

Company Registration No. 06653439 (England and Wales)

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY
THE NORTHUMERLAND CHURCH OF ENGLAND ACADEMY)**

(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees	P Birmingham (Resigned 5 September 2017) R Bishopp JR Brearley (Chair) M Browell A Cox A Day (Resigned 31 January 2018) S Dickinson (Resigned 18 October 2017) N Fountain (Appointed 1 September 2018) AJ Hardie (Interim CEO, appointed 19 February 2018) J Hope (Appointed 12 September 2018) P Johnson (Appointed 26 February 2018) M Kelly J Lang (LA trustee) J Marshall (Appointed 1 September 2017) M Nicholson (Resigned 22 December 2017) S Purvis (Appointed 1 September 2017) J Scott
Members	JR Brearley Bishop of Newcastle (D Handley) Newcastle Diocesan Education Board (P Robinson) R Wilson Newcastle Diocesan Board of Education appointee to be confirmed
Senior management team	
Interim Chief Executive Officer	AJ Hardie
Principal Duke's Secondary School	SG Gibson
Principal Bishop's Primary School	M Hinson
Principal Castle School	S Wild
Director of Finance and Central Services	AJ Alden
Company secretary	C Johnson (Resigned 29 September 2017) J Braithwaite (Appointed 29 September 2017, resigned 30 November 2017)
Company registration number	06653439 (England and Wales)
Registered office	Josephine Butler Campus Academy Road Ashington Northumberland NE63 9FZ
Independent auditor	RSM UK Audit LLP 1 St. James' Gate Newcastle upon Tyne NE1 4AD

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
(FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND
ACADEMY)**

REFERENCE AND ADMINISTRATIVE DETAILS

Bankers

HSBC
Team Valley
Maingate
Gateshead
NE11 0BE

Solicitors

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

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Trust operates three academies for pupils aged 2 to 19 serving a catchment area in east Ashington, Newbiggin-by-the-Sea and Lynemouth and includes a 101 place unit for children with special needs. It has a nursery to Year 14 pupil capacity of 2,977 and had a roll of 2,525 in the school census in October 2018. The number of 2 year olds attending the Early Years Centres was 60.

On 1 July 2018 the Trust converted to become a Multi Academy Trust ("MAT") and rebranded the constituent academies as Duke's secondary school, Bishop's primary school and Castle school. On the same date, the name of the company was changed to Northumberland Church of England Academy Trust.

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 Trust. The charitable company is known as Northumberland Church of England Academy Trust.

The trustees of Northumberland Church of England Academy Trust are also the directors of the charitable company for the purposes of company law. Details of the trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' liability

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

Trustees' indemnities

The Trust purchases trustee and officers insurance to protect trustees from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The details can be found in note 13 of the accounts.

Method of recruitment and appointment or election of trustees

In the current reporting period, the trustees consisted of:

1 September 2017-27 March 2018:	four persons appointed by the Duke of Northumberland's Charity; four by the Newcastle Diocesan Education Board; one by the Local Authority; one representing the staff; one community trustee; two representing the Parents, the Executive Director [ex-officio] (to 31/1/2019); and the interim CEO (ex-officio) (from 19/2/2019);
28 March 2017-30 June 2018:	eight persons appointed by the Newcastle Diocesan Education Board; one appointed by the Local Authority; one community trustee; up to two representing the parents and the interim CEO (ex-officio);
1 July 2018-current:	eight persons appointed by the Newcastle Diocesan Education Board; up to two representing the parents; two co-opted from business and the community; and the interim CEO (ex-officio).

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT (CONTINUED)

The board of trustees requires breadth and depth of experience to carry out its duties effectively and efficiently. When recruiting new trustees the important attribute is a passion for the work of our Trust and an understanding of education as an holistic and rounded experience of personal growth. We also invite senior local business people to consider joining our Board. Where possible the trustees consider that the skills and experience of the Board should comprise the following, although a Trustee may have more than one of these attributes:

- A Trustee with a legal background.
- A Trustee with a financial/accounting background
- A Trustee with education experience.
- A Trustee with senior managerial or business experience.
- A Trustee with experience of equal opportunities or disability needs.
- At least one female Trustee and at least one male Trustee.

Staff and Parent trustees are elected by ballot by those eligible to do so.

Policies and procedures for the induction and training of trustees

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

Organisational structure

During the period under review the board of trustees held seven meetings.

The Finance and General Purposes Committee meets a minimum of six times per year. On behalf of the board of trustees it is responsible for constructing and monitoring the effectiveness of the Trust's budget and operations, staffing and pupil premium. The Finance and General Purposes Committee reports to the full board of trustees at the following full governing body meeting.

The Academy Standards and Improvement Committee meets a minimum of four times per year. On behalf of the board of trustees it is responsible for monitoring the effectiveness of the Trust's academic performance including the quality of teaching, curriculum, behaviour, diminishing differences of vulnerable groups and those with SEND provision. It is also responsible for Trustee training. The standards committee reports to the full board of trustees at the next full governing body meeting.

The Ethos Group meets as required. A group of trustees, the chaplain, members of leadership team and the teachers in charge of Religious Education have met to revise the Trust's vision and values statement.

The trust has a scheme of delegation that details the level of decisions within this structure.

The CEO is responsible for the day-to-day running of the Trust. There are three school principals and a director of finance and central services. They respectively have responsibility for the Duke's, Bishop's and Castle Schools and for all central services operations. These five posts comprise the Trust's executive leadership team. The next layer includes deputy and assistant principals who have responsibility for key areas of standards and operation of Trust policies. Deputy and Assistant Principals meet with their relevant Principals at least weekly. Each primary campus is led by a Head of Campus who is directly managed by the Principal (Primary).

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

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT (CONTINUED)

Arrangements for setting pay and remuneration of key management personnel

An annual cycle of staff appraisal and performance management is in operation. All staff are part of this system and objectives are aligned to the Trust's priorities for development. Appraisal carried out by line managers is moderated by Principals and the CEO. An annual anonymised statement of those staff awarded additional salary payments is presented to the full governing body each December.

A panel of three trustees and the School Improvement Partner undertake the appraisal and performance management of the CEO. The panel is tasked with setting the targets for the CEO, and by extension the Trust's targets, by 30th November each year. Progress towards those targets and leadership of the Trust are discussed at regular intervals throughout the year.

The panel also acts as quality assurance for the Trust's performance management processes. The panel also monitors the annual pay progression of staff and will recommend its approval to the full governing body.

Trade union facility time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where an academy trust has more than 49 full time equivalent employees throughout any seven months within the reporting period, it must include information included in Schedule 2 of the Regulations. The information to be published consists of the following:

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
1	1

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time	£707
Total pay bill	£12,981,718
Percentage of total pay bill spent on facility time	0.01%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	0.00%
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Related parties and co-operation with other organisations

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

The Trust is a related party of Newcastle Diocesan Education Board and Ward Hadaway Solicitors. During the year it was also a related party of the Duke of Northumberland's charity.

Newcastle Diocesan Education Board appoint no less than eight trustees to serve on the trust's board.

The members hold the board of trustees to account for the governance of the trust.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT (CONTINUED)

OBJECTIVES AND ACTIVITIES

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

The trustees have reviewed the Trust's Vision and Ethos statements and amended them to better reflect the maturity of the Trust after eight years in operation.

Objects and aims

Northumberland Church of England Academy Trust is a Christian learning environment at the heart of its communities. We promote care and respect, and expect high standards in all aspects of our Trust life.

As a Church of England Academy Trust, we aim to build communities clearly based on the Christian values of love, forgiveness and reconciliation, integrity and the unique value of each individual. We aim to build self-esteem, model conflict resolution, protect the weak and are committed to justice and compassion. Mutual respect and trust are central within the Trust.

At Northumberland Church of England Academy Trust we strive to:

- Provide a distinctively Christian inclusive and diverse learning environment which honours God. Every learner, adult and child here is enabled, nurtured and challenged to be the best they can be.
- Encourage staff and pupils to aspire to fullness of life [John 10:10] that they may achieve their full potential.
- Promote the spiritual, moral, social, cultural, personal and physical development of individuals within a Christian framework.
- Sustain a community in which everyone is respected and valued.

Our Core Values are designed to help everyone to let their LIGHT shine [Matthew 5:16]

- we care for each other and we help others do well. We have a concern for justice and for the vulnerable, especially those in need, [Mark 12:31, John 3:16, John 13:34-35, Romans 12:10, 1 Corinthians 13, 1 John 4:11]
- we are an open, welcoming and inclusive community that celebrates the worth of each person, and when necessary offers forgiveness and reconciliation too. [Matthew 6:12, Ephesians 4:2, Ephesians 4:32]
- we work hard and always seek to do what is right. We encourage one another to treat others as we would like to be treated, to do good and to serve others [Luke 6:31, Galatians 5:22, Hebrews 10: 24, 2 Peter 1:5]
- we aspire to be the best we can be. We learn from our mistakes and try again with determination [Psalm 25:21, Psalm 31:24, Psalm 33:18, Romans 15:4, Colossians 1:5]
- we tell the truth and are true to our word. We take responsibility for what we think, say and do. We encourage integrity and respect for authority. [Proverbs 12:17, Mark 12:14, John 1:17, John 8:22, John 14:6]

The Trust aims to embed our values by providing a safe place where all can succeed through:

- An aspirational culture in which every member of the community desires to be the very best they can be.
 - Ambition for every child to maximise their potential regardless of background. All learners seen and treated as individuals, with their individual learning needs met daily to ensure all succeed.
 - A curriculum, with literacy and numeracy at its heart, that stretches, challenges, is relevant and provides opportunities to excel, develop skills for the world of work, and which is meaningful and purposeful.
 - Every member of our community: parents, children and young people, staff and trustees, setting the highest of expectations
 - Teaching that excels in all areas, leading to the very best academic and vocational outcomes for every child and young person
 - Behaviour that enables learning at the highest level to occur and which shows mutual respect for all, self-discipline and builds confidence in all.
 - A culture of a healthy mind in a healthy body. All will be encouraged to participate in physical exercise and to develop a healthy lifestyle, develop team skills, and learn all aspects of healthy competition.
 - A tradition that is respected and enables innovation, creativity and boldness.
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NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT (CONTINUED)

The Trust's Christian ethos is fundamental to all aspects of Trust life – where all are valued equally and included. All respected, nurtured, encouraged and enabled to achieve fullness of life.

The Trust is rigorously reflective and self-critical, reviewing its practices and seeking continually to improve what it does.

All the staff at the Trust are encouraged to be life-long learners in an engaging professional learning environment which is at the forefront of innovation and a centre of learning excellence.

Objectives, strategies and activities

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

The Trust's strategy for achieving its objectives involves:

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

The Trust has a comprehensive range of policies to further its objects. Key among these are policies on inclusion, teaching & learning, safeguarding and the curriculum. These are focused on developing the potential of pupils and staff to maximise employment opportunities. Where necessary, policies are regularly updated to reflect any changes in legislation, official guidance and best practice.

Specific activities contributing to meeting these objectives have included:

- Review of the application of Pupil Premium Grant (PPG) to ensure that it is used to meet its intended aims.
- A restructuring of executive leadership to ensure that the Trust is able to concentrate on its core business of raising standards of achievement.
- A professional learning programme that supports the Trust's priorities, whilst also delivering an effective professional development programme for every member of staff.
- A highly effective performance and appraisal system for all staff that delivers the right levels of accountability without being oppressive.
- Membership of PiXL programme across secondary and sixth form, to ensure that we are at the cutting edge of educational advice and delivering the best strategies for meeting the needs of our pupils.

Public benefit

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

STRATEGIC REPORT

Achievements and performance: Key performance indicators

The Trust is resolute in its determination to afford the very best academic and vocational outcomes for every pupil in its care.

The Trust has in October 2018 30.0% of pupils on roll eligible for free school meals, however, 46.4% of pupils from Reception to Year 11 have been in receipt of free school meals in the last six years (Ever 6) and are hence eligible for the pupil premium. In total there are 1,039 free school meals, Ever 6 and Children Looked After (23) and 19 Services Children in the Trust.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT (CONTINUED)

The funding the Trust receives for pupil premium children is spent on a variety of different types of support including:

- Providing additional teaching to give additional support to PP children
- Speech and Language interventions
- Extra TA resource providing small group settings and individual support
- Investing in additional learning support strategies, including Read Write Inc in English and Maths Makes Sense for numeracy
- Additional specialist teachers and resources in STEM, PE and Music
- Learner Welfare Support and Parent Support Partners
- Support to ensure progress and attainment of PP children
- Accelerated Learner Programme for G&T pupils
- Subsidised educational visits to remove barriers to participation
- Additional training and CPD
- After school clubs and lunchtime clubs
- Reading resourcing and library development
- I am Learning homework platform
- Teacher training and development to address the Quality First principles
- Accelerated Reader and Lexia programmes to stimulate literacy development
- Maths makes Sense and My Maths for mathematical development
- Careers Advice and Guidance in conjunction with the Gatsby Project
- Music, arts, drama

The majority of pupils at the Trust now achieve an education which is opening doors for them to better places and readying them for their next stages in the development whether that be key stage transition or progression to university or the work place.

In 2018 we reported some of our best ever results in public examinations and statutory assessments in primary and GCSE results showed an improvement from the 2017 results:

- In EYFS: 72% (NA:70%) achieved the Good Level of Development benchmark, for the third year in a row above the national average.
- At KS1, 88% achieved the phonics test in Year 1 and over 96% achieved by Year 2. Both cases this significantly exceeded the national average.
- KS1 in the annual assessments 79% (NA: 75%) achieved expected standard in Reading, 70% (70%) in Writing, and 78% (76%) in mathematics. At greater depth reading, writing and mathematics were all significantly above the national average.
- KS2 in the annual assessments 79% (NA: 75%) achieved expected standard in Reading, 81% (78%) in Writing, and 85% (76%) in mathematics. At greater depth reading and mathematics were above the national average. 73% (NA: 64%) achieved expected standard in all.
- At KS4, the Year 11 cohort did not achieve the targets set for them, and the results for both Attainment 8 and Progress 8 were significantly below national average. Those achieving both English and mathematics were improved compared to 2017 than in the previous two years. When removing the students in Year 11 who were placed in alternative provision to avoid permanent exclusion, and those who were not in school during the examination period, the recalculated Progress 8 figure of -0.32 shows considerable improvement on the 2017 figure of -0.65. At KS5, the Trust continues to show very good attainment: 86% pass rate, Average grade D+ for A level and Merit + for vocational qualifications. 52% of results were on or above the challenging ALPS targets set for the students, based on national comparisons.
- NEETs (Not in education, employment or training) remain very low at the Trust and we try to ensure that all who are NEET are helped into work or study.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT (CONTINUED)

Going concern

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

Attendance and learner welfare

The Trust tracks the attendance of all children meticulously and has continued to develop a range of targeted strategies to improve it. Actions taken have made a significant difference to reducing the proportion of children who are persistently absent. Attendance has continued to improve with overall attendance nearing the national average. Student exclusions remain below national averages.

Curricular developments are contributing positively to improving children's achievement and attendance and ensuring better equality of opportunity for all. The curricula in primary and KS3 have been extensively reviewed and updated. Our unique and highly successful literacy initiatives continue to develop children's progress in reading, and speech and language skills which increase their confidence in sharing their views and feelings. The numeracy initiatives continue to have an impact in improving children's progress and are fully embedded in the teaching across primary and in KS3.

The 14 to 19 curriculum has been further refined to meet the developing needs and interests of the children and to reflect the changes in assessment including the move towards terminal examinations. The balance of the curriculum is now more academic and students are rising to the challenges of the new curriculum. The Ebacc forms a strong part of the curriculum at KS4 and the interests of pupils in pursuing this pathway is great. Skills are being taught in a more meaningful way and this has also seen the appointment of an enterprise advisor from the world of business to support the Trust in its work to ensure our young people are well prepared for life beyond school.

Extra-curricular activities continue to expand and develop with increased participation and success in a wide variety of sports, the growth in the compliment of the Combined Cadet Force in the Trust, the expansion of the Duke of Edinburgh programme and the wider involvement of students in music and singing in choirs.

Senior leaders and managers, including the board of trustees, share a common ambition and drive to raise standards through improved provision across the Trust.

The Trust continues to attract new pupils and pupil numbers continue to rise. Feedback from current students is very positive, they feel safe and enjoy being at the Trust. Attendance continues to improve across the Trust.

Financial review

Income and expenditure

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

The Trust also receives grants for fixed assets from the DfE. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

The majority of expenses during the year relate to staff employed by the Trust, with other key categories of expenditure shown in notes 8 and 9.

During the year ended 31 August 2018, an in year surplus of £132k was achieved, compared to a planned surplus of £14k. The main cause of this variance was a positive result to a claim made by the Trust to the ESFA for £123k relating to redundancy costs incurred in previous years. Against this result, fixed asset expenditure of £31k was incurred in making improvements to campus facilities.

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TRUSTEES' REPORT (CONTINUED)

Balance sheet

At the year end, the net book value of tangible fixed assets was £45,378k. Movements in tangible fixed assets are shown in note 15 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Trust.

Working capital ended the year slightly stronger than in the previous year, with improvements in all areas of the balance sheet. The Trust's policy is to pay its suppliers within the deadline specified on the supplier's invoice or within 30 days if not specified. This objective has not been achieved in the year, due to the need to manage the Trust cash position closely. It is hoped that this can be rectified within the current year.

The Group held fund balances at 31 August 2018 of £44,851k, comprising £45,391k of fixed asset funds and £1,710k of endowment funds whose primary use is for social capital development. These were offset by a pension reserve deficit of £2,110k and a £140k deficit of restricted general funds.

During the year the pension deficit improved from £3,450k to £2,110k. Key to the improvement was an increase in the discount rate used to measure the scheme's liabilities, which increased from 2.5% to 2.8%.

Key performance indicators

The key financial performance indicators used were:

- operating performance actual spending vs budget, which showed a reduction in spending from a budget surplus of £14k to a surplus of £132k;
- maintaining a positive cash flow during the year, which was achieved via working capital management; and
- staff costs as a percentage of overall income fell from 82.9% last year to 82.0%, principally due to management of staff numbers and grades.

Future factors affecting performance

Vital to the success of the Trust is the continued vigilance of all staff and members of the management team in ensuring that all income is collected correctly and on time, and in ensuring that every £1 of expenditure is reviewed to make sure best value is achieved. The trustees have agreed a robust plan to improve the financial position of the Trust which relies on these principles being vigilantly adhered to throughout the year.

Reserves policy

The trustees review the reserve levels of the Trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The reason for reserves is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The Trust's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is a deficit of £140k, an improvement of just over £100k compared to last year. The Trust intends to build up free reserves to the level needed through a detailed three year recovery plan which has now been completed. This plan requires the Trust to either increase income via resolution of pupil number income, cost saving plans or a combination of the two.

Investment policy

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

Endowment trust

Under the terms and conditions of the endowment trust agreement, the sponsors agree to donate £750k each, providing a principal sum of £1.5million to the trustees over a five year period, this sum to be held within an

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TRUSTEES' REPORT (CONTINUED)

endowment trust. The income generated and the capital donated by the sponsors to the fund shall be applied by the trustee to advance education for the benefit of the communities of Ashington, Newbiggin-by-the-Sea and Lynemouth ("The Trust") in accordance with the principles of the Church of England in particular by:

- i. Assisting and supporting the education of students at the Trust including the provision of awards, prizes and other awards.
- ii. Relieving the financial hardship of pupils and ex-pupils of the Trust by the provision of bursaries, scholarships, equipment or in any other way the trustee thinks fit to enable them to pursue their education.
- iii. Providing grants or other financial assistance to assist pupils in financial need to undertake extra-curricular activities (including educational travel in the United Kingdom and overseas);
- iv. Providing or assisting in the provision of services or facilities at the Trust not provided for under the Funding Agreement between the Trust and the Secretary of State for Education; and
- v. Fostering closer ties between the Trust and community, including promoting education in the community served by the Trust.

Principal risks and uncertainties

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

The trustees review the major risks to which the Trust is exposed have been identified and are regularly reviewed by the Finance and General Purposes Committee and reported to the full board of trustees. For each specific risk a mitigation strategy has been identified. The principal risks identified by the trustees are:

Strategic and reputational risks		
Category	Sub-category	Specific risk
Strategic risk	Competition risk	Presence of other organisations with similar objects and little scope for differentiation
		Other organisations competing for the same sources of income
Public profile risk	Technology risk	IT systems out of date / no longer supported
	Trustee profile risk	Trustees are not considered to be arms' length from charity
HR risk	Trustee profile risk	Trustees become too involved with management of the charity and are not independent from management
Income risk	Grants receivable risk	Funding grants do not rise in line with inflation resulting in a squeeze on spending within the Trust.
		Pupil Number funding is not in line with actual pupil numbers.

Fundraising

General charitable fundraising of the kind envisaged under the provisions of the Charities (Protection and Social Investment) Act 2016 represents a very small part of the Trust's activities and income, and is generally restricted to fundraising for specific events such as school fairs and performances. Other fundraising is for specific expenditure to support educational activities. Professional fundraisers are not used and there is therefore no monitoring required in this area.

Complaints regarding fundraising would be dealt with in accordance with the Trust's Complaints Policy, available on the website.

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TRUSTEES' REPORT (CONTINUED)

Plans for future periods

The challenges facing the Trust include:

1. Ensuring that the next OFSTED judgement for a trust school is at least good.
2. Continue the improving trend for primary children so that they achieve good or better levels of development and meet or exceed expected standards at KS1 and KS2.
3. KS3 pupils must build on the gains they have made in Primary and be KS4 ready.
4. The current Y11 needs to achieve its potential and demonstrate an improved Progress 8 measure.
5. All pupils must be encouraged to achieve and to succeed as individuals. All learners make at least expected progress across the Trust.
6. All KPIs on the Development Plan are met.
7. To continue to diminish the difference between those defined as disadvantaged and those, nationally, who are not.
8. Achieve consistency of good or better practice in teaching, learning and assessment practices.
9. Trustees are confident in the triangulation of information regarding progress and are therefore more able to hold middle leaders and senior leaders to account.
10. In common with schools nationally the challenge to recruit and retain high calibre teachers at all levels continues to be a concern.
12. Trustees and sponsors using MAT status to drive improvement and secure the long term financial health of the trust in light of the threat from the threats of declining budgets, failure to secure pupils numbers especially at Post 16, the increase in staffing costs and the lack of any additional funding from government to support staff salary increases and the STRB recommendations for teachers or the introduction for the living wage for support staff.
13. Leadership at all levels in the Trust is clearly focused on ensuring that standards continue to rise and that the wellbeing of each child is paramount. The excellent Careers Advice and Guidance provided for our young people is proving to be a huge factor in the growing aspirations of learners of all ages.
14. Governance to be at least good and heading towards outstanding by the next inspection.
15. Ensuring that the Trust is operating effectively against its goals.

The Trust will continue to strive to improve the levels of performance of its learners at all levels and will continue its efforts to ensure its learners have the best opportunities for employment or places in higher education once they leave. The Trust's improvement plan has targeted the following objectives and actions:

SI 1 - Enhancing the Christian ethos of the Trust and its values in all areas. Let your LIGHT shine!

Objectives:

- To enable all to have life in all its fullness
- To enable an encounter with God through developing spirituality
- To be inclusive to those of all faiths and none
- Ensure effective RE, ACW and SMSC
- Develop pupil leadership of ACW

SI 2 - Improving outcomes for all children:

Objectives

- All pupils to make at least expected progress in all subjects
- All pupils to reach at least their expected att.
- All KS outcomes to meet or exceed NA
- Most pupils to be next stage 'ready'
- No NEETs at the end of KS4 and 5

SI 3 - Improving teaching, learning and assessment (TLA)

Objectives

- Ensure policies pertaining to TLA are consistently applied
- Ensure assessment is used effectively for planning lessons

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT (CONTINUED)

- Nurture effective learning environments
- Ensure effective PM and CPD
- Ensure support staff are efficiently deployed and integrated in the classroom

SI 4 - Improving personal development, behaviour and welfare of all pupils Objectives

- Safeguarding is effective
- Develop every pupil holistically
- Increase participation in clubs, societies, sport, CCF, etc
- Inculcate a climate where BfL flourishes
- All pupils to receive effective CEIAG, including in Bishop's and Castle Schools
- Ensure attendance and punctuality are high;
- Pupils lead fulfilling lives; physically, mentally, socially and culturally
- Promote British values effectively

SI 5 - Improving leadership and management Objectives

- All L&M able to articulate effectively the Trust's priorities
- Middle leadership is highly effective
- Build on the culture of holding others to account
- Ensure a rich and diverse curriculum
- Develop pupil voice and leadership across the Trust
- Governance is strong and holds L&M to account effectively

SI 6 - Operations Objectives

- SAT 2 MAT consequences; alternative provision; Sixth Form and EY provisions
- Professionalise the support functions
- Create a fit-for purpose infrastructure
- Improve communication, service and staff development.
- IT / Web services

Funds held as custodian trustee on behalf of others

There are no funds held as a custodian trustee on behalf of others, aside from 16-19 bursary funds.

Disability and equality

The Trust 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 Trust 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 Trust continues. The Trust'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 Trust 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.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

TRUSTEES' REPORT (CONTINUED)

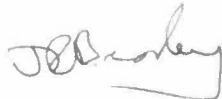
Auditor

RSM UK Audit LLP has indicated its willingness to continue in office; however the governing body has decided to carry out a re-tender of the audit service during the current financial year.

Statement as to disclosure of information to auditor

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

The trustees' report is approved by order of the board of trustees and the strategic report (included therein) is approved by the board of trustees in their capacity as the directors at a meeting on 13 December 2018 and signed on its behalf by:



JR Brearley
Chair
13 December 2018

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

GOVERNANCE STATEMENT

Scope of responsibility

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

The board of trustees has delegated the day-to-day responsibility to the principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Northumberland Church Of England Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the trustees' report and in the statement of trustees' responsibilities. The board of trustees has formally met 7 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustees	Meetings attended	Out of a possible
P Birmingham (Resigned 5 September 2017)	0	0
R Bishopp	6	7
JR Brearley (Chair)	7	7
M Browell	3	7
A Cox	3	7
A Day (Resigned 31 January 2018)	2	2
S Dickinson (Resigned 18 October 2017)	1	1
AJ Hardie (Interim CEO, appointed 19 February 2018)	3	3
P Johnson (Appointed 26 February 2018)	2	4
M Kelly	0	7
J Lang (LA trustee)	5	7
J Marshall (Appointed 1 September 2017)	7	7
M Nicholson (Resigned 22 December 2017)	2	2
S Purvis (Appointed 1 September 2017)	6	7
J Scott	6	7

The board of trustees further strengthened its effectiveness with the addition of three new trustees, with experience in law, business and education. The Executive Director resigned in January 2018 and was replaced with an interim CEO, who is also a National Leader of Education (NLE). This was an opportunity for trustees to refresh the vision and strategy of the trust, and trustees now feel they have the "right people around the table". Trustees continue to develop a culture of support and challenge to the Trust's leadership team and are relentless in their pursuit of achieving the best outcomes for the children within their community and fulfilling the core functions of governance.

The finance and general purposes committee is a sub-committee of the main board of trustees. Its purpose is described on p5.

Committee members	Meetings attended	Out of a possible
R Bishopp	1	1
JR Brearley (Chair)	12	12
A Cox	8	12
S Purvis	11	12
<i>In attendance:</i>		
A Day (Accounting Officer)	4	4
A Hardie (Accounting Officer)	6	6

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

GOVERNANCE STATEMENT

Review of value for money

As accounting officer the CEO has responsibility for ensuring that the 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 Trust has delivered improved value for money during the year by ensuring that policies, practices and procedures to contain costs are put in place and monitored. The reviewing period saw the Trust look at its insurance arrangements and energy contracts for value for money. The Trust also engaged a third party agency, Expense Reduction Analysts, to review spending in the following areas:

- Water and waste water
- Cleaning supplies and consumables
- Stationery and educational supplies
- Photocopies
- Fixed line and data communications

The majority of these exercises have already delivered savings which will continue into the future. The Trust is also successfully partnering with a management company, SLS, to manage external facilities lettings outside of normal hours. This has resulted in headcount savings in finance and additional payment savings to the caretaker workforce.

The Trust continuously looks to improve the value for money from providers. All major expenditure undergoes a thorough selection and tendering process.

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 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 Northumberland Church Of England Academy Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

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

The risk and control framework

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

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

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

GOVERNANCE STATEMENT

- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the trustees have appointed an external consultant, who is a qualified accountant, to review practices and check that the Finance department is following its published policies and procedures. The role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. On a termly basis, the reviewer reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. The reviewing function has been delivered in line with the ESFA's requirements and no material control issues have been identified. The reports from this programme are reported to the F&GP committee and made available to the full governing body.


Review of effectiveness

As accounting officer the executive director has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the reviewer, as outlined above;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the finance and general purposes committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of trustees on 13 December 2018 and signed on its behalf by:



JR Brearley
Chair



AJ Hardie
CEO

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Northumberland Church of England Academy Trust I have considered my responsibility to notify the Trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the Trust's board of trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the 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.



AJ Hardie
Accounting Officer
13 December 2018

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

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

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

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

Approved by order of the members of the board of trustees on 13 December 2018 and signed on its behalf by:



JR Brearley
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY (CONTINUED))

Opinion

We have audited the financial statements of Northumberland Church of England Academy Trust (the "academy trust") for the year ended 31 August 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY (CONTINUED))

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 prepared 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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 20, the trustees (who act as trustees for the charitable activities of the charitable company, and are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY (CONTINUED))

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 2AD
~~12~~ December 2018

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Endowment Funds £	Total 2018 £	Total 2017 £
Income and endowments from:							
Donations and capital grants	4	42,788	184,390	-	-	227,178	224,138
Charitable activities:							
- Funding for Trust's educational operations	5	346,412	14,828,833	-	-	15,175,245	15,264,689
Other trading activities	6	372,457	-	-	-	372,457	323,307
Investments	7	188	-	-	65,875	66,063	50,458
Total		<u>761,845</u>	<u>15,013,223</u>	<u>-</u>	<u>65,875</u>	<u>15,840,943</u>	<u>15,862,592</u>
Expenditure on:							
Raising funds	8	5,730	-	-	-	5,730	25,663
Charitable activities:							
- Trust's Educational operations	9	636,643	15,630,258	579,039	-	16,845,940	17,305,091
Endowment repayment and costs		-	-	-	172,018	172,018	62,073
(Profit)/loss on disposal of investment assets		-	-	-	(29,648)	(29,648)	(41,264)
Total	8	<u>642,373</u>	<u>15,630,258</u>	<u>579,039</u>	<u>142,370</u>	<u>16,994,040</u>	<u>17,351,563</u>
Gains/(losses) on endowment		-	-	-	(16,947)	(16,947)	40,555
Net expenditure		119,472	(617,035)	(579,039)	(93,442)	(1,170,044)	(1,448,416)
Transfers between funds	23	(119,472)	88,620	30,852	-	-	-
Other recognised gains/(losses)							
Remeasurement of net defined benefit pension obligations	28	-	1,970,000	-	-	1,970,000	4,780,000
Net movement in funds		-	1,441,585	(548,187)	(93,442)	799,956	3,331,584
Reconciliation of funds							
Total funds brought forward		-	(3,691,424)	45,939,522	1,803,441	44,051,539	40,719,955
Total funds carried forward		-	(2,249,839)	45,391,335	1,709,999	44,851,495	44,051,539

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

BALANCE SHEET

AS AT 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Intangible assets	14		13,321		25,459
Tangible assets	15		45,378,014		45,914,063
Investments	16		1,735,947		1,803,493
			<u>47,127,282</u>		<u>47,743,015</u>
Current assets					
Stock	17		7,433		14,923
Debtors	18		678,140		844,622
Cash at bank and in hand			343,810		161,405
			<u>1,029,383</u>		<u>1,020,950</u>
Current liabilities					
Creditors: amounts falling due within one year	19		(1,123,910)		(1,138,166)
Net current liabilities			<u>(94,527)</u>		<u>(117,216)</u>
Total assets less current liabilities			47,032,755		47,625,799
Creditors: amounts falling due after more than one year	20		(71,260)		(124,260)
Net assets excluding pension liability			<u>46,961,495</u>		<u>47,501,539</u>
Defined benefit pension scheme liability	28		(2,110,000)		(3,450,000)
Net assets			<u>44,851,495</u>		<u>44,051,539</u>
Funds of the Academy Trust:					
Restricted funds	23				
- Restricted fixed asset funds			45,391,335		45,939,522
- Restricted income funds			(139,839)		(241,424)
- Pension reserve			(2,110,000)		(3,450,000)
- Endowment funds			1,709,999		1,803,441
Total restricted funds			<u>44,851,495</u>		<u>44,051,539</u>
Unrestricted income funds	23		-		-
Total funds			<u>44,851,495</u>		<u>44,051,539</u>

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
(FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND
ACADEMY)**

BALANCE SHEET

AS AT 31 AUGUST 2018

The financial statements on pages 24 to 51 were approved by the board of trustees and authorised for issue on 13 December 2018 and are signed on their behalf by:



.....
JR Brearley
Chair

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
(FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND
ACADEMY)**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Net cash provided by/(used in) operating activities	26		123,640		(515,175)
Cash flows from investing activities					
Dividends, interest and rents from investments		188		227	
Capital grants from DfE and ESFA		38,830		35,024	
Purchase of intangible fixed assets		(1,200)		(955)	
Purchase of tangible fixed assets		(29,652)		(15,889)	
Payments to acquire investments		(137,936)		(370,200)	
Proceeds from sale of investments		188,535		273,990	
Net cash provided by/(used in) investing activities			58,765		(77,803)
Cash flows from financing activities					
Repayment of other loan		-		(14,352)	
Net cash used in financing activities			-		(14,352)
Net increase/(decrease) in cash and cash equivalents in the reporting period			182,405		(607,330)
Cash and cash equivalents at beginning of the year			161,405		768,735
Cash and cash equivalents at end of the year			343,810		161,405

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

General information

Northumberland Church of England Academy Trust is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the trustees' report.

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.

Basis of preparation

The financial statements of the Trust 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 financial statements 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. The Trust is a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

Going concern

The Trust's activities, together with the factors likely to affect its future development, performance and position are set out in the Trustees' Report. The trustees believe that the Trust is adequately placed to manage its risks successfully despite the current uncertain economic outlook and resources position. The trustees have a reasonable expectation that the Trust has adequate resources and financial strategies in place to continue in operational existence for the foreseeable future and there are no material uncertainties about the Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Income

All incoming resources are recognised when the 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 period 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.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies (Continued)

Sponsorship income

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

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

Other income

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

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Donated fixed assets

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Trust's accounting policies.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Charitable activities

These are costs incurred on the Trust's educational operations to further its charitable aims for the benefit of the beneficiaries, including support costs and costs relating to the governance of the Trust apportioned to charitable activities.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies (Continued)

Intangible fixed assets and amortisation

Intangible assets costing £5,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Computer software 33% straight line

Tangible fixed assets and depreciation

Assets costing £5,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Depreciation is provided on all tangible fixed assets other than freehold land, so as to write off the cost of assets less their residual values over their useful lives on the following bases:

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

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

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

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 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.

Leased assets

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

Investments

Fixed asset investments are stated at market value. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies (Continued)

Financial instruments

The 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 Trust becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), [except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs),] unless the arrangement constitutes a financing transaction. A financial asset or 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. If an agreement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flow expire or are settled, or substantially all the risks and the 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.

Stock

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

Taxation

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

Pensions benefits

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

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies (Continued)

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

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

Fund accounting

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

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

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

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

Aggregated results

These financial statements aggregate the results of the Northumberland Church of England Academy Endowment Trust, a Trust in which the Trust is the sole trustee and sole beneficiary, further details are given in note 30.

Agency arrangements

The Trust acts as an agent in the administering of the 16-19 Bursary Funds from the ESFA. Related payments received from the ESFA and subsequent disbursements to students are excluded from the financial activities to the extent that the Trust does not have a beneficial interest in the individual transactions. Where funds have not been applied in the year then an amount will be included as amounts due to the Trust.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

2 Critical accounting estimates and areas of judgement

Accounting 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 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 or 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.

3 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Trust was subject to limits at 31 August 2018 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The Trust has not exceeded these limits during the year ended 31 August 2018.

4 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Capital grants	-	38,830	38,830	35,024
Other donations	42,788	145,560	188,348	174,031
	<u>42,788</u>	<u>184,390</u>	<u>227,178</u>	<u>209,055</u>

Income from donations and capital grants was £227,178 (2017: £209,055), of which £42,788 (2017: £49,354) was unrestricted and £184,390 (2017: £159,701) was restricted.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

5 Funding for the Trust's educational operations

	Unrestricted Funds £	Restricted funds £	Total 2018 £	Total 2017 £
DfE / ESFA grants				
General annual grant (GAG)	-	11,177,260	11,177,260	11,510,729
Other DfE / Group grants	-	1,638,457	1,638,457	1,495,921
	-	12,815,717	12,815,717	13,006,650
Other government grants				
Local authority grants	-	2,013,116	2,013,116	1,901,284
Catering	346,412	-	346,412	356,755
	346,412	14,828,833	15,175,245	15,264,689

During the current year, it was confirmed the Trust did not have any GAG claw back (2017: £nil).

Income from funding for educational operations was £15,175,245 (2017: £15,264,689) of which £346,412 (2017: 356,755) was unrestricted and £14,828,833 (2017: £14,907,934) was restricted.

6 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Hire of facilities	38,284	-	38,284	69,576
Fundraising events	234,879	-	234,879	103,675
Sale of goods	20,471	-	20,471	39,257
Staff services	33,465	-	33,465	71,300
Green initiatives	45,358	-	45,358	39,499
	372,457	-	372,457	323,307

Income from other trading activities was unrestricted in full for both years above.

7 Investment income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Interest from short term deposits	188	-	188	227
Endowment dividends/interest	-	65,875	65,875	65,314
	188	65,875	66,063	65,541

Income from funding for investment income was £66,063 (£2017: £65,451) of which £188 was unrestricted (2017: £227) and £65,875 was endowment (2017: £65,314).

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

8 Expenditure

	Staff costs	Non Pay Expenditure		Total	Total
	£	Premises	Other	2018	2017
	£	£	£	£	£
Expenditure on raising funds:					
- Direct costs	-	-	5,730	5,730	25,663
- Allocated support costs	-	-	-	-	-
Endowment expenditure	-	-	172,018	172,018	62,073
Trust's educational operations					
- Direct costs	11,062,045	-	1,281,292	12,343,337	12,733,370
- Allocated support costs	2,529,884	935,111	1,037,608	4,502,603	4,571,721
Total support costs	13,591,929	935,111	2,496,648	17,023,688	17,392,827

Expenditure on raising funds was £5,730 (2017: £25,663), of which £5,730 (2017: £25,663) was unrestricted.

Net income/(expenditure) for the year includes:	2018	2017
	£	£
Operating lease rentals	45,732	28,496
Depreciation of tangible fixed assets	565,701	567,363
Amortisation of intangible fixed assets	13,338	12,704
Net interest on defined benefit pension liability	80,000	140,000
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
- Audit	14,200	14,200
- Other services	7,400	6,600

9 Charitable activities

	2018	2017
	£	£
Direct costs - educational operations	12,343,337	12,733,370
Support costs - educational operations	4,502,603	4,571,721
	16,845,940	17,305,091

Expenditure on charitable activities was £16,845,940 (2017: £17,305,091), of which 636,643 was unrestricted (2017: £618,250). £15,630,258 was restricted (2017: £16,106,774) and ££579,039 was restricted fixed assets (2017: £580,067).

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST **(FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND** **ACADEMY)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

	2018 £	2017 £
Analysis of support costs (educational operations)		
Support staff costs	2,529,884	2,606,144
Depreciation and amortisation	579,039	580,067
Technology costs	5,524	23,561
Premises costs	935,111	694,170
Other support costs	453,045	630,079
Governance costs	-	37,700
	<hr/>	<hr/>
Total support costs	4,502,603	4,571,721
	<hr/>	<hr/>
10 Staff		
Staff costs		
Staff costs during the year were:		
	2018 £	2017 £
Wages and salaries	9,887,464	9,964,611
Social security costs	879,992	886,674
Pension costs	2,214,262	2,262,248
	<hr/>	<hr/>
Total staff costs	12,981,718	13,113,533
Supply staff costs	548,879	475,731
Staff restructuring costs	61,332	199,039
	<hr/>	<hr/>
	13,591,929	13,788,303
	<hr/>	<hr/>
Non statutory/non-contractual staff severance payments		
Staff restructuring costs comprises:		
	2018 £	2017 £
Redundancy payments	8,069	176,234
Severance payments	53,263	-
Other restructuring costs	-	22,805
	<hr/>	<hr/>
	61,332	199,039
	<hr/>	<hr/>
Staff numbers		
The average number of persons employed by the Trust during the year was as follows:		
	2018 Number	2017 Number
Teachers	166	170
Administration and support	376	370
Management	4	5
	<hr/>	<hr/>
	546	545
	<hr/>	<hr/>

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Higher paid staff

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

	2018 Number	2017 Number
£60,001 - £70,000	4	6
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£120,001 - £130,000	1	-
£130,001 - £140,000	-	1

Key management personnel

The key management personnel of the Trust comprise the trustees and the senior management team as listed on page 1. 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 Trust was £511,032 (2017: £491,498).

11 Central Services

No central services were provided by the Trust to its academies during the period and no central charge arose.

12 Trustees' remuneration and expenses

One or more of the trustees has been paid remuneration or has received other benefits from an employment with the Trust. The executive director and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of executive director and staff members under their contracts of employment, and not in respect of their services as trustees.

The value of trustees' remuneration and other benefits was as follows:

The Executive Director received remuneration of £125,597 (2017: £130,668) and pension contributions paid by the Trust in the year of £8,973 (2017: £21,534). He left the Trust during the year.

Other staff trustees received remuneration of £1,646 (2017: £12,341) and pension contributions paid by the Trust in the year of £286 (2017: £679).

13 Trustees and officers insurance

In accordance with normal commercial practice, the Trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £250,000 on any one claim. The cost for the year ended 31 August 2018 was not separately identifiable (2017: £647). The cost of this insurance is included in the total insurance cost.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

14 Intangible fixed assets

	Computer software £
Cost	
At 1 September 2017	39,217
Additions	1,200
At 31 August 2018	40,417
Amortisation	
At 1 September 2017 and at 31 August 2018	13,758
Charge for year	13,338
	27,096
Carrying amount	
At 31 August 2018	13,321
At 31 August 2017	25,459

15 Tangible fixed assets

	Leasehold buildings and improvements £	Computer equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 September 2017	48,346,465	2,601,371	362,898	29,363	51,340,097
Additions	-	-	29,652	-	29,652
Disposals	-	(62,720)	-	-	(62,720)
At 31 August 2018	48,346,465	2,538,651	392,550	29,363	51,307,029
Depreciation					
At 1 September 2017	2,566,699	2,595,564	241,632	22,139	5,426,034
Charge for year	505,388	5,807	51,570	2,936	565,701
Disposals	-	(62,720)	-	-	(62,720)
At 31 August 2018	3,072,087	2,538,651	293,202	25,075	5,929,015
Net book value					
At 31 August 2018	45,274,378	-	99,348	4,288	45,378,014
At 31 August 2017	45,779,766	5,807	121,266	7,224	45,914,063

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

16 Fixed asset investments

	Listed securities £	Other investments £	Total £
Market value			
At 1 September 2017	1,690,706	112,787	1,803,493
Disposals at opening book value	(153,134)	(35,401)	(188,535)
Acquisitions at cost	137,936	-	137,936
Change in value in the year	(16,947)	-	(16,947)
At 31 August 2018	<u>1,658,561</u>	<u>77,386</u>	<u>1,735,947</u>
Historical cost:			
At 31 August 2018	<u>1,403,342</u>	<u>77,386</u>	<u>1,480,728</u>
At 31 August 2017	<u>1,418,540</u>	<u>112,787</u>	<u>1,531,327</u>

17 Stocks

	2018 £	2017 £
School uniform	425	5,274
Catering stock	7,008	9,649
	<u>7,433</u>	<u>14,923</u>

18 Debtors

	2018 £	2017 £
Trade debtors	28,094	75,006
VAT recoverable	20,958	105,527
Other debtors	136,236	18,216
Prepayments and accrued income	492,852	645,873
	<u>678,140</u>	<u>844,622</u>

19 Creditors: amounts falling due within one year

	2018 £	2017 £
Other loans (note 20)	39,247	23,204
Trade creditors	263,822	149,029
Other taxation and social security	208,958	236,722
Other creditors	299,375	243,388
Accruals and deferred income (see note 20)	312,508	485,823
	<u>1,123,910</u>	<u>1,138,166</u>

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

20 Creditors: amounts falling due after more than one year	2018	2017
	£	£
Other loans (see below)	71,260	124,260
Analysis of loans		
Not wholly repayable within five years by instalments	-	13,477
Wholly repayable within five years	110,507	133,987
	110,507	147,464
Less: included in current liabilities	(39,247)	(23,204)
Amounts included above	71,260	124,260
Instalments not due within five years	-	13,477
Loan maturity		
Debt due in one year or less	39,247	23,204
Due in more than one year but not more than two years	23,204	23,204
Due in more than two years but not more than five years	48,056	69,612
Due in more than five years	-	13,477
	110,507	129,497

Other loans are loans received from the Duke of Northumberland Charity to enable the Trust to install solar panelling (£15,866 in 2012 and a further £79,169 in 2013). The loans are unsecured, interest free and are repayable on or before the tenth anniversary of the loan agreement. If the loan is not repaid on or before the due date, then the Trust will pay interest on the loan at the rate of 5% per annum above the base rate.

21 Deferred income	2018	2017
	£	£
Deferred income is included within:		
Creditors due within one year	210,190	199,808
Deferred income at 1 September 2017	199,808	144,350
Released from previous years	(199,808)	(144,350)
Amounts deferred in the year	210,190	199,808
Deferred income at 31 August 2018	210,190	199,808

At the reporting date the Trust was holding funds received in relation to rates relief and free school meals income.

22 Financial instruments	2018	2017
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	525,457	546,843
Carrying amount of financial liabilities		
Measured at amortised cost	776,022	829,745

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

23 Funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and Transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant	(241,424)	13,589,193	(13,576,228)	88,620	(139,839)
Other DfE / ESFA grants	-	1,385,200	(1,385,200)	-	-
Pension reserve	(3,450,000)	-	(630,000)	1,970,000	(2,110,000)
	<u>(3,691,424)</u>	<u>14,974,393</u>	<u>(15,591,428)</u>	<u>2,058,620</u>	<u>(2,249,839)</u>
Restricted fixed asset funds					
Transferred on conversion	44,753,378	-	(579,039)	-	44,174,339
DfE / ESFA capital grants	-	38,830	(38,830)	-	-
Capital expenditure from GAG	1,186,144	-	-	30,852	1,216,996
	<u>45,939,522</u>	<u>38,830</u>	<u>(617,869)</u>	<u>30,852</u>	<u>45,391,335</u>
Restricted endowment fund	<u>1,803,441</u>	<u>65,875</u>	<u>(142,370)</u>	<u>(16,947)</u>	<u>1,709,999</u>
Total restricted funds	<u>44,051,539</u>	<u>15,079,098</u>	<u>(16,351,667)</u>	<u>2,072,525</u>	<u>44,851,495</u>
Unrestricted funds	<u>-</u>	<u>761,845</u>	<u>(642,373)</u>	<u>(119,472)</u>	<u>-</u>
Total funds	<u>44,051,539</u>	<u>15,840,943</u>	<u>(16,994,040)</u>	<u>1,953,053</u>	<u>44,851,495</u>

On 1 July 2018 the Trust restructured with the constituent schools being rebranded as Duke's Secondary School, Bishop's Primary School and Castle School. From 1 September 2018 the operations of the Trust will be structured so that a charge is levied against each school to cover the costs of services provided centrally. From that date, each school will generate its own surplus or deficit and monitor its own reserves. Accordingly all reserves have been allocated to the Trust at the balance sheet date.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

23 Funds (Continued)

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

General Annual Grant

This grant must be used for the normal running costs of the Trust. Under the funding agreement with the Secretary of State, the Trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2018. This limitation has not been exceeded.

Other DfE/ESFA grants

Other DfE/ESFA grants includes:

- Pupil premium - this grant must be used to support pupil premium activities of the Trust. The Trust monitors pupil premium spend and details can be found on the Trust website.
- Other DfE grants - these grants are used to support specific revenue costs.

Other government grants

Other government grants includes SEN funding and Early Years funding.

Other restricted funds

Other restricted funds includes other donations and grants which are to be used for a specific purpose.

Restricted fixed asset funds

This fund represents the net book value of fixed assets gifted from the local authority and assets purchased using DfE/ESFA grants, other government grants, non-government grants, General Annual Grant and fundraising activities.

Endowment fund

This fund holds the donations payable to the Trust's subsidiary fund 'Northumberland Church of England Academy Endowment Trust' by its two sponsors, the Newcastle Diocesan Education Board and the Duke of Northumberland's Charity and any associated income received from investing the income received from sponsors. Funds can be used to support the education of the students, relieving hardship and supporting extra-curricular activities at the Trust.

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
(FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND
ACADEMY)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

23 Funds (Continued)

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant	(151,171)	25,099,922	(25,246,096)	157,506	(139,839)
Other DfE / ESFA grants	-	2,916,145	(2,916,145)	-	-
Other government grants	-	1,901,284	(1,901,284)	-	-
Other restricted funds	-	124,677	(124,677)	-	-
Pension reserve	(7,350,000)	-	(1,510,000)	6,750,000	(2,110,000)
	<u>(7,501,171)</u>	<u>30,042,028</u>	<u>(31,698,202)</u>	<u>6,907,506</u>	<u>(2,249,839)</u>
Restricted fixed asset funds					
Transferred on conversion	45,318,675	-	(1,144,336)	-	44,174,339
DfE/ESFA capital grants	-	38,830	(38,830)	-	-
Capital expenditure from GAG	1,184,070	-	(14,770)	47,696	1,216,996
	<u>46,502,745</u>	<u>38,830</u>	<u>(1,197,936)</u>	<u>47,696</u>	<u>45,391,335</u>
Restricted endowment fund	<u>1,718,381</u>	<u>131,189</u>	<u>(163,179)</u>	<u>23,608</u>	<u>1,709,999</u>
Total restricted funds	<u>40,719,955</u>	<u>30,212,047</u>	<u>(33,059,317)</u>	<u>6,978,810</u>	<u>44,851,495</u>
Unrestricted funds					
General funds	<u>-</u>	<u>1,491,488</u>	<u>(1,286,286)</u>	<u>(205,202)</u>	<u>-</u>
Total funds	<u>40,719,955</u>	<u>31,703,535</u>	<u>(34,345,603)</u>	<u>6,773,608</u>	<u>44,851,495</u>

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

23 Funds (Continued)

Funds prior year

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual Grant	(151,171)	11,510,729	(11,669,868)	68,886	(241,424)
Other DfE / ESFA grants	-	1,530,945	(1,530,945)	-	-
Other government grants	-	1,901,284	(1,901,284)	-	-
Other restricted funds	-	124,677	(124,677)	-	-
Pension reserve	(7,350,000)	-	(880,000)	4,780,000	(3,450,000)
	<u>(7,501,171)</u>	<u>15,067,635</u>	<u>(16,106,774)</u>	<u>4,848,886</u>	<u>(3,691,424)</u>
Restricted fixed asset funds					
Transferred on conversion	45,318,675	-	(565,297)	-	44,753,378
Capital expenditure from GAG	1,184,070	-	(14,770)	16,844	1,186,144
	<u>46,502,745</u>	<u>-</u>	<u>(580,067)</u>	<u>16,844</u>	<u>45,939,522</u>
Restricted endowment fund	<u>1,718,381</u>	<u>65,314</u>	<u>(20,809)</u>	<u>40,555</u>	<u>1,803,441</u>
Total restricted funds	<u>40,719,955</u>	<u>15,132,949</u>	<u>(16,707,650)</u>	<u>4,906,285</u>	<u>44,051,539</u>
Unrestricted funds					
General funds	<u>-</u>	<u>729,643</u>	<u>(643,913)</u>	<u>(85,730)</u>	<u>-</u>
Total funds	<u>40,719,955</u>	<u>15,862,592</u>	<u>(17,351,563)</u>	<u>4,820,555</u>	<u>44,051,539</u>

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
(FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND
ACADEMY)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

24 Analysis of net assets between funds

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Endowment Funds	Total Funds
	£	£	£	£	£
Fund balances at 31 August 2018 are represented by:					
Intangible fixed assets	-	-	13,321	-	13,321
Tangible fixed assets	-	-	45,378,014	-	45,378,014
Fixed asset investments	-	-	-	1,735,947	1,735,947
Current assets	-	975,452	-	53,931	1,029,383
Creditors falling due within one year	-	(1,044,031)	-	(79,879)	(1,123,910)
Creditors falling due after one year	-	(71,260)	-	-	(71,260)
Defined benefit pension scheme liability	-	(2,110,000)	-	-	(2,110,000)
Total net assets	-	(2,249,839)	45,391,335	1,709,999	44,851,495

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Endowment Funds	Total Funds
	£	£	£	£	£
Fund balances at 31 August 2017 are represented by:					
Intangible fixed assets	-	-	25,459	-	25,459
Tangible fixed assets	-	-	45,914,063	-	45,914,063
Fixed asset investments	-	-	-	1,803,493	1,803,493
Current assets	-	1,000,832	-	20,118	1,020,950
Creditors falling due within one year	-	(1,117,996)	-	(20,170)	(1,138,166)
Creditors falling due after one year	-	(124,260)	-	-	(124,260)
Defined benefit pension scheme liability	-	(3,450,000)	-	-	(3,450,000)
Total net assets	-	(3,691,424)	45,939,522	1,803,441	44,051,539

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

25 Commitments under operating leases

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

	2018 £	2017 £
Amounts due within one year	45,732	28,496

In addition to these lease commitments, the charitable company occupies buildings owned by Northumberland County Council under a 125 year lease.

26 Reconciliation of net expenditure to net cash flow from operating activities

	2018 £	2017 £
Net expenditure for the reporting period (as per the statement of financial activities)	(1,153,097)	(1,488,971)
Adjusted for:		
Capital grants from DfE/ESFA and other capital income	(38,830)	(35,024)
Investment income	(188)	(227)
Defined benefit pension scheme cost less contributions payable	550,000	740,000
Defined benefit pension scheme finance cost	80,000	140,000
Depreciation of tangible fixed assets	565,701	567,363
Amortisation of intangible fixed assets	13,338	12,704
Waiver of loan	(36,957)	-
Movements in working capital:		
Decrease in stocks	7,490	23,383
Decrease/(Increase) in debtors	166,482	(274,653)
Decrease in creditors	(30,299)	(199,750)
Net cash provided by operating activities	123,640	(515,175)

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

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

28 Pension and similar obligations

The 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 Northumberland County Council. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £190,089 (2017: £197,259) were payable to the schemes at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 2014.

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.

Valuation of the Teachers' Pension Scheme

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 in June 2014.

The key elements of the valuation and subsequent consultation are:

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

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to the TPS in the period amounted to £926,185 (2017: £942,248).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

28 Pension and similar obligations (Continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 17.4% for employers and 5.5% to 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of Trust 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.

Total contributions made	2018	2017
	£	£
Employer's contributions	710,000	630,000
Employees' contributions	220,000	220,000
	<u>930,000</u>	<u>850,000</u>
Total contributions	930,000	850,000

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 August 2017 by a qualified independent actuary.

	2018	2017
	%	%
Rate of increases in salaries	3.5	3.5
Rate of increase in for pensions in payment/inflation	2.0	2.0
Discount rate for scheme liabilities	2.8	2.5
Inflation assumption (CPI)	2.0	2.0
RPI inflation	<u>3.1</u>	<u>3.1</u>

The assumed life expectations on retirement age 65 are:

	2018	2017
	Years	Years
Retiring today		
- Males	22.9	22.8
- Females	25.0	24.9
Retiring in 20 years		
- Males	25.1	25.0
- Females	27.3	27.2

**NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Sensitivity Analysis: (Increase)/Decrease in net liability

	2018	2017
Discount rate +0.1%	500,000	490,000
Discount rate -0.1%	(510,000)	(500,000)
Mortality assumption – 1 year increase	(630,000)	(650,000)
Mortality assumption – 1 year decrease	640,000	650,000
CPI rate +0.1%	(340,000)	(170,000)
CPI rate -0.1%	340,000	160,000

The Trust's share of the assets in the scheme

	2018	2017
	Fair value	Fair value
	£	£
Equities	13,286,700	12,214,950
Government bonds	3,636,360	3,103,650
Corporate bonds	1,478,520	1,397,550
Cash	-	18,150
Property	799,200	726,000
Other assets	799,220	689,700
Total fair value of assets	19,980,000	18,150,000

The actual return on scheme assets was £1,010,000 (2017: £1,880,000).

Amount recognised in the statement of financial activities

	2018	2017
	£	£
Current service cost	1,200,000	1,320,000
Net interest cost	80,000	140,000
Plan introductions, changes, gain/(loss) on curtailment and gain/(loss) on settlement	60,000	50,000
Total operating charge	1,340,000	1,510,000

Changes in the present value of defined benefit obligations

	2018
	£
At 1 September 2017	21,600,000
Current service cost	1,200,000
Interest cost	540,000
Employee contributions	220,000
Actuarial gain	(1,420,000)
Benefits paid	(110,000)
Plan introductions, benefit changes, curtailments and settlements	60,000
At 31 August 2018	22,090,000

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Changes in the fair value of the Trust's share of scheme assets	2018 £
At 1 September 2017	18,150,000
Interest income	460,000
Return on plan assets (excluding net interest on the net defined pension liability)	550,000
Employer contributions	710,000
Employee contributions	220,000
Benefits paid	(110,000)
At 31 August 2018	19,980,000

29 Related party transactions

Owing to the nature of the Trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures. The following related party transaction took place in the period of account.

The Duke of Northumberland's Charity - a former trust sponsor from which trustees were previously appointed
As detailed in note 20, the Trust received a loan from the Duke of Northumberland's Charity in 2012 and 2013. The Trust made payments against these loans of £Nil (2017: £32,319), although the charity kindly agreed to write off 25% of this loan during the year. The total owing to the Duke of Northumberland's Charity at the year end was £110,507 (2017: £129,497).

Newcastle Diocesan Education Board - a trust sponsor from which trustees have been appointed.
The Newcastle Diocesan Education Board is a Member of the Academy Trust and jointly employs the Joint Education Team (JET) together with the Durham Diocesan Board of Finance which is unconnected with the Trust. The JET works across both the CoFE Diocese of Newcastle and CoFE Diocese of Durham. The Trust's officers provide services to the Trust under a partnering agreement and £3,804 was paid to the NDEB as part of the basic partnering support agreement charged to all CoFE schools within the Diocese. The element above £2,500 has been provided 'at no more than cost' and the Newcastle Diocesan Education Board has provided a statement of assurance confirming this.

Included in other debtors is an amount of £Nil (2017: £14,000) owed to the Trust in connection with a deed of gift set up on the formation of the Trust. In January 2012, the ESFA published amended guidance in relation to such deeds of gift which means that the DfE will not enforce such agreements although the Newcastle Diocesan Education Board intends to honour the agreement.

Ward Hadaway - a company in which A Cox, trustee, is employed
The Trust continues to use Ward Hadaway for HR Legal Services. A Cox, as a property partner, has no involvement in this contract. During the year, Ward Hadaway charged the Trust £10,583 for these services. Included within trade creditors is an amount of £Nil (2017: £1,800) owed to Ward Hadaway.

Pupil Referral Unit - an organisation in which J Gadsby is a governor
J Gadsby is on the secondary senior leadership team and is the budget holder for alternative provision. The Trust and the Pupil Referral Unit have a longstanding relationship to provide alternative provisions for Trust students. During the year, the Trust spent £50,897 (2017: £21,890) on alternative provision at the Pupil Referral Unit.

In entering into these transactions, the Trust has complied with the requirements of the Academies Financial Handbook 2017.

NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST (FORMERLY THE NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

30 Aggregated fund

The Trust is the sole trustee of the Northumberland Church of England Academy Endowment Trust, a registered charity (number 1136497). This charity was set up to hold donations from the Trust's two sponsors, the Newcastle Diocesan Education Board and the Duke of Northumberland's Charity. The purpose of the Trust is to invest the sponsors' donations and apply the income towards the objects of the Trust.

The results of the Trust for the year and its position at the year end were as follows:

	2018 £	2017 £
Investment income receivable	65,875	65,314
Investment costs	(7,060)	(4,869)
Gains on investments	12,701	81,819
Expenditure agreed to support student activities and governance	(164,958)	(57,204)
	<u>(93,442)</u>	<u>85,060</u>
	2018 £	2017 £
Fixed asset investments	1,735,947	1,803,493
Debtors	-	4,000
Cash at bank and in hand	53,931	16,118
Creditors	(79,879)	(20,170)
	<u>1,709,999</u>	<u>1,803,441</u>

31 Agency arrangements

The Trust distributed 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2018, the trust received £30,366 and disbursed £24,040 from the fund. An amount of £11,685 (2017: £5,359) is included in other creditors relating to undistributed funds that is repayable to ESFA.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY (CONTINUED)

Conclusion

We have carried out an engagement in accordance with the terms of our engagement letter dated 20 July 2017 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 Northumberland Church of England Academy Trust 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 Northumberland Church of England Academy Trust in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Northumberland Church of England Academy Trust's accounting officer and trustees

The accounting officer is responsible, under the requirements of Northumberland Church of England Academy Trust's funding agreement with the Secretary of State for Education dated 11 March 2011 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The accounting officer is also responsible for preparing the Statement of Regularity, Propriety and Compliance. The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the proper conduct and financial operation of Northumberland Church of England Academy Trust and appointment of the accounting officer.

Reporting Accountant's responsibilities for reporting on regularity

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

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

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO NORTHUMBERLAND CHURCH OF ENGLAND ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY (CONTINUED)

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.

This report is made solely to Northumberland Church of England Academy Trust and the ESFA in accordance with the terms of our engagement letter dated 20 July 2017. Our work has been undertaken so that we might state to the Northumberland Church of England Academy Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Northumberland Church of England Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.



RSM UK Audit LLP
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14 December 2018
