expenditure and senior staff appointments.

The day to day operations of the Trust are delegated to the Chief Executive Officer (Accounting Officer) and Executive Board of senior management. Local Academy Council's act as advisory body to the Board of Trustees, in respect of individual schools. The LAC fulfils its role through meetings held to monitor student progress, at least at the rate that is expected of them.

*Trust Management Structure*

*North East Learning Trust - Trustees*

*Terms of Reference*

- Delivering the charitable objectives of the Trust.
- Leadership of the organisation and managing the charitable assets.
- Ensuring compliance with the Trust's duties under company law and charity law and agreements made with the DFE including the funding agreement.
- The determination and educational character and mission of the Trust.
- Ensuring the solvency of the Trust company and charity and safeguarding its assets and delivering its charitable outcomes.
- Ensuring the continued charitable status of the Trust.
- Setting key strategic objectives and targets and reviewing performance against these.
- Determining the Trust development plan and reviewing all Academy development plans.
- The approval of all statutory policies that are common to all Academies within the Trust.
- Ensuring that the year-end accounts are submitted to members for approval.
- Entering all contracts on behalf of the Trust.
- The approval of annual estimates of income and expenditure for the Trust at the beginning of the academic year.
- To authorise income and expenditure in line with the Scheme of Delegation.
- The appointment or dismissal of the CEO, Deputy CEO, Executive Principal, Principal and Finance Director. In the case of Principals representatives of the Local Academy Council may be involved.
- Intervening as appropriate in any Academy at risk of underperformance.
- Determination of the establishment, constitution, membership, proceedings and delegated powers and functions of the Local Academy Council and committees and their annual review and revision.

*North East Learning Trust – Local Academy Council*

The levels of delegation will be decided by the Trustees and the Executive Board and will be dependent upon the strength and capacity of the Academy. The strength and capacity of the Academy will be based on the most recent Ofsted grade or an internal review undertaken by the MAT.

Where an Academy joins the MAT with grade four from Ofsted/MAT review, the existing Governing Body will be replaced by an Interim Academy Council (IAC) if appropriate. The Trustees and Executive Board will be responsible for determining the members

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of the IAC and in some instances, where their skills will add to capacity may include some members of the existing Governing Body.

Where an Academy joins the MAT with grade three or above the local governors will form the Local Academy Council. Their number may be supplemented by MAT appointed members.

Where an Academy is deemed to be at risk of failing its pupils/students, the Trust will exercise the right to reconstitute the LAC and appoint the majority of its members to ensure that the identified weaknesses can be effectively addressed. This may include the implementation of an IAC.

#### **Arrangements for setting pay and remuneration of key management personnel**

The Trustees have ultimate authority for setting pay and remuneration for all staff including key management personnel. No Trustee receives any pay or remuneration for discharging their duties as an officer to the company and therefore key management personnel consists of the Chief Executive Officer (CEO), Deputy CEO, Head of Schools' and Business Support Services team.

The Trust follows the arrangements for pay and remuneration as set out in the School Teachers' pay and conditions Document. This document forms the basis of our whole Trust pay policy which is supported by our performance review and appraisal policy. The scrutiny of setting the pay and remuneration for the key management personnel follows a robust formalised process.

#### **Trade Union facility time**

##### **Relevant union officials**

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
6	6

##### **Percentage of time spent on facility**

Percentage of time	Number of employees
0%	0
1%-50%	6
51%-99%	0
100%	0

##### **Total pay bill and facility time costs**

Total cost of facility time	£1,944
Total pay bill	£15,889,297
Percentage of pay bill spent on facility time	0.01%

##### **Paid trade union activities**

Time spent on trade union activities as a percentage of total paid facility time hours	0.0%
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#### **Related parties and other connected parties and organisations**

The Trust does not work in federation with any other organisation. However, informal relationships with local schools, universities, Teaching School alliance schools and businesses exist where these partnerships assist in the achievement of Trust objectives.

The Trust is working in partnership with East Durham College as joint sponsors of the Apollo Studio Schools Trust, a separate entity that does not form part of the North East Learning Trust.

#### **Objectives and activities**

##### **Objects and aims**

The principal object and activity of the charitable trust is the furtherance of Education in the North East of England, specifically establishing, developing, maintaining and managing its academies, offering broad provision from Early years through to Sixth form provision.

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**Objectives, strategies and activities**

The vision of the North East Learning Trust is that each child experiences excellence every day. The Trust is founded on deeply held principles that every child has the right to an excellent education and all Academies within the Trust are committed to:

- Pursuing excellence
- Encouraging all young people to aim high and make the most of their talents
- Providing an education that enables every young person to achieve their full potential and learn with confidence
- Providing a safe environment where young people are cared for
- Creating a healthy, happy, disciplined and supportive environment which promotes an independent work ethic and a love of learning
- Engendering respect for individuality and difference
- Nurturing a sense of social responsibility and spiritual and personal development
- Fostering integrity, resilience, creativity, good manners and sensitivity to the needs of others.

The main objectives of the Trust during the year ended 31<sup>st</sup> August 2018 are summarised in the following table.

Objective	Performance
To raise the achievement of all students within the Trust.	<p>a) Primaries</p> <ul style="list-style-type: none"> <li>• Browney Academy achieved above average scaled scores in Reading, SPAG and Maths.</li> <li>• Diamond Hall Junior Academy achieved at or above average scaled scores in Reading, SPAG and Maths.</li> <li>• Sacriston Academy joined the Trust in September 2017 having been judged inadequate by Ofsted. Results were much improved with strong performances in Reading and SPAG, particularly at Greater Depth.</li> </ul> <p>b) Secondaries</p> <p>Four out of the five secondaries achieved positive P8 scores, despite two schools joining mid-year who were graded as inadequate by Ofsted.</p> <ul style="list-style-type: none"> <li>• Ashington Academy joined the Trust in November 2017. Significant activity has taken place to improve and develop provision. Ashington remained P8 negative with -0.72 this year but improvements were seen within some areas of the curriculum.</li> <li>• Bedlington Academy joined the Trust in April 2018. Significant improvements have been made with P8 +0.26 (-0.43 in 2017) and A8 +43.6 (+36.7 in 2017).</li> <li>• Easington Academy produced a positive performance with P8 +0.11 (+0.01 in 2017) and an A8 of +47.3 (+44 in 2017) which showed an improvement on outcomes.</li> <li>• Shotton Hall produced a positive performance demonstrating improvement with P8 +0.24 (+0.05 in 2017) and A8 +52.8 (52.1 in 2017).</li> <li>• Teesdale Academy produced a positive performance demonstrating a strong trend of improvement with a P8 of +0.43 (+0.2 in 2017) and an A8 of +55.6 (+51.4 in 2017).</li> </ul>
To build and develop capacity.	<ul style="list-style-type: none"> <li>• Governance has been strengthened further and developed via Governor POD.</li> <li>• The central services team has expanded in a number of areas including Finance, HR and Communications.</li> <li>• Senior leadership within the Trust has expanded with additional trust level operational and strategic positions in place.</li> <li>• Teaching School and Research School have impacted positively and significantly on trust development in year.</li> </ul>
Finance, HR, ICT and Estates to be managed efficiently to deliver excellent value for money.	<ul style="list-style-type: none"> <li>• Finance team has been expanded and roles realigned to further meet the needs of the growing trust.</li> <li>• The ICT development plan is progressing in line with expectations and has significantly improved operational activities within and between schools as well as working innovatively with the trust teaching and learning team to enhance and improve offer across all schools.</li> </ul>

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	<ul style="list-style-type: none"> <li>• We continue to develop our Estates and significant work has been carried out this year to improve building/sites with a particular focus at Ashington, Browney, Sacriston and Teesdale.</li> <li>• Further aggregation of our procurement function has taken place.</li> </ul>
Further develop our systematic approach to academy improvement.	<ul style="list-style-type: none"> <li>• Trust development teams are fully developed and deployed effectively.</li> <li>• Trust teaching and learning working groups have ensured significant progress in this area, particularly in secondary schools. As a result, all secondary schools are now aligned with systems and procedures embedded. In the primaries, this is at an earlier stage of development but is ongoing.</li> <li>• A trust suite of policies is all well developed and in place, having been reviewed by all stakeholders in 2017/18.</li> </ul>

#### Teaching School, SCITT and Research School

- Teaching School is, by size, one of the top ten in the country.
- SCITT is highly regarded, growing and popular both with trainees and employing schools.
- Research School is highly successful and growing with significant activity in the North East.

#### Public Benefit

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our Aims and Objectives and in planning our future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set. The Trust has provided a fully comprehensive education to all students in its care. It fully complies with all statutory guidance and seeks to support its wider educational objectives via a strong community role. The Teaching School also contributes to the next generation of teachers, which has created greater opportunity for adults training in the North East of England.

#### STRATEGIC REPORT

##### Achievements and Performance KPI's

Ashington, Bedlington, Diamond Hall Juniors and Sacriston Academy have joined this year. The trust now comprises eight schools a teaching school, SCITT and Research School.

The primary schools in the trust have vastly different contexts and cohort sizes (ranging from 9 to 69) and each faced very different challenges during the year.

Children in Browney Academy increased their combined RWM (Reading, Writing and Mathematics) by 10% and 11% for expected and greater depth over 2017 results. 70% of children at Sacriston Academy achieved expected standards in reading and writing with 63% in maths. This was no mean feat given the turbulence in the predecessor school and the monumental changes that have taken place during their first year in NELT.

Diamond Hall children continue to show strength and depth in mathematics with 80% and 22% for expected and greater depth. This complex cohort, with a high level of vulnerable pupils, as well as many pupils who only speak English in school, did not quite manage to show all they were capable of in reading assessments. This contributed to a fall in the combined RWM score. The cohort is changing rapidly and the school is constantly finding innovative ways to improve children's resilience and confidence in language and comprehension.

Secondary school results in 2018 were pleasing with four out of our five secondary schools posting positive Progress 8 scores and our three schools in Durham all out-performing local authority and national averages. Given that two inadequate schools joined the Trust this year, we are optimistic that we are moving forward with some success.

Both Teesdale and Shotton Hall achieved very high A8 scores, with Teesdale placing second in Durham and Shotton Hall third on this measure. Sixth form success was achieved in a number of schools, with Bedlington performing particularly well and placing second in Northumberland overall, albeit with a small cohort.



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Individual school performance data is detailed in the table below:

Academy	No of Students		Review	2017-18 - (2016-17)				
	Nov 2016	Nov 2017		% Reading	% SPAG	% Maths	% Passing English/ Maths	P8/A8
Ashington Academy (11-18)	1108	1029	Ashington was judged inadequate by Ofsted in 2015. Ashington joined the trust 12 <sup>th</sup> November 2017.				69/64 (55/69)	-0.72/40 (-0.5/43)
Bedlington Academy (11-18)	649	568	Bedlington was judged inadequate by Ofsted in 2015. Bedlington joined the trust 1 <sup>st</sup> April 2018.				72/59 (64/47)	+0.26/44 (-0.43/36.7)
Browney Academy (4-11)	74	139	Browney was judged good with many outstanding features by Ofsted in 2017. Browney joined the trust 1 <sup>st</sup> March 2014.	78 (86)	89 (86)	78 (71)		
Diamond Hall Junior Academy (7-11)	307	311	Diamond Hall joined the trust 1 <sup>st</sup> October 2017 and is judged good by Ofsted.	74 (78)	84 (79)	80 (81)		
Easington Academy (11-16)	727	744	Easington is a National Support school and joined the trust 1 <sup>st</sup> March 2017. Easington was judged good by Ofsted in 2016.				81/70 (72/64)	+0.11/47 (+0.1/44)
Sacriston Academy (3-11)	294	229	Sacriston joined the trust 1 <sup>st</sup> September 2017, having been judged inadequate by Ofsted in November 2016.	70 (60)	73 (62)	63 (60)		
The Academy at Shotton Hall (11-16)	1206	1234	Shotton Hall is a National Teaching school, National Support school, it has large, outstanding, cross phase SCITT and a Research school. Judged outstanding for the second time in July 2013.				92/73 (87/76)	+0.24/53 (+0.05/52.1)
Teesdale Academy (11-18)	582	589	Teesdale joined the trust in September 2016 having being graded RI by Ofsted. Teesdale is currently awaiting inspection. Provisional P8 and A8 places are one of the higher performing schools in the region.				87/83 (74/72)	+0.43/55 (+0.2/51.4)

**Financial and risk management objectives and policies**

The Trust aims to minimise exposure to fluctuations in the value of financial instruments. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The exposure to credit risk and bad debts are kept to a minimum as there is only a relatively low level of exposure to debtors at any time during the year.

The Trust does, like many other institutions, have an on going liability in respect of defined benefit pension schemes relating to some of their employees. More information can be found regarding this in the relevant note to the accounts.

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In managing the risk relating to the liability of the defined benefit pension schemes, the Trust includes employer contributions in the budgets and cash flow forecasts at the contribution rate set out at the triennial review of each scheme. Sensitivity analysis is undertaken to estimate any adverse changes in contribution rate.

#### **Risk management**

The Trust has produced a risk register in order to formally identify the major risks to which the Trust is exposed. A number of systems to assess risks that the school faces, especially in operational areas (e.g. in relation to teaching, health and safety, bullying and educational visits) have already been introduced and furthermore, appropriate arrangements (e.g. a regular and thorough lesson observation programme; safer recruitment; vetting of visitors and staff supervision procedures) are firmly in place to minimise risk. This includes an effective system of internal financial controls. Where significant financial risk remains, adequate insurance cover is in place.

#### **Key performance indicators**

<b>Expenditure ratios</b>	<b>2018</b>	<b>2017</b>
Total staff costs/GAG income	96%	94%
Teaching staff costs/GAG income	76%	69%
Support staff costs/GAG income	21%	22%
<b>Liquidity Ratio</b>		
Current assets/current liabilities	2.6	2.8

#### **Financial Review**

During the year ending 31<sup>st</sup> August 2018 total income of £71,983k (2017: £31,584k) before transfers this was £28,924k (2017: £15,782k) presented an increase in income from last year of £40,399k mainly due to the addition of four Academies in to the Trust. The most significant additional income of £43,059k reflects the recognition of transferring net reserves, assets and pension liabilities associated with the in year acquisitions of four academies (see note 28). Otherwise the majority of the Trust income is obtained from the DfE in the form of recurrent grants, made up of General Annual Grant £22,330k (2017: £12,006k), Start-up and capacity grants of £703k (2017: £522k), Pupil premium of £1,484k (2017: £642k) and National College/Teaching School grants of £998k (2017: £995k), the use of which is restricted for particular purposes. Such grants and all associated expenditure are shown as restricted funds in the statement of financial activities for the year ended 31<sup>st</sup> August 2018.

The increase in the total expenditure to £31,078k (2017: £16,671k) is mainly due to the additional academy transfers during the year. The excess of income over expenditure for the year excluding fixed assets and donated pension deficit liabilities before other recognised gain and losses was £25k (2017: £1,663k). Therefore, the net in year surplus has increased the closing reserves to £59,935k (2017: £18,125k). The net income excluding transfers in is £2,154k deficit (2017: £889k deficit).

Net current assets are £5,032k (2017: £3,785k), with the increase primarily relating to the surpluses inherited on four academies joining the Trust during the year. Cash balances remain favourable at £5,913k (2017: £4,712k).

#### **Going concern**

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

#### **The North East Learning Trust**

The Trust has developed its growth strategy and has obtained additional sponsor capacity and growth funding of £352k (2017: £235k). Additional start up grants totalling £703k for Sacriston Academy, Ashington Academy and Bedlington Academy were received in the year to support the development of new schools following conversion to academy status. Significant steps have been taken to ensure the Trust has sufficient capacity, including new staff appointments to support the growth and development strategy. During the year significant restructuring was undertaken to address the needs of schools to best serve students, improve service areas and rectify deficit budgets.

#### **The Academy at Shotton Hall**

As lead school for the Multi Academy Trust the school continues to be a popular choice for students and parents and pupil number intakes remain strong. The School is planning the construction of new class rooms to further service the needs of our pupils and

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staff, which will be complete during spring/summer term 2019. The Trust received contributions from the DfE on behalf of Shotton Hall as part of GAG funding of £559k to bridge the "Affordability Gap" in the LA Private Finance Initiative for the building of the school premises.

#### **Browney Primary Academy**

Following the continued success and school improvement, Browney Academy continues to be the school of choice in the area. During the year changes have been made to accommodate additional student classes as a result of the school's growth. Further improvements have been made to the site after the year end to improve delivery access, storage and provide additional intervention spaces to further support the needs of the Academy.

#### **Teesdale School and Sixth Form**

At the year end the in-year deficit was £134k reducing the cumulative reserves to £330k. The academy has undergone further improvement during the year and the learning environment has significantly improved following further investment in new furniture, facilities and safeguarding improvements. Due to the increased performance and results of the school, there are signs of student number growth which, remains a key factor to the long-term development of Teesdale.

#### **Easington Academy**

At the year end the in-year deficit was £283k reducing the cumulative reserves to £745k. During the year significant staff cost savings were made mainly due to natural wastage and voluntary redundancy. Although this was offset by significant agency costs due to ill-health absence the academy has improved its long-term financial position. During the year improvements have been made to the existing building management systems to improve the efficient operation of the site and investment has been made to improve the external sport surfaces.

During the year Sacriston Academy, Diamond Hall Junior Academy, Ashington Academy and Bedlington Academy joined the trust.

#### **Sacriston Academy**

Sacriston Academy joined the Trust on the 1<sup>st</sup> September 2017. The predecessor maintained school was judged as Inadequate by Ofsted in 2016. The school was in a significant deficit position and therefore upon conversion the deficit was written off by Durham County Council and the school joined the trust with residual unspent capital reserves of £9k. The school comprises of Victorian style buildings from the late 19<sup>th</sup> century and has undergone significant refurbishment to improve access to the community, improve safeguarding and improve the overall learning environment for pupils and staff. After the year end the school has officially opened their new outdoor play and games area, which is a welcomed addition to the facilities, much loved by students and staff.

#### **Diamond Hall Junior Academy**

Diamond Hall joined the Trust on the 1<sup>st</sup> October 2017. The predecessor maintained school was judged as Good by Ofsted in 2014 and the academy chose to join NELT to further strengthen the Trust vision and add capacity in the Primary phase.

#### **Ashington Academy**

Ashington joined the Trust on the 1<sup>st</sup> November 2017. The predecessor federation school (Ashington Learning Partnership) school was judged as Inadequate by Ofsted in 2015. Since the transfer date rapid improvement has been made to improve standards and ensure the school can continue as a viable going concern. The school building itself is of 1950's construction and the Trust have developed plans to improve the learning environment for both pupils and staff which has been supported initially by £80k EIG funding from the ESFA. This work is ongoing and we expected a notable improvement to the site before September 2019.

#### **Bedlington Academy**

Bedlington joined the Trust on the 1<sup>st</sup> April 2018. The predecessor maintained school (Bedlingtonshire Community High School) was judged as Inadequate by Ofsted in 2015. The school was in a significant deficit position and therefore upon conversion the deficit was written off the Northumberland County Council and the school joined the trust with residual unspent revenue and capital grants totalling £19k. The new school building (completed in 2017) and transferred assets are of new construction under the ESFA PFI development programme. Since the transfer date rapid improvement has been made to improve standards.

The Shotton Hall School Centred Initial Teacher Training (SCITT) rated as Outstanding by Ofsted in 2015, continues to be a success and generated additional income of £741k (2017: £576k). The continued success has resulted in 73 (2017: 82) graduates for the 2017/18 cohort, 51% (2017:52%) of student teachers were judged to be outstanding, 93% (2016: 98%) were judged to be good or better and 76 out of 82 were in fulltime employment upon completion of the course.

During the year the Trust has further developed Teaching School activity providing additional income of £998k (2017: £995k), resulting in a surplus of £28k (2017: £26k).

The Trust Scheme of delegation and Finance Manual sets out the key financial responsibilities and policies including: delegation of spending, capitalisation limit, purchasing procedures including procurement regulations and systems of internal control. During the year many changes have been made as the Trust continues to develop policies and procedures appropriate for the size and composition of the Trust. All expenditure of the Academy Trust is made in line with this manual as and such, supports the provision of Education of all students on role.

#### **Reserves policy**

It is intended that the Trustees will review the reserve levels of the Trust annually. This review will encompass the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The academy intends to invest in further facilities for dining, physical education and is developing a long-term IT and asset replacement strategy to identify key lifecycle milestones. It is clear for most Trust academies that significant IT lifecycle replacement is needed in the next 1-2 years.

A long term pension deficit exists at 31 August 2018 of £6,913k (2017: £4,831k).

The level of free reserves at the year ended 31 August 2018 was £3,997k (2017: £3,741k), of which £435k (2017: £828k) is restricted and £3,562k (2017: £2,913k) is unrestricted. These are funds which are available for furtherance of the educational charitable objectives. The Trust target reserves are 3 months' expenditure which is £7,500k. The additional reserves held will support the longer term plans for the future. This will be achieved through forecast surpluses.

#### **Investment policy**

The investment policy aims to manage cash balances to provide daily working capital requirements. In addition, the Trust aims to invest surplus cash funds to optimise returns, while ensuring the investment instruments are such that there is no risk to the loss of these cash funds. No cash deposits existed at the year end, however following the rapid growth of schools joining the trust and a degree of uncertainty regarding their budgets and available reserves following transfer now is the time to consider investment in line with the Trust articles.

#### **Principal risks and uncertainties**

The Principal risks and uncertainties continue to arise from the rapid pace of change in the educational landscapes arising from the change in government and the development of the Academies framework. In curricular terms we have adopted a working brief and are ensuring we respond quickly and flexibly. The most significant areas of concern arise from ongoing national changes to school funding as all schools are unclear as to how this would impact financially in future years.

The Trust has gone through a period of rapid growth, which has been managed effectively with the added support of additional capacity funding. Some schools that have joined the Trust currently have deficit budgets, and the Trust are actively reviewing the medium term plan to identify areas of financial risk that need to be addressed. Also the nature of the schools and previous poor performance does impact on pupil recruitment, therefore future funding is always at risk where there is active competition, however the Trust are confident that rapid improvement will be made and these schools will soon be attracting all students.

#### **Fundraising**

The academy trust carries out a limited amount of fundraising, mindful of the communities within which it operates. In the circumstances when fundraising is undertaken, systems and controls are in place to separate and protect funds. The trust is mindful of its responsibilities under the Charities (Protection and Social Investment) Act 2016 and legal rules, and ensures all activities are agreed and monitored at Senior Leadership Team level in compliance with relevant legal rules. Recognised standards are applied to ensure that fundraising is open, honest and respectful, protecting the public from undue pressure to donate. Complaints are handled and monitored through the Trust's complaints procedure.

#### **Plans for Future Periods**

The Trust is committed to the continual improvement of teaching and learning raising standards in conjunction with DfE and the Ofsted framework, but ultimately is focused on the best possible for our children. The Trustees are committed to the growth strategy and are focused on the development of best practice within all Trust schools, for the benefit of the wider trust. The Trustees are committed to raising the profile and standards of all Trust schools in order to increase pupil numbers and improve

**NORTH EAST LEARNING TRUST**  
**TRUSTEES' REPORT**  
**Year ended 31 August 2018**

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the learning outcomes. The Trust intends to continually grow the teaching school activities and is dedicated to providing high quality training for future SCITT trainees and apprentices.

The Trust includes further challenges regarding building condition and sport facilities and is actively working to secure additional funding and improve available facilities.

**Employee Consultation and Disabled Employees**

The Academy is committed to ensuring equality of opportunity for all who learn and work in its academies. We respect and value differences in race, gender, sexual orientation, ability, class and age. We strive to remove conditions which place people at a disadvantage and we actively address bigotry and discrimination.

The Academy considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment within the Academy continues. The Academy's policy is to provide training, career development and opportunities for promotion, which are, as far as is possible, identical to those for other employees.

The Academy works with employee trade unions and professional associations across all of its academies and engages in consultation, as required, to ensure that all aspects of the company affecting its employees, including financial and economic factors, are discussed, conveyed and consulted on with them.


**Auditors**

RSM UK Audit LLP has indicated its willingness to continue in office.

**Statement as to disclosure of information to auditors**

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

Approved by order of the Governing Board at its meeting on 10<sup>th</sup> December 2018 and signed on its behalf by:



**Maggie Saxton**  
**Chair**

**NORTH EAST LEARNING TRUST**  
**GOVERNANCE STATEMENT**  
**Year ended 31 August 2018**

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**Scope of responsibility**

As governors, we acknowledge we have overall responsibility for ensuring that North East Learning Trust an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Governing Body has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the Funding Agreement between North East Learning Trust the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

**Governance**

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

<b>Governor</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Mrs L Powell	3	3
Mrs M Saxton	3	3
Mrs S McDonnell	0	3
Mr D Gibson	2	3
Mrs B Waugh	1	3
Mrs S Mason	2	3
Mrs A Moon	3	3
Major J Bartlett	3	3

**Governance review**

The governance manager continually reviews policy updates, governance structure and scheme of delegation, to confirm that they are 'fit for purpose'. During the year the Trust's biggest challenge was in relation to Trust growth, the Trustees were kept informed throughout the early due diligence phase in all respects and had confidence that the new Academy's would in time benefit the wider Trust once development plans were executed.

During the year governance reviews were performed at all 4 new schools to review existing practice and establish any improvement to achieve consistent practice throughout the Trust. New local academy councils (LAC's) were established for transferring schools to undertake their responsibilities for the review of academy performance as defined by the scheme of delegation. Trustees are kept well apprised of school performance and review by LAC's at committee meetings. Trustees are mindful of the need to increase leadership and support functions in line with Trust growth and are satisfied that appropriate action has been taken to minimise areas of risk and build on resource and expertise in key areas to facilitate Trust development. Trustees have received timely information regarding the development and progress at all schools, with particular scrutiny of new schools and the challenges they face in the early phase of joining the Trust. Trustees are confident that future financial forecasts are strong which will allow the Executive Board to implement improvement plans that will aim to increase student numbers and academic results for students.

The Finance and Premises committee is a subcommittee of the main governing body, its purpose is to review the financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;

- Assisting the decision-making process of the Trust, by enabling more detailed
- consideration to be given to the finances and resources.
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006, Charity Commission requirements and the DfE guidance issued to Academies.
- Reporting directly to Trustees.
- Compliance with financial regulations and standing orders of the Trust.
- Considering all personnel management procedures.
- To apply the Performance Management Scheme for the Principals and Executive Principals of the Academies.
- To make recommendations on these matters to the Trustees.

**NORTH EAST LEARNING TRUST  
GOVERNANCE STATEMENT  
Year ended 31 August 2018**

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Attendance at the meetings in the year was as follows:

<b>Governor</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Mrs M Saxton	3	3
Mr D Gibson	2	3
Mrs B Waugh	1	3
Mrs A Moon	3	3

**Review of value for Money**

As accounting officer, the principal 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 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 available. The accounting officer for the academy trust has delivered improved value for money during the year by:

Work is underway to align all Trust academy contracts for supplies and services and an exercise to standardise and limit suppliers is ongoing which will ultimately provide a Trust catalogue of approved items. The central Finance function negotiates contracts on behalf of the Trust enabling us to secure greater value for money through the increased purchasing power and time saved at local academies no longer needing to be involved in detailed price negotiations.

We continue to use both national (Crown Commercial Services) and local authority frameworks for the procurement of IT equipment and licensing and multi-function print devices.

**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 North East Learning 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 North East Learning Trust for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements.

**Capacity to handle risk**

The Governing Body reviews the key risks of North East Learning Trust on an on-going basis to minimise any potential risk together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing North East Learning Trust significant risks that has been in place for the year ending 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

**The risk and control framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body;
- regular reviews by the Finance and Premises 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 Governing Body has considered the need for a specific internal audit function and has decided to engage RSM Risk Assurance Services LLP to provide separate assurance engagements throughout the year to complete a range of checks on the Academy



**NORTH EAST LEARNING TRUST**  
**GOVERNANCE STATEMENT**  
**Year ended 31 August 2018**

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Trust's financial systems. Internal assurance reports will be reported to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

Specific reviews undertaken during the year related to operation of the procurement and payment system. There were no significant findings from these reports.

On completion of these reports, the reviewer reports to the board of trustees, through the finance committee on the operation of the systems of control and on the discharge of the board of trustee's financial responsibilities.

**Review of effectiveness**

As Accounting Officer, the Principal 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 reviewer
- The work of the external auditor
- The financial management and governance self-assessment process
- The work of the Head of Finance within the Academy Trust who has 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 Premises Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Approved by order of the members of the Governing Body on 16<sup>th</sup> December 2018 and signed on its behalf by:



**Maggie Saxton**  
Chair

**Lesley Powell**  
Accounting Officer





NORTH EAST LEARNING TRUST  
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE  
Year ended 31 August 2018

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



Mrs Lesley Powell  
Accounting officer

10 December 2018

**NORTH EAST LEARNING TRUST**  
**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**Year ended 31 August 2018**

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The trustees (who act as trustees for charitable activities of North East Learning Trust and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and Academies Accounts Direction 2017-18;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

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

The trustees are responsible for ensuring that in its conduct and operation the Charitable Company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the 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 on 10<sup>th</sup> December 2018 and signed on its behalf by:



Maggie Saxton  
Chair

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NORTH EAST LEARNING TRUST LIMITED  
Year ended 31 August 2018**

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**Opinion on financial statements**

We have audited the financial statements of North East Learning Trust (the "academy trust") for the year ended 31 August 2018 which comprise state primary financial statements such as the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement 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 charitable company'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.

**Opinion on other matter 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 for the purposes of company law for the financial year for 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NORTH EAST LEARNING TRUST LIMITED  
Year ended 31 August 2018**

**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' 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Governors**

As explained more fully in the Statement of Trustees' responsibilities, the governors (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 governors 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 <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**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 to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed



CLAIRE LEECE (Senior Statutory Auditor)  
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
1 St James' Gate  
Newcastle Upon Tyne  
NE1 4AD



**NORTH EAST LEARNING TRUST**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
(including income and expenditure account)  
for the year ended 31 August 2018

	Note	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Income and endowments from:</b>						
Donations and capital grants	4	285	76	1,079	<b>1,440</b>	425
Transfer/conversion from local authority	27	45	(1,780)	44,794	<b>43,059</b>	15,802
Charitable activities:						
Funding for the academy trust's educational operations	2	-	25,206	-	<b>25,206</b>	13,578
Teaching Schools	29	-	998	-	<b>998</b>	995
Other trading activities	5	1,271	-	-	<b>1,271</b>	767
Teaching Schools	29	6	-	-	<b>6</b>	9
Investment income	6	3	-	-	<b>3</b>	8
<b>Total</b>		<u>1,610</u>	<u>24,500</u>	<u>45,873</u>	<b><u>71,983</u></b>	<u>31,584</u>
<b>Expenditure on:</b>						
Raising funds	7	820	138	-	<b>958</b>	538
Charitable activities:						
Academy trust educational operations	8	141	26,603	2,401	<b>29,144</b>	15,155
Teaching Schools	29	-	976	-	<b>976</b>	978
<b>Total</b>		<u>961</u>	<u>27,716</u>	<u>2,401</u>	<b><u>31,078</u></b>	<u>16,671</u>
<b>Net income / (expenditure)</b>		649	(3,216)	43,472	<b>40,905</b>	14,913
<b>Transfers between funds</b>	19	-	(164)	164	-	-
<b>Other recognised gains / (losses):</b>						
Remeasurement of net defined benefit Obligations	28	-	905	-	<b>905</b>	2,422
<b>Net movement in funds</b>		649	(2,476)	43,636	<b>41,810</b>	17,335
<b>Reconciliation of funds</b>						
Total funds brought forward		2,913	(4,002)	19,215	<b>18,125</b>	790
<b>Total funds carried forward</b>		<u>3,562</u>	<u>(6,478)</u>	<u>62,851</u>	<b><u>59,935</u></b>	<u>18,125</u>

**NORTH EAST LEARNING TRUST**  
**(Company number: 07492165)**  
**BALANCE SHEET**  
**for the year ended 31 August 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible assets	14	61,785	19,171
Intangible assets	13	31	-
<b>Current assets</b>			
Stock	15	24	13
Debtors	16	2,279	1,125
Cash at bank and in hand		5,913	4,712
		<u>8,216</u>	<u>5,850</u>
<b>Liabilities</b>			
Creditors: amounts falling due within one year	17	(3,184)	(2,065)
<b>Net current assets</b>		<u>5,032</u>	<u>3,785</u>
<b>Net assets (excluding pension liability)</b>		<u>66,848</u>	<u>22,956</u>
<b>Pension scheme liability</b>	28	<u>(6,913)</u>	<u>(4,831)</u>
<b>Net assets (including pension liability)</b>		<u>59,935</u>	<u>18,125</u>
<b>Funds of the Trust:</b>			
<b>Restricted funds</b>			
Restricted fixed Asset fund	19	62,851	19,215
Restricted general fund	19	435	828
Pension fund	19	(6,913)	(4,831)
		<u>56,373</u>	<u>15,212</u>
<b>Unrestricted fund</b>			
General fund	19	3,562	2,913
<b>Total funds</b>	19	<u>59,935</u>	<u>18,125</u>

2147.

The financial statements on pages 20 to 49 were approved by the Governors and authorised for issue on 10 December 2018 and signed on their behalf by:

*M. P. Saxton*

Maggie Saxton  
Chair

**NORTH EAST LEARNING TRUST  
CASHFLOW STATEMENT  
for the year ended 31 August 2018**

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	Notes	<b>2018 £000</b>	2017 £000
<b>Cash flows from operating activities</b>			
Net cash provided by (used in) operating activities	26	<b>(319)</b>	872
<b>Cash flows from investing activities</b>	26	<b>1,520</b>	1,454
<b>Change in cash and cash equivalents in the reporting period</b>		<b>1,201</b>	2,326
Cash and cash equivalents at 1 September 2017		4,712	2,386
<b>Cash and cash equivalents at 31 August 2018</b>	26	<b>5,913</b>	4,712

## **1 STATEMENT OF ACCOUNTING POLICIES**

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

### **General Information**

North East Learning Trust is a Charitable Company (the 'Academy Trust'). The address of the Trust's principal place of business is given in the 'Company Information' pages. The nature of the Academy Trust's operations are set out in the Governors' Report.

### **Basis of Preparation**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

North East Learning Trust meets the definition of a public benefit entity under 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 £1,000 except where otherwise indicated

### **Going Concern**

After reviewing financial and other information available, the governors consider 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.

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 company 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.

### **Incoming resources**

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

### **Grants**

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 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 in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.



**NORTH EAST LEARNING TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**Donations**

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

**Other income**

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

**Transfer on conversion**

Where assets and liabilities are received by the academy trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. An equal amount of income is recognised as transfer on conversion within Donations and capital grant income to the net assets received.

**Transfer of existing academies into the trust**

Where assets are received on the transfer of an existing academy into the trust, the transferred net assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the trust, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised for the Transfer of an existing academy into the trust within Donations and capital grant income. The amounts are recognised and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

**Interest receivable**

Interest receivable is included in the Statement of Financial Activities on a receivable basis, and is stated inclusive of related tax credits.

**Resources expended**

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

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.

Charitable activities are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

**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 Governors.

Restricted General funds are resources subject to specific restrictions imposed by funders or donors, and include grants from the ESFA/DfE.

Restricted Fixed Assets Funds are resources which are to be applied to specific capital purposes imposed by the ESFA, where the asset acquired or created is held for a specific purpose.

**Building Schools for the Future**

The Trust occupies a building (The Academy at Shotton Hall) which was procured by Durham Local Authority under the BSF programme as a Private Finance Initiative (PFI) project. The Academy pays revenue contributions in respect of Facilities Management. The BSF contract will expire in 2036. The Academy does not have any rights or obligations of ownership in respect of these assets, and therefore they are not included on the Trust's balance sheet. The revenue payment for service costs are recognised in the SOFA.

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When the Trust procures and pays for additional furniture or equipment, or changes to the building, the costs are capitalised and depreciated in accordance with the Tangible Fixed Asset policy below.

**Private Finance Initiative (PFI)**

The Trust occupies a building (Bedlington Academy) which was procured under the ESFA PF2 programme which includes Land and Buildings of £15.4m which are maintained by a third party under a PFI agreement. The Trust has entered into a 25 year agreement with ESFA. Due to the nature of the asset and the terms of the agreement, the Trust has the rights and obligations which in substance give the Trust the right to use the asset. As such the trust recognises the building on the balance sheet at its fair value. Under the agreement there is no obligation to make a capital contribution in respect of the property.

**Intangible Fixed Assets**

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 on a straight-line basis over its expected useful life, as follows:

- Purchased computer software 5 years

**Tangible fixed assets**

Tangible fixed assets costing £5,000 or more are capitalised at cost 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 benefit. All other costs of repair 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 the related grants require the asset to be held for a specific purpose they are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet, with this amount being reduced over the useful economic life of the related asset on a basis consistent with the depreciation policy.

Tangible fixed assets which are gifted on conversion are included at their fair value of depreciated replacement cost.

Depreciation is provided on all tangible fixed assets other than freehold land, on a straight-line basis over its expected useful life dependant on the type of asset.

- Freehold buildings & Leasehold improvements 10 years – 50 years
- Leasehold buildings 25 years
- Fixtures, fittings and equipment 7 years
- ICT Hardware 5 years
- Motor vehicles 5 years

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

**Stock**

Exercise books are valued at the lower of cost or net realisable value.

**Taxation**

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 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

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Part 11 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.

**Liabilities**

Liabilities 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**

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

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.

**Operating leases**

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

**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 measure at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial 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.

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 risks 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.

**Pensions benefits**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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 quinquennial valuations using a prospective benefit method. As stated in Note 29, the TPS is a multi-employer scheme

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and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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 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 gains and losses on settlements and curtailments. They are included as part of staff costs. 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 as other comprehensive income.

#### **Agency arrangements**

The Academy Trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the Trust does not have control over the charitable application of the funds. The Trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities.

#### **Critical accounting estimates and areas of judgement**

Estimates and judgements 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 28, 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.

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £2,396k.

Critical areas of judgement:

Land and buildings - certain Land and buildings are held under a 125-year lease from various Councils. These assets are included on the balance sheet of the Trust due to the significant risks and rewards of ownership belonging to the academy, the lease term being the major part of the economic life of the assets and the assets being of such a specialised nature that only the Trust could use them without major modification.

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**PFI arrangements**

Management are required to make a judgement as to the appropriate accounting treatment and presentation of properties subject to PFI. They do this on a case by case basis with reference to the specific contracts in place.

The considerations include:

- Right to access/restrictions of use
- Risks of ownership
- Rewards of ownership
- Substance of transaction
- Any obligation to make capital contributions

**2 CHARITABLE ACTIVITIES**

	Unrestricted funds £'000	Restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>DfE/ESFA REVENUE GRANTS</b>				
General annual grant (GAG) (note 3)	-	22,330	<b>22,330</b>	12,006
Start up grants	-	703	<b>703</b>	522
Other DfE/Group grants	-	1,802	<b>1,802</b>	861
	-	24,835	<b>24,835</b>	13,389
<b>OTHER GOVERNMENT GRANTS</b>				
Local authority grants	-	283	<b>283</b>	81
Other grants	-	88	<b>88</b>	108
	-	371	<b>371</b>	189
		25,206	<b>25,206</b>	13,578
Teaching School (note 29)	-	998	<b>998</b>	995
<b>2017</b>	-	14,573	<b>14,573</b>	

**3 GENERAL ANNUAL GRANT (GAG)**

The funding agreement for all academies within the trust have no restriction on GAG carry forward.

**4 DONATIONS AND CAPITAL GRANTS**

	Unrestricted Funds £000	Restricted Funds £000	Restricted fixed assets Funds £000	Total 2018 £000	Total 2017 £000
Donations	285	76	-	<b>361</b>	317
Capital grants	-	-	1,079	<b>1,079</b>	69
	285	76	1,079	<b>1,440</b>	425
<b>2017</b>	238	84	103	<b>425</b>	

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**5 OTHER TRADING ACTIVITIES**

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Catering income	906	-	906	570
School trips	323	-	323	183
Income from lettings	16	-	16	8
Sale of merchandise	26	-	26	6
	<u>1,271</u>	<u>-</u>	<u>1,271</u>	<u>767</u>
Teaching School (note 30)	6	-	6	9
	<u>1,277</u>	<u>-</u>	<u>1,277</u>	<u>776</u>
<b>2017</b>	<b><u>776</u></b>	<b><u>-</u></b>	<b><u>776</u></b>	

**6 INVESTMENT INCOME**

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Short term deposits	3	-	3	8
<b>2017</b>	<b><u>8</u></b>	<b><u>-</u></b>	<b><u>8</u></b>	

**7 EXPENDITURE**

	Non Pay Expenditure			Total 2018 £000	Total 2017 £000
	Staff Costs £000	Premises £000	Other £000		
Expenditure on raising funds:					
Allocated support costs	-	-	958	958	538
Academy's educational operations:					
Direct costs	16,409	2,057	1,956	20,422	10,408
Allocated support costs	4,592	-	4,130	8,722	4,747
Teaching school					
Direct costs	426	-	-	426	281
Allocated support costs	39	-	511	550	697
	<u>21,466</u>	<u>2,057</u>	<u>7,555</u>	<u>31,078</u>	<u>16,671</u>

Expenditure on raising funds was £958k (2017: £538k) of which £820k (2017: £522k) was unrestricted and £138k (2017: £16k) was restricted general fund.

Income/(expenditure) for the period includes:

	2018 £000	2017 £000
Depreciation and Amortisation	2,401	895
PFI service cost	980	956
Fees payable to auditor for:		
Audit	22	18
Other assurance services	6	1
Net interest on defined benefit pension liability	<u>161</u>	<u>108</u>

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**8 CHARITABLE ACTIVITIES – ACADEMY’S EDUCATIONAL OPERATIONS**

	<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
<b>Direct costs</b>		
Educational operations	20,422	10,408
<b>Support costs</b>		
Educational operations	9,698	5,725
	<u>30,120</u>	<u>16,133</u>

<b>Analysis of support costs</b>	<b>Educational operations £000</b>	<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
Support staff costs	4,923	4,923	2,678
Maintenance of premises & equipment	285	285	201
PFI costs	980	980	956
Rates	541	541	191
Insurance	67	67	46
Recruitment & support	50	50	22
Bank interest & charges (incl. FRS 102 £161k)	171	171	114
Staff Insurance	66	66	40
Travel & Subsistence	93	93	97
Transport	190	190	105
Work Related	261	261	104
Subscriptions	83	83	39
Printing/Photocopying	186	186	77
Service Contracts	635	635	354
Governance costs	146	146	175
Cleaning Costs	184	184	73
Other Support Costs	837	837	453
<b>Total support costs</b>	<u>9,698</u>	<u>9,698</u>	<u>5,725</u>

**9 STAFF COSTS**

a)	<b>2018 £'000</b>	<b>2017 £'000</b>
Staff costs during the period were:		
Wages and salaries	15,970	8,607
Social security costs	1,551	835
Pension costs	2,875	1,698
Apprenticeship Levy	62	13
	<u>20,458</u>	<u>11,153</u>
Supply teacher costs	449	86
Staff restructuring costs	559	67
	<u>21,466</u>	<u>11,306</u>

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**9 STAFF COSTS (continued)**

**b) Non statutory/non-contractual staff severance payments**

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £246k (2017: £67k).

Individually they were: £5,000 made on 17/11/17, £10,000 made on 12/1/18, £18,000 made on 31/1/18, £7,500 made on 2/2/18, £7,500 made on 21/2/18, £27,000 made on 3/4/18, £20,000 made on 3/4/18, £18,000 made on 6/4/18, £8,300 made on 6/6/18, £3,878 made on 12/6/18, £3,315 made on 12/6/18, £10,988 made on 21/6/18, £4,232 made on 23/7/18, £34,264 made on 20/8/18, £6,750 made on 21/8/18, £9,780 made on 31/8/18, £20,000 made on 14/9/18, £20,000 made on 14/9/18, £11,555 made on 14/9/18.

**c) Staff numbers**

The average number of persons (including senior management team) employed by the Academy Trust during the year ended 31 August 2018 was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Teachers	296	156
Administration and support	307	142
Management	20	20
	<u>623</u>	<u>318</u>

**d) Higher paid staff**

The number of employees whose annual emoluments (excluding pension contributions) fell within the following bands was:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
£60,001 - £70,000	4	2
£70,001 - £80,000	5	-
£80,001 - £90,000	-	-
£90,001 - £100,000	1	1
£100,001 - £110,000	1	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	-
£130,001 - £140,000	-	-
£140,001 - £150,000	-	1
£150,001 - £160,000	1	-

**e) Key management personnel**

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 3. The total amount of employee benefits (including employer pension contributions and employer National Insurance contributions) received by key management personnel for their services to the academy trust was £602,288 (2017: £906,799).



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**10 CENTRAL SERVICES**

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

- Human Resources
- Financial Services
- Legal Services
- Education Support Services
- Marketing
- Estates and Health and Safety Management

The trust charges for these services on a combination of direct apportioned time and residual values are on a per pupil number basis.

The actual amounts charged during the year were as follows:

	£'000	Total 2018 £'000	£'000	Total 2017 £'000
The Academy at Shotton Hall – Academy only	364		581	
Shotton Hall SCITT	23		23	
Teaching School	39		10	
The Academy at Shotton Hall		426		614
Brownley Primary Academy		20		16
Teesdale Academy		175		233
Easington Academy		253		159
Sacrison Academy		41		-
Diamond Hall Junior Academy		109		-
Ashington Academy		316		-
Bedlington Academy		111		-
		<b>1,451</b>		<b>1,022</b>

**11 TRUSTEES' REMUNERATION AND EXPENSES**

The Executive Principal only receives remuneration in respect of services they provide undertaking the role of Principal and Accounting Officer. Under their contract of employment and not in respect of their service as trustee. Other trustees did not receive any payments from the Academy Trust in respect of their role as trustees. The annual amount of Principal's remuneration was £160,000 (2017: £145,802) and pension contributions paid in the year was £26,368 (2017: £23,896).

During the year ended 31 August 2017 the trustees were reimbursed expenses relating to travel and subsistence expenses of £81 (2017: £802).

Related party transactions involving the trustees are set out in note 24.

**12 TRUSTEES' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £5,000,000 on any one claim and the cost of this insurance is included in the total insurance cost.

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**13 INTANGIBLE FIXED ASSETS**

	Computer Software £000	Total £000
<b>Cost</b>		
At 1 September 2017	-	-
Transfer on Conversion (note 27)	-	-
Additions	36	36
Disposals	-	-
At 31 August 2018	<u>36</u>	<u>36</u>
<b>Depreciation</b>		
At 1 September 2017	-	-
Charged in year	5	5
Disposals	-	-
At 31 August 2018	<u>5</u>	<u>5</u>
<b>Net book values</b>		
At 31 August 2017	-	-
At 31 August 2018	<u>31</u>	<u>31</u>

**14 TANGIBLE FIXED ASSETS**

	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Hardware £000	Motor Vehicles £000	Total £000
<b>Cost</b>					
At 1 September 2017	19,863	225	474	58	20,620
Transfer on Conversion (note 27)	44,759	-	1	-	44,760
Additions	123	17	110	-	250
Disposals	-	-	-	-	-
At 31 August 2018	<u>64,745</u>	<u>242</u>	<u>585</u>	<u>58</u>	<u>65,630</u>
<b>Depreciation</b>					
At 1 September 2017	1,085	147	189	28	1,449
Charged in year	2,249	39	96	12	2,396
Disposals	-	-	-	-	-
At 31 August 2018	<u>3,334</u>	<u>186</u>	<u>285</u>	<u>40</u>	<u>3,845</u>
<b>Net book values</b>					
At 31 August 2017	18,778	78	285	30	19,171
At 31 August 2018	<u>61,411</u>	<u>56</u>	<u>300</u>	<u>18</u>	<u>61,785</u>

**15 STOCK**

	2018 £000	2017 £000
Exercise Books	<u>24</u>	<u>13</u>
	<u>24</u>	<u>13</u>

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**16 DEBTORS**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	42	11
VAT recoverable	787	83
Other debtors	70	35
Prepayments and accrued income	1,379	996
	<u>2,279</u>	<u>1,125</u>

**17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	1,549	1,396
Other taxation and social security	419	247
Other creditors	332	-
Accruals and deferred income	884	422
	<u>3,184</u>	<u>2,065</u>

<b>Deferred income</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Deferred income at 1 September 2017	133	168
Released from previous years	(133)	(168)
Resources deferred in the year	174	133
Deferred Income at 31 August 2018	<u>174</u>	<u>133</u>
Accruals	<u>710</u>	<u>288</u>
Total accruals and deferred income	<u>884</u>	<u>421</u>

At the balance sheet date, the Trust was holding funds received in advance for NCTL teaching school grants of which the conditions have not yet been fulfilled and trip income for the following year.

**18 FINANCIAL INSTRUMENTS**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Carrying amount of financial assets</b>		
Measured at amortised cost	<u>460</u>	<u>160</u>
<b>Carrying amount of financial liabilities</b>	<u>2,259</u>	<u>1,684</u>

**NORTH EAST LEARNING TRUST**  
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**19 FUNDS**

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	185	23,973	(23,968)	(163)	27
Start Up Grant	242	703	(945)	-	-
Pupil Premium	(1)	1,484	(1,484)	-	(1)
Other government grants	403	765	(757)	-	411
Pension reserve	(4,831)	(2,425)	(562)	905	(6,913)
	<u>(4,003)</u>	<u>24,500</u>	<u>(27,716)</u>	<u>742</u>	<u>(6,478)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	17,503	44,794	(2,248)	-	60,049
DfE/EFA capital grants	783	1,079	-	-	1,863
Capital expenditure from GAG	894	-	(153)	163	904
Donations	35	-	-	-	35
	<u>19,215</u>	<u>45,873</u>	<u>(2,401)</u>	<u>163</u>	<u>62,851</u>
<b>Total restricted funds</b>	<u>15,212</u>	<u>70,373</u>	<u>(30,117)</u>	<u>905</u>	<u>56,373</u>
<b>Total unrestricted funds</b>	<u>2,913</u>	<u>1,610</u>	<u>(961)</u>	<u>-</u>	<u>3,562</u>
<b>Total funds</b>	<u>18,125</u>	<u>71,983</u>	<u>(31,078)</u>	<u>905</u>	<u>59,935</u>

**Analysis of movement in funds – previous year**

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2017 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	87	13,637	(13,288)	(252)	184
Start up grant	-	522	(250)	(30)	242
Pupil Premium	-	643	(644)	-	(1)
Other government grants	351	501	(449)	-	403
Pension reserve	(2,905)	(3,817)	(531)	2,422	(4,831)
	<u>(2,467)</u>	<u>11,486</u>	<u>(15,162)</u>	<u>2,140</u>	<u>(4,003)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	425	17,858	(780)	-	17,503
DfE/Group capital grants	714	69	-	-	783
Capital expenditure from GAG	727	-	(115)	282	894
Capital donations	-	35	-	-	35
	<u>1,866</u>	<u>17,962</u>	<u>(895)</u>	<u>282</u>	<u>19,215</u>
<b>Total restricted funds</b>	<u>(601)</u>	<u>29,448</u>	<u>(16,057)</u>	<u>2,422</u>	<u>15,213</u>
<b>Total unrestricted funds</b>	<u>1,391</u>	<u>2,136</u>	<u>(614)</u>	<u>-</u>	<u>2,913</u>
<b>Total funds</b>	<u>790</u>	<u>31,584</u>	<u>(16,671)</u>	<u>2,422</u>	<u>18,125</u>

**NORTH EAST LEARNING TRUST**  
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**19 FUNDS (continued)**

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	Gains, losses and transfers £000	Balance at 31 August 2018 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	87	37,610	(37,256)	(415)	27
Start up grant	-	1,225	(1,195)	(30)	-
Pupil Premium	-	2,127	2,127	-	(1)
Other government grants	351	1,266	(1,206)	-	411
Pension reserve	(2,905)	(6,242)	(1,093)	3,327	(6,913)
	<u>(2,467)</u>	<u>35,986</u>	<u>(38,623)</u>	<u>2,882</u>	<u>(6,478)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	425	62,651	(3,028)		60,049
DfE/Group capital grants	714	1,149	-		1,863
Capital expenditure from GAG	727	-	(268)	445	904
Capital donations	-	35	-	-	35
Disposal	-	-	-	-	-
	<u>1,866</u>	<u>63,384</u>	<u>(3,296)</u>	<u>445</u>	<u>62,851</u>
<b>Total restricted funds</b>	<u>(601)</u>	<u>99,820</u>	<u>(46,174)</u>	<u>3,327</u>	<u>56,373</u>
<b>Total unrestricted funds</b>	<u>1,391</u>	<u>3,746</u>	<u>(1,575)</u>	<u>-</u>	<u>3,562</u>
<b>Total funds</b>	<u>790</u>	<u>103,566</u>	<u>(47,749)</u>	<u>3,327</u>	<u>59,935</u>

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

General Annual Grant must be used for the normal running costs of the Academy and the intention is to utilise remaining GAG for planned capital projects.

Restricted fixed asset funds represent the valuation of all Trust schools (excluding The Academy at Shotton Hall as PFI school) land and buildings as at the transfer date less accumulated depreciation. DfE capital funding reflects the Multi Academy Trust School Condition Allocation grant which remains unutilised at the year end. Capital commitments of £911k are expected to be complete early 2019, with major projects occurring at Ashington, Browney, Sacriston and Teesdale Academy. During the year GAG fund transfers of £163k were made matching against capital expenditure incurred for improvements to premises and IT infrastructure.

Remaining restricted funding noted above is to be retained for future capital developments.

Unrestricted funds of £3,562k have increased by £649k largely due to net catering income of £323k and transfers on conversion of £45k. The majority of this fund relates to the initial carry forward received from the Local Authority at conversion for Shotton Hall and the subsequent Academy reserves from transferring academies.

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**19 FUNDS (continued)**

**Analysis of academies by fund balance**

Fund Balance as at 31 August 2018 were allocated as follows:

	<b>2018 £'000</b>	<b>2017 £'000</b>
The Academy at Shotton Hall	2,030	1,866
Teaching school	104	80
Shotton Hall SCITT	24	20
	<u>2,158</u>	<u>1,966</u>
Browney Primary Academy	16	42
Teesdale Academy	330	464
Easington Academy	745	1,028
Sacriston Academy	112	-
Diamond Hall Junior Academy	179	-
Ashington Academy	377	-
Bedlington Academy	68	-
North East Learning Trust (central services)	11	241
Total before fixed assets and pension reserve	<u>3,997</u>	<u>3,741</u>
Restricted fixed asset fund	62,851	19,215
Pension reserve	<u>(6,913)</u>	<u>(4,831)</u>
<b>Total</b>	<u><b>59,935</b></u>	<u><b>18,125</b></u>

**Analysis of academies by cost**

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

	<b>Teaching and Educational Support Staff Costs £'000</b>	<b>Other Support Staff Costs £'000</b>	<b>Educational Supplies £'000</b>	<b>Other Costs excluding depreciation £'000</b>	<b>Total £'000</b>
The Academy at Shotton Hall	4,418	582	432	2,014	7,446
Browney Primary Academy	319	61	24	117	521
Shotton Hall SCITT	-	295	8	387	690
Teaching School	-	169	-	55	224
Teesdale Academy	2,044	422	212	435	3,113
Easington Academy	3,055	669	240	677	4,641
Sacriston Academy	674	223	34	244	1,175
Diamond Hall Junior Academy	764	219	72	332	1,387
Ashington Academy	3,269	865	295	781	5,210
Bedlington Academy	1,102	336	28	247	1,713
NELT (Central Services)	765	1,216	27	549	2,557
	<u>16,410</u>	<u>5,057</u>	<u>1,372</u>	<u>5,838</u>	<u>28,677</u>
<b>The Trust</b>	<u><b>16,410</b></u>	<u><b>5,057</b></u>	<u><b>1,372</b></u>	<u><b>5,838</b></u>	<u><b>28,677</b></u>

**NORTH EAST LEARNING TRUST**  
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**20 ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted Funds	Restricted General Fund	Restricted Fixed Asset Fund	Total 2018
	£'000	£'000	£'000	£'000
Tangible fixed assets	-	-	61,785	61,785
Intangible fixed assets	-	-	31	31
Current assets	3,562	3,619	1,035	8,216
Current liabilities	-	(3,184)	-	(3,184)
Pension liability	-	(6,913)	-	(6,913)
<b>Total net assets</b>	<b>3,562</b>	<b>(6,478)</b>	<b>62,851</b>	<b>59,935</b>

Analysis of movement in funds – previous year

	Unrestricted Funds	Restricted General Fund	Restricted Fixed Asset Fund	Total 2017
	£'000	£'000	£'000	£'000
Tangible fixed assets	-	-	19,171	19,171
Current assets	2,913	2,893	44	5,850
Current liabilities	-	(2,065)	-	(2,065)
Pension liability	-	(4,831)	-	(4,831)
<b>Total net assets</b>	<b>2,913</b>	<b>(4,003)</b>	<b>19,215</b>	<b>18,125</b>

**21 CAPITAL COMMITMENTS**

	2018 £'000	2017 £'000
Contracted for but not provided for in the financial statements	911	10

**22 FINANCIAL COMMITMENTS**

At 31 August the Academy Trust had annual financial commitments as follows:

	2018 £'000	2017 £'000	2018 £'000	2017 £'000
	Other	Other	Land & building	Land & building
Expiring within one year	92	-	464	402
Expiring within two and five years inclusive	369	-	1,755	1,712
Expiring in over five years	1,753	-	6,913	7,729
	<b>2,214</b>	<b>-</b>	<b>9,132</b>	<b>9,843</b>

One contract expires in 2036 and the other 2041.

The above is in relation to maintenance agreements (at Bedlington) and capital contributions in respect of the Shotton Hall property.

**NORTH EAST LEARNING TRUST  
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**23 ULTIMATE CONTROLLING PARTY**

The Academy is a charitable company limited by guarantee, has no share capital and is controlled by its members.

**24 RELATED PARTY TRANSACTIONS**

Income related party transactions

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Apollo Schools Trust (Endeavour Academy Durham)	13	35

During the year the Trust provided finance and IT support to Endeavour for £11k and recovered administration staff support costs of £2k. All charges were at or charged under an agreed service level agreement. North East Learning Trust is a sponsor of Apollo Schools Trust and has a common Chair.

**25 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 member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for debts and liabilities contracted before he/she ceases to be a member.

**26 a RECONCILIATION OF NET INCOME TO NET CASHFLOW FROM OPERATING ACTIVITIES**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	<b>40,904</b>	14,913
Adjusted for:		
Depreciation [note 13 and 14]	<b>2,401</b>	896
Capital grants from DfE and other capital income	<b>(1,079)</b>	(103)
Interest receivable [note 6]	<b>(3)</b>	(8)
Amounts inherited on conversion	<b>(43,059)</b>	(15,802)
Defined benefit pension scheme cost less contributions payable [note 29]	<b>401</b>	423
Defined benefit pension scheme finance cost [note 29]	<b>161</b>	108
(Increase)/decrease in stocks	<b>(11)</b>	(13)
(Increase)/decrease in debtors	<b>(1,154)</b>	(238)
Increase/(decrease) in creditors	<b>1,119</b>	696
<b>Net cash provided by / (used in) Operating Activities</b>	<b>(319)</b>	872

**b Cash flows from investing activities**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest	<b>3</b>	8
Purchase of tangible fixed assets	<b>(250)</b>	(417)
Purchase of Intangible fixed assets	<b>(36)</b>	(417)
Capital grants from DfE/ESFA	<b>1,079</b>	34
Cash inherited on conversion	<b>723</b>	1,760
<b>Net cash provided by / (used in) investing activities</b>	<b>1,520</b>	1,454



**NORTH EAST LEARNING TRUST  
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**26 RECONCILIATION OF NET INCOME TO NET CASHFLOW FROM OPERATING ACTIVITIES (continued)**

**c Analysis of cash and cash equivalents**

	At 31 August 2018 £000	At 31 August 2017 £000
Cash in hand and at bank	<u>5,913</u>	<u>4,712</u>

**27 TRANSFER/CONVERSION FROM LOCAL AUTHORITY**

On 1<sup>st</sup> September 2017 Sacriston Academy joined North East Learning Trust under the Academies Act 2010 and all the operations and assets and liabilities were transferred to North East Learning Trust from Durham County Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance is a gift. 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 a net gain in the Statement of Financial Activities (SOFA) as donation – transfer from local authority on conversion.

The following table set out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

**Sacriston Academy transfer**

	TOTAL £000	Unrestricted Funds £000	Restricted General Fund £000	Restricted Fixed Asset Funds £ 000
Tangible fixed assets				
- Leasehold land & Buildings	2,696	-	-	2,696
- Fixtures, Furniture and Equipment	-	-	-	-
- ICT	1	-	-	1
- Vehicles	-	-	-	-
Cash	9	-	-	9
LGPS pension deficit	(369)	-	(369)	-
Net assets/ (liabilities)	<u>2,337</u>	<u>-</u>	<u>(369)</u>	<u>2,706</u>

On 1<sup>st</sup> October 2017 Diamond Hall Junior School joined North East Learning Trust under the Academies Act 2010 and all the operations and assets and liabilities were transferred to North East Learning Trust from Durham County Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance is a gift. 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 a net gain in the Statement of Financial Activities (SOFA) as donation – transfer from local authority on conversion.

The following table set out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

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**27 TRANSFER/CONVERSION FROM LOCAL AUTHORITY (continued)**

**Diamond Hall Junior Academy transfer**

	<b>TOTAL £000</b>	<b>Unrestricted Funds £000</b>	<b>Restricted General Fund £000</b>	<b>Restricted Fixed Asset Funds £000</b>
Tangible fixed assets				
- Leasehold land & Buildings	4,989	-	-	4,989
- Fixtures, Furniture and Equipment	-	-	-	-
- ICT	-	-	-	-
Cash	251	-	230	21
LGPS pension deficit	(227)	-	(227)	-
Net liabilities	<u>5,013</u>	<u>-</u>	<u>3</u>	<u>5,010</u>

The transfer has been accounted for as a combination that is in substance is a gift. 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 a net gain in the Statement of Financial Activities (SOFA) as donation – transfer from local authority on conversion.

On 1<sup>st</sup> November 2017 Ashington Academy joined North East Learning Trust under the Academies Act 2010 and all the operations and assets and liabilities were transferred to North East Learning Trust from Northumberland County Council for £nil consideration.

The following table set out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

**Ashington Academy transfer**

	<b>TOTAL £000</b>	<b>Unrestricted Funds £000</b>	<b>Restricted General Fund £000</b>	<b>Restricted Fixed Asset Funds £000</b>
Tangible fixed assets				
- Leasehold land & Buildings	21,673	-	-	21,672
- Fixtures, Furniture and Equipment	-	-	-	-
- ICT	-	-	-	-
- Vehicles	-	-	-	-
Cash	444	30	414	-
LGPS pension deficit	(1,224)	-	(1,224)	-
Net assets/ (liabilities)	<u>20,893</u>	<u>30</u>	<u>(810)</u>	<u>21,672</u>

On 1<sup>st</sup> April 2018 Bedlington Academy joined North East Learning Trust under the Academies Act 2010 and all the operations and assets and liabilities were transferred to North East Learning Trust from Northumberland County Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance is a gift. 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 a net gain in the Statement of Financial Activities (SOFA) as donation – transfer from local authority on conversion.

The following table set out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

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**27 TRANSFER/CONVERSION FROM LOCAL AUTHORITY (continued)**

**Bedlington Academy transfer**

	<b>TOTAL £000</b>	<b>Unrestricted Funds £000</b>	<b>Restricted General Fund £000</b>	<b>Restricted Fixed Asset Funds £000</b>
Tangible fixed assets				
- Leasehold land & Buildings	15,401	-	-	15,401
- Fixtures, Furniture and Equipment	-	-	-	-
- ICT	-	-	-	-
Cash	19	15	-	4
LGPS pension deficit	(605)	-	(605)	-
Net liabilities	<u>14,815</u>	<u>15</u>	<u>(605)</u>	<u>15,405</u>

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

**Summary**

	<b>TOTAL £000</b>	<b>Unrestricted Funds £000</b>	<b>Restricted General Fund £000</b>	<b>Restricted Fixed Asset Funds £000</b>
Tangible fixed assets				
- Leasehold land & Buildings	44,759	-	-	44,759
- Fixtures, Furniture and Equipment	-	-	-	-
- ICT	1	-	-	1
Cash	724	45	645	34
LGPS pension deficit	(2,425)	-	(2,425)	-
Net liabilities	<u>43,059</u>	<u>45</u>	<u>(1,780)</u>	<u>44,794</u>

**28 PENSIONS AND SIMILAR OBLIGATIONS**

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Durham County Pension Fund (on behalf of the following Trust Academies Browney, Easington, Sacriston, Shotton Hall and Teesdale), Northumberland County Council Pension Fund (on behalf of the following Trust Academies Ashington and Bedlington), Tyne & Wear Pension Fund (on behalf of Diamond Hall Academy). Both principal pension schemes are multi-employer defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

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

**Teachers' Pension Scheme**

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.

## **28 PENSIONS AND SIMILAR OBLIGATIONS (continued)**

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' Pensions Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (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 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 pension costs paid to TPS in the year amounted to £1,834k (2017: £996k).

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

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 the assets held in separate trustee-administered funds. The total contribution made for the Year ended 31 August 2018 was £931k of which employer's contributions totalled £714k and employee's contributions totalled £216k. The agreed contribution rates for future years vary between Pension fund from 15.8% to 25.2% for employers with annual additional contributions of £93k to fund the scheme deficit.

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 Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

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**28 PENSIONS AND SIMILAR OBLIGATIONS (continued)**

Principal actuarial assumptions

Pension Fund	Durham		Northumberland		Tyne & Wear	
	2018	2017	2018	2017	2018	2017
Rate of increase in salaries	3.5%	3.4%	3.5%	3.5%	3.6%	3.6%
Rate of increase for pensions in payment	2.0%	1.9%	2.0%	2.0%	2.1%	2.1%
Discount rate	2.8%	2.5%	2.8%	3.1%	2.8%	2.7%
Inflation (CPI)	2.0%	1.9%	2.0%	2.0%	2.1%	2.1%
Inflation (RPI)	3.1%	3.0%	3.1%	3.1%	3.2%	3.2%

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

Pension Fund	Durham		Northumberland		Tyne & Wear	
	2018	2017	2018	2017	2018	2017
Retiring today:						
Males	23.3	23.2	22.9	N/A	22.9	N/A
Females	25	24.9	25	N/A	26.4	N/A
Retiring in 20 years:						
Males	25.5	25.4	25.1	N/A	25.1	N/A
Females	27.3	27.2	27.3	N/A	28.7	N/A

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

	Fair value at 31 August 2018 £'000	Fair Value at 31 August 2017 £'000
Equities	5,520	2,691
Property	607	395
Government bonds	2,165	1,688
Corporate bonds	1,128	471
Cash	434	235
	160	-
<b>TOTAL MARKET VALUE OF ASSETS</b>	<b>10,013</b>	<b>5,480</b>
 Present value of scheme liabilities	 (16,926)	 (10,311)

The actual return on scheme assets was £436k 2017: (£88k)

	2018 £000	2017 £000
Current service cost	(1,066)	(778)
Past service cost	(49)	-
Net interest cost	(161)	(108)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	(137)	(55)
<b>Total operating charge</b>	<b>(1,413)</b>	<b>(941)</b>

**NORTH EAST LEARNING TRUST  
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**28 PENSIONS AND SIMILAR OBLIGATIONS (continued)**

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 September</b>	10,311	4,882
Transfers	5,729	6,801
Current service cost	1,066	778
Past service cost	49	-
Interest cost	374	195
Employee contributions	216	131
Actuarial (gain)/loss	(682)	(2,421)
Benefits paid	(137)	(55)
	<u>16,926</u>	<u>10,311</u>
<b>At 31 August</b>		

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 September</b>	5,480	1,977
Transfers	3,304	2,984
Interest income	213	87
Return on plan assets (excluding net interest on the net defined pension liability)	-	-
Actuarial gain/(loss)	223	1
Employer contributions	714	355
Employee contributions	216	131
Benefits paid	(137)	(55)
	<u>10,013</u>	<u>5,480</u>
<b>At 31 August</b>		

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**29 TEACHING SCHOOL TRADING ACCOUNT**

	<b>2018 £000</b>	<b>2018 £000</b>	<b>2017 £000</b>	<b>2017 £000</b>
<b>Income</b>				
<b>Direct income</b>		998		995
Other income		-		-
<b>Other income</b>				
Fundraising and other trading activities		6		9
<b>Total income</b>		1,004		1,004
<b>Expenditure</b>				
<b>Direct costs</b>				
Direct staff costs	426		281	
Staff development	-		-	
Other direct costs	-		-	
<b>Total direct costs</b>	426		281	
<b>Other costs</b>				
Support staff costs	39		31	
Recruitment and support	406		438	
Other support costs	105		228	
Share of governance costs	-		-	
<b>Total other costs</b>	550		697	
<b>Total expenditure</b>		976		978
Transfers between funds excluding depreciation				
<b>Surplus/(Deficit) from all sources</b>		28		26
<b>Teaching school balances at 1 September 2017</b>		100		74
<b>Teaching school balances at 31 August 2018</b>		128		100

## **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO NORTH EAST LEARNING TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY**

### **Conclusion**

We have carried out an engagement in accordance with the terms of our engagement letter dated 3 December 2018 and further to the requirements of the Education and 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 North East Learning Trust Limited during the period 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 North East Learning Trust Limited 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 North East Learning Trust Limited's accounting officer and trustees**

The accounting officer is responsible, under the requirements of North East Learning Trust Limited's funding agreement with the Secretary of State for Education 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<sup>1</sup> (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 North East Learning Trust Limited 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.



**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO NORTH EAST LEARNING TRUST AND THE  
EDUCATION AND SKILLS FUNDING AGENCY**

**Use of report**

This report is made solely to North East Learning Trust Limited and the ESFA in accordance with the terms of our engagement letter dated 3 December 2018. Our work has been undertaken so that we might state to the North East Learning Trust Limited 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 North East Learning Trust Limited and the ESFA, for our work, for this report, or for the conclusion we have formed.

*RSM UK Audit Ltd*

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*21 Dec 2018*