

*David Ross Education Trust*  
*(A Company Limited by Guarantee)*  
*Annual Report and Financial Statements Year ended 31 August 2012*

**David Ross Education Trust**

**(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Year ended 31 August 2012**

**Company Registration Number: 6182612**



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**Annual Report and Financial Statements Year ended 31 August 2012**

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## **Reference and administration information**

### **Trustees**

#### **Sponsor Trustees**

David PJ Ross	Sponsor
Right Reverend Donald Allister	(appointed 7 November 2011)
Mark Bolland	(appointed 7 November 2011)
Alan G Hancock	
Timothy M Hastie-Smith	
David Overton	
Des Wilson	(appointed 7 November 2011, resigned 1 October 2012)
Louise Wilson	(appointed 7 November 2011)
Academy Trustees	
Sue Deane	(appointed 7 November 2011)
Jamie Gordon	(appointed 9 July 2012)
David Harrison	(appointed 7 November 2011, resigned 11 June 2012)
Frederick W Wood	(term ended 31 August 2012)

#### **Chief Executive**

Wendy Marshall

#### **Finance Director**

Mark Ibbertson

#### **Principal and Registered Office**

Havelock Academy  
 Holvoake Road  
 Grimsby  
 DN32 8JL

#### **Company Secretary**

SK Secretary Limited  
 13 Queen Square  
 Bath  
 BA1 2JH

#### **Auditor**

KPMG LLP  
 1 The Embankment  
 Neville Street  
 Leeds LS1 4DW

#### **Solicitors**

Wilkin Chapman Grange Solicitors  
 New Oxford House  
 Town Hall Square  
 Grimsby DN31 1HE

Stone King Sewell LLP  
 13 Queen Square  
 Bath  
 BA1 2HJ

#### **Bankers**

Lloyds TSB Bank plc  
 Old Market Place  
 Grimsby Branch  
 PO Box 1000  
 BX1 1LT

Bank of Scotland plc  
 600 Gorgie Road  
 Edinburgh  
 EH11 3XP

National Westminster Bank plc  
 66 Victoria Street  
 Grimsby  
 DN31 1BP

#### **Academy Principals**

Nicholas JB O'Sullivan	Havelock Academy (resigned 31 March 2012)
David Yates	Havelock Academy (appointed in acting role 1 April 2012)
Philip Cantwell	Malcolm Arnold Academy
Brian Sarahan	Humberston Academy
Kay Gerrett	Cedar Road Primary School Academy

#### **Responsible Officer**

Tim Godson  
 Duncan & Toplis  
 Chartered Accountants  
 15 Chequergate  
 Louth LN11 0LJ

## **Trustees' Report**

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2012

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

#### **Constitution**

The Trust is a company limited by guarantee with no share capital (registration no 6182612) and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Trust. These were updated during the year to reflect the expansion of the Trust. The trustees are also directors of the charitable company for the purposes of company law. The Trust has entered into funding agreements with the Department for Education which provide the framework within which the Trust must operate. The David Ross Education Trust Endowment Fund has been established in accordance with a deed of gift and declaration of trust, agreed between the Trust, the David Ross Foundation, and the Department for Education.

Details of the trustees who served throughout the year are included in the reference and administration information on page 1.

#### **Members' Liability**

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

#### **Indemnities**

The Trust carries indemnity insurance for the governors and trustees of its academies, and professional indemnity insurance for its staff.

#### **Principal Activities**

The Trust is responsible for providing education to students aged 3 to 19 in its academies, which are a mix of primary and secondary schools, some with sixth form provision. This includes direct delivery of curriculum based education to students in the academies, and an established and developing programme of extra- or co-curricular activities. The Trust has a growing capacity to support improvement within its own resources. The Trust is expanding with additional academies due to join the Trust in 2012/2013 and in 2013/2014.

The trustees consider that the Trust has the capacity to bring new academies into the Trust, and to support its existing academies.

## **Trustees' Report** *(continued)*

### **Method of Recruitment and Appointment or Election of Trustees and Governors**

Members of the charitable company are nominated by the David Ross Foundation, the main sponsor of the Trust. The articles of association require the members of the charitable company to appoint at least three trustees to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Trust. The trustees are appointed by the Trust sponsor, the trustee board may appoint up to three co-opted trustees, and the Secretary of State for Education may appoint trustees in exceptional circumstances. No trustees were co-opted nor were appointments made by the Secretary of State in 2011/2012. Trustees may be removed by the person or persons who appointed them.

Each academy in the Trust has a separate governing body. In the case of Malcolm Arnold Academy and Havelock Academy the sponsor has selected most of the respective governors and additional members are drawn from the local authority, from parents and from staff. The governing bodies at Humberston and Cedar Road transferred from the predecessor schools and have been ratified by the sponsor. The Education Funding Agency may appoint an observer to each governing body.

### **Policies and Procedures Adopted for the Induction and Training of Governors**

All trustees and governors are provided with copies of procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees and governors. New governors undertake induction training. A governors' conference was held during October 2011 and also in October 2012, and this will be an annual event. In keeping with best practice, tools have also been developed in liaison with trustees, academy chairs of local governing bodies and principals to support the regular review of the effectiveness of local governing bodies and the appropriateness of the ongoing skills set.

### **Organisational Structure**

The organisational structure of the Trust consists of three levels. The Trustees, Governors, and the Leadership Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Trust is governed by the Trustee Board which delegates functions as appropriate to the Local Governing Body of each academy who are appointed by the trustees as a committee. Trustees are directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation. The trustees and governors exercise their powers and functions with a view to fulfilling a largely strategic role in the running of the academies.

The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the activities of the Trust by the use of budgets and making major decisions about the direction of the Trust, and senior staff appointments. During the period under review the trustees held four meetings. All trustees are provided with copies of procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role.

## **Trustees' Report** *(continued)*

The Trust does not maintain a large central office. During 2011/2012 the Trust employed centrally the Chief Executive of the Trust with her PA, and the Finance Director. In September 2012 the Trust expanded its core staff to include Heads of HR, ICT, PR, and Finance and Procurement. In November 2012 a new Head of Governance post was filled. The Trust also appoints the Principal of each academy. The core staff are based in the Trust's academies.

The governors of each academy are responsible for monitoring the performance of their academy, the Principal and the Senior Leadership Team on a regular basis. This includes regular scrutiny and challenge of academic performance, behaviour, and individual academy finances.

The Senior Leadership Team members of each academy are the Principal, Executive Directors or Vice Principals, and Directors or Assistant Principals. These managers control the academy at an executive level implementing the policies laid down by the governors and reporting back to them. As a group the senior managers are responsible for the authorisation of spending within agreed budgets and the appointment of staff.

### **Permanent Endowment Fund**

The Trust maintains the David Ross Education Trust Endowment Fund, which is an exempt charity. The Fund was created to hold the endowments to be paid by the Trust's sponsor, the David Ross Foundation, and totals £2 million. An additional payment of £100,000 was donated to the Endowment by the Foundation in September 2012. The trustees are responsible for determining the specific uses of Endowment Fund income, a permanent endowment fund, which will be used to counter the educational impact of disadvantage and deprivation, and for educational work within the catchment of Havelock Academy. This income should not be used to meet the normal running costs of an academy.

The principal amount of the investments may not be used without the express prior written consent of the Secretary of State for Education.

### **Risk Management**

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 each academy, and the finances of the Trust. The trustees have implemented a number of systems to assess risks that the academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, safeguarding, bullying and school 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 school grounds) and internal financial controls (see below) 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.

## Trustees' Report *(continued)*

### Connected Organisations, including Related Party Relationships

The Trust is closely linked to the David Ross Foundation, which is the main sponsor of the Trust. The Foundation has provided the principal sum of the David Ross Education Trust Endowment Fund, and is meeting the costs of the expansion of the Trust and the costs of the Chief Executive in the first year of this post being established. From 2012/2013 the Foundation will also make a substantial contribution towards the costs of providing enrichment activities and school improvement services. Mark Bolland is a sponsor trustee of the David Ross Education Trust, and is also a trustee of the David Ross Foundation.

The Trust's academies are members of the Uppingham Collegiate, a group of academies that work together where there is common ground, but which have no formal links. Until 31 December 2011 Fulwood Academy in Preston procured the services of the Trust Finance Director at cost.

### Objectives and Activities

The objects of the Trust are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering broad curricula, including collaboration with other schools and the wider community to share expertise and resources. During 2011/2012 the principal activities of the charitable company were:

- the operation of the Havelock Academy and Humberston Academy in North East Lincolnshire, and Malcolm Arnold Academy and Cedar Road Primary School Academy in Northampton, to provide education for pupils of different abilities between the ages of 3 and 19, and
- preparation to expand the Trust to include further schools during 2012/2013 and beyond. During the 2011/2012 academy year the Trust expanded to include Cedar Road Primary School Academy in Northampton, which joined the Trust on 1 June 2012.

The charitable company has entered into a series of funding agreements with the Secretary of State for Education. The agreements specify, amongst other things, the basis for admitting students to the academies, the catchment areas from which the students are drawn, and that the curricula should develop the substance of the national curriculum.

The main objectives of the Trust during the period ended 31 August 2012 are summarised below:

- To ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care
- To raise the standard of educational achievement of all pupils
- To improve the effectiveness of the Trust by keeping the curriculum and organisational structure under continual review
- To provide value for money for the funds expended
- To comply with all appropriate statutory and curriculum requirements
- To maintain close links with industry and commerce
- To conduct the Trust's business in accordance with the highest standards of integrity, probity and openness

## Trustees' Report *(continued)*

### Objectives, Strategies and Activities

The David Ross Education Trust was established to enable the vision of the David Ross Foundation for broadening young people's horizons to be delivered through its academies

The Foundation's vision is as follows

*The primary focus of the Foundation's work is to give children in the communities in which we work better life chances through access to the best education and support that we can give them*

*We believe passionately that every child can do something well and that by offering young people an outstanding range of educational opportunities and experiences, they will discover something they can excel at, which in turn raises their aspirations and enthusiasm to work hard and achieve their best*

The Trust's own objects as set out in its Articles of Association are primarily to manage and develop Academies, offering a broad curriculum which 'advance for the public benefit education in the UK

In addition to its key strategic role, the Trust is able to commission research into areas of best practice, and offer a wide range of opportunities for students and staff, whilst also creating maximum benefit for its Academies through economies of scale and access to specialist expertise

To this end the Trust's role is to

- Establish strong and sustainable local networks of academies
- Develop and deliver bespoke academy improvement for each academy and regional hub
- Ensure best practice is shared across its academies
- Reinforce its impact and legacy in terms of raising standards and transforming young people's life chances
- Support children moving from primary to secondary, including those with particular learning needs
- Safeguard the stability and independence of its academies in times of rapid change
- Ensure all students reach their academic and personal potential
- Develop all academies to outstanding within five years
- Grow the network as a place where teachers and leaders want to work and students want to learn
- Ensure the academies are academies of student and parental choice
- Regenerate communities through education, working to improve opportunities and raise aspirations for all

### Human Equalities Policy

The trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The Trust aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued

### Disabled Persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the Academies. The policy of the Trust is to support recruitment and retention of students and employees with disabilities. The Trust does this by adapting the physical environment, by making resources available and through training and career development

## Trustees' Report *(continued)*

### Public Benefit

The Trust administers academies whose catchments include some of the most deprived areas of the country. Students are admitted in accordance with the admissions policies agreed with the Department for Education (DfE), which is based on each academy's catchment area. Students are able to study a wide range of subjects. All academies offer a range of activities and experiences for their students, funded from donations and other non-restricted income, which help our students to broaden their horizons beyond their immediate area. Many of these activities now take place on a trust-wide basis, with staff and students from each of the Trust's academies interacting with each other.

2011/2012 was the fifth academic year of the Trust. By the end of the year the Trust was responsible for providing education to over 3,100 students across all four of its academies.

Student attainment improved markedly across the Trust, with an increase in the overall proportion of students attaining five GCSEs at grades A\* to C including English and Mathematics. The results in the Trust's open academies is summarised below.

	2012	2011	Change in results
Havelock Academy	48.0%	36.0%	12.0%
Humberston Academy	76.0%	79.0%	-3.0%
Malcolm Arnold Academy	50.0%	34.0%	16.0%

The Trust has also provided support to schools that will become academies in 2012/2013, and the results in those schools is summarised as follows:

King Edward VI School	67.0%	38.0%	29.0%
Lodge Park Technology College	42.3%	39.0%	3.3%
Skegness Grammar school	79.3%	81.0%	-1.7%

The co-curricular programmes in each academy developed strongly during the year, with a number of guest speakers and activity leaders being provided courtesy of the Trust sponsor.

### Going Concern

After making appropriate enquiries, the Trustee Body 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 the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies (note 1).

## Trustees' Report *(continued)*

### Financial Review

During 2011/2012 the Trust admitted a primary school level academy. Cedar Road Primary School Academy is located in Northampton and joined the Trust on 1 June 2012. Cedar Road Primary School Academy is part of the Northamptonshire Private Finance Initiative (PFI), and ownership and maintenance of the land and buildings remains with the PFI financiers. The trust occupies the assets under a transferred 25 year lease, with an annual rental and service charge. A local government pension scheme deficit for the school of £199,000 was transferred to the Trust, a surplus balance of £55,000 was received from the predecessor school.

Most of the Trust's income is received from the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the period ended 31 August 2012 and the associated expenditure are shown as restricted funds (non fixed assets) in the statement of financial activities.

The Trust also receives grants for fixed assets from the EFA. 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 assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

The new school building for Havelock Academy was handed over by the contractors on 1 September 2011, and has undergone a year's snagging checks. Work on the grounds continues into 2012/2013 and the Trust will occupy the academy on a long term lease from 1 April 2013. Work completed at Malcolm Arnold Academy to refurbish and enhance the premises there, and to refresh ICT provision at that academy, a grant for the ICT refresh was received from the DfE.

The key measures used to measure the Trust's performance will be student attainment at GCSE and A level, quality of teaching and learning, external opinion, and growth in pupil numbers. The Trust's aim is that every academy becomes outstanding within five years of 1 September 2011 or of joining the Trust. Financially, the Trust intends to maintain each of its academies at least in a break even position, and to develop a pool of financial resource that will be available to support enrichment and development activities, and to fund asset management priorities as they develop.

During the period ended 31 August 2012, total expenditure of £21,904,000 was less than recurrent grant funding from the DfE together with other incoming resources. The excess of income over expenditure for the period was £939,000.

At 31 August 2012 the net book value of fixed assets was £23,958,000 and 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 academies.

The Trust's non-teaching staff are entitled to membership of the Local Government Pension Scheme. The Trust's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the Trust balance sheet shows a net liability of £1,619,000 compared with a net liability of £907,000 as at 31 August 2011. This includes an inherited deficit of £199,000 in respect of Cedar Road Primary School Academy in the year.

## **Trustees' Report** *(continued)*

### **Financial and Risk Management Objectives and Policies**

The principal financial risks facing the Trust are the future levels of government grant funding. Detail is still awaited on future funding for the Trust from September 2013 onwards. Whilst pupil numbers are expected to continue to grow, and this will generate additional grant funding, a rapid fall in student numbers will affect funding levels. Funding for all academies and schools is under review for 2013/2014 and beyond, and the impact of national spending cuts and of redirecting funding into the pupil premium for example, may have an adverse effect on grant funding in respect of individual academies. At the end of 2011/2012 the Trust held balances that should help it to smooth the impacts of short term funding changes and enable it to plan for longer term changes.

### **Principal Risks and Uncertainties**

Each academy evaluates and monitors its own risks and the Trust maintains its own risk register. The main risks facing the Trust are centred around meeting its vision of every academy becoming outstanding within 5 years. The Trust is addressing risks of standards not rising sufficiently, of capacity to support this improvement, and of recruiting sufficient high quality leaders. Financial risks include growth in pupil numbers, which is a key driver in funding from the government, and uncertainty over the distribution of funding to academies from 2013/2014 onwards.

### **Reserves Policy**

The Trust's "free" reserves are its funds after excluding restricted funds and the permanent endowment fund. "Reserves" are therefore the resources the Academy has or can make available to spend for any or all of the Trust's purposes once it has met its commitments and covered its other planned expenditure. More specifically "free reserves" represent income to the Trust which is to be spent at the trustees' discretion in furtherance of any of the Trust's objects but which is not yet been spent, committed or designated.

The Trust is in a development phase – new academies are joining the Trust, student numbers are increasing in the Trust's existing academies, building refurbishments are taking place. Whilst demands on the Trust's free reserves will therefore vary over the coming years, the Trust's long-term policy is that the appropriate level of free reserves should be equivalent to one month's expenditure, currently estimated to be between £1,000,000 and £1,500,000. The reason for this 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 is £673,000 (2011 £731,000) which falls short of the range stated above. The Trust intends to continue building up free reserves to the level required.

### **Investment Policy**

The trustees agree all investments made by the Trust. Investments are currently restricted to deposit accounts in UK banks, the Money Market, and to a number of corporate bonds. Investments are made with regard to Charity Commission guidance in relation to investments.

## Trustees' Report *(continued)*

### Financial Position

The Trust held fund balances at 31 August 2012 of £27,311,000, comprising £26,192,000 of restricted funds, a pension reserve deficit of £1,619,000, an endowment of £2,065,000, and £673,000 of unrestricted general funds

### Payments to Suppliers

It is the policy of the Trust to agree terms of payment with their suppliers when the order for goods and services is placed and to adhere to these arrangements when making payment

### Plans for Future Periods

In setting our objectives and planning our activities the trustees have given careful consideration to the Charity Commission's general guidance on public benefit

The Trust will continue to work to raise both the aspirations and outcomes of all its students at whatever age, closing gaps between the performance of different groups, where this is needed, and ensuring they are able to proceed successfully to the next stage of their education. This may be the transition from primary to secondary at age 11, or at the end of the secondary phase to high quality routes in further/ higher education or employment with training

As part of developing specific clusters of Academies which will bring together primary and secondary experience in Northamptonshire and North East Lincolnshire and support the development of 'hubs of excellence' within the Trust, Cedar Road Primary School Academy transferred to the Trust during 2011/2012, and further academies joined the Trust in September, October, and November 2012. More academies are expected to join the Trust in 2012/2013 and 2013/2014. All academies will seek to broaden the horizons of children and young people who pass through their doors. Whilst maintaining their own unique identities, all academies within the Trust will work together, sharing expertise across the age ranges and subject areas, as well as in relation to leadership and governance, in looking at how best to attain their common goals

### Auditor

In so far as the trustees are aware

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

Approved by order of the members of the Trustee Body on 10 December 2012 and signed on its behalf by



D Ross  
Trustee

## Governance Statement

### Scope of Responsibility

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

The trustees have delegated the day-to-day responsibility to the Chief Executive Officer, as accounting officer, for ensuring that 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 David Ross Education Trust and the Secretary of State for Education. They are also responsible for reporting to the 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 Trustees have formally met 5 times during the year, including two extraordinary general meetings. Attendance during the year at meetings of the Trustees was as follows:

Trustee	Meetings attended	Out of a possible
<b>Sponsor Trustees</b>		
David PJ Ross	5	5
Right Reverend Donald Allister	1	4
Mark Bolland	2	4
Alan G Hancock	5	5
Timothy M Hastie-Smith	4	5
David Overton	5	5
Des Wilson	4	4
Louise Wilson	2	4
<b>Academy Trustees</b>		
Sue Deane	3	4
Jamie Gordon	2	2
David Harrison	2	2
Frederick W Wood	4	5

The Trust Board was expanded during the year in accordance with the Trust's new articles of association and to reflect the growth of the Trust into a body providing education across the county. In addition to the trustees appointed by the sponsor (sponsor trustees), a system of rotating representation has been established for chairs of local governing bodies (academy trustees) to come onto the Trust Board. Sponsor trustees are appointed for four year terms and can serve a maximum of two terms consecutively, academy trustees are appointed for two year terms, again limited to a consecutive period of two terms.

## **Governance Statement** *(continued)*

Frederick W Wood's term of office on the Trust Board ended on 31 August 2012, he remains a Member of the company and is the chair of Havelock Academy's local governing body. The Trustee Board approved the establishment of an Audit Committee at its meeting of 5 November 2012, Frederick W Wood has agreed to chair this committee.

Mark Bolland, Louise Wilson, Des Wilson and the Right Reverend Donald Allister were appointed sponsor Trustees for terms of four years each on 7 November 2011, on the same date Sue Deane (chair of governors at Cedar Road Primary School Academy) and David Harrison (chair of governors at Humberston Academy) were appointed academy trustees for terms of two years each. Following the resignation of David Harrison on 11 June 2012, Jamie Gordon (chair of governors at Skegness Grammar School) was appointed as an academy trustee from 9 July 2012. Further appointments to the Trust Board will be made during 2012/2013 as the Trust continues to expand.

During 2011/2012 the Trust Board established a small working party to examine the nature of Trust membership for academies and the communications that should be made to schools prior to them converting to academy status, with particular reference to the governing body at Humberston Academy. The working party made a number of key recommendations that will improve future induction of new academies into the Trust, and clarified the role of Humberston Academy within the Trust. David Harrison resigned as academy trustee and as chair of the local governing body at Humberston and following the completion of the working group's work Des Wilson resigned as a sponsor trustee. The Trust ensured that governance at Humberston Academy would continue and placed Barbara Harrison as interim chair of the local governing body.

## **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 on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in David Ross Education Trust for the year ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

## **Capacity to Handle Risk**

The Trustees have reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Trustees are of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Trustees.

## Governance Statement *(continued)*

### The Risk and Control Framework

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

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

The Trustees considered the need for a specific internal audit function and decided not to appoint an internal auditor. However, during the year the Trustees appointed Tim Godson of Duncan & Toplis, Chartered Accountants, as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a quarterly basis, the RO reports to the Trustees on the operation of the systems of control and on the discharge of the Trustees' financial responsibilities.

There were no material control or other issues reported by the RO.

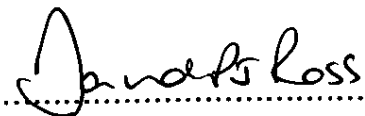
### Review of Effectiveness

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

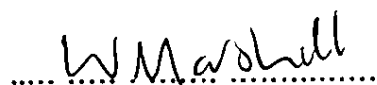
- the work of the Responsible Officer,
- the work of the external auditor,
- the financial management and governance self-assessment process,
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Trustees on 10 December 2012 and signed on its behalf by



D Ross  
Trustee



W Marshall  
Accounting Officer

## Statement on Regularity, Propriety and Compliance

As accounting officer of David Ross Education Trust I have considered my responsibility to notify the academy's Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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

.....

**W Marshall**

**Accounting Officer**

## Statement of Trustees' Responsibilities

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations

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

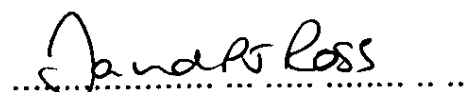
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material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

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

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

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

Approved by order of the members of the Trustee Body on 10 December 2012 and signed on its behalf by



D Ross  
Trustee



## **Independent auditor's report to the members of The David Ross Education Trust**

We have audited the financial statements of The David Ross Education Trust for the year ended 31 August 2012 set out on pages 19 to 52. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2011/12 and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charitable company's (the Academy's) members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2011/12 issued by the Education Funding Agency ("EFA") on terms that have been agreed. 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, in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2011/12 issued by the EFA, those matters that we have agreed to state to them in our 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Governors and auditor**

As explained more fully in the Statement of Governors' Responsibilities set out on page 15, the Governors (who are also the directors of the company for the purposes of company law) are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Academy's affairs at 31 August 2012, 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 UK Generally Accepted Accounting Practice,
- have been prepared in accordance with the Companies Act 2006,
- have been prepared in accordance with the Academies Accounts Direction 2011/12 issued by the EFA



## **Independent auditor's report to the members of The David Ross Education Trust *(continued)***

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustee's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the Academy, 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,
- certain disclosures of Governors' remuneration specified by law are not made,
- we have not received all the information and explanations we require for our audit

*Malcolm C Harding*

Malcolm Harding (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 The Embankment  
Leeds  
LS1 4DW

14 December 2012



## **Independent Accountant's Report on Regularity to the Governing Body of The David Ross Education Trust and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 29 November 2012 and further to the requirements of the Education Funding Agency (EFA), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received by The David Ross Education Trust during the period 1 September 2011 to 31 August 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the governing body and the EFA. Our review work has been undertaken so that we might state to the governing body and the EFA those matters we are required to state to it 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 governing body and the EFA, for our review work, for this report, or for the opinion we have formed

### **Respective responsibilities of the governing body and reporting accountant**

The governing body is responsible, under the requirements of the Academies Act 2010, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the guidance set out in the EFA's Financial Handbook and the Academies Accounts Direction 2011/12. We report to you whether, in our opinion, anything has come to our attention in carrying out our review which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

### **Basis of opinion**

We conducted our review in accordance with the Academies Handbook and the Academies Accounts Direction 2011/12 issued by the EFA

### **Opinion**

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 2011 to 31 August 2012 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them

*Malcolm C Harding*

Malcolm Harding  
for and on behalf of KPMG LLP, Reporting Accountant  
Chartered Accountants  
1 The Embankment  
Leeds  
LS1 4DW

14 December 2012

## David Ross Education Trust

### Statement of Financial Activities for the year ended 31 August 2012

		Unrestricted Funds	Restricted Funds – Non- Fixed Assets	Restricted Fixed Asset Funds	Endowment Fund	Total Year Ended 31 August 2012 £000	Total Year Ended 31 August 2011 £000
	Note	£000	£000	£000	£000		
<b>Incoming resources</b>							
Incoming resources from generated funds							
Voluntary income	4	6	456	-	-	462	774
Activities for generating funds	5	359	426	-	-	785	1,052
Investment income	6	15	66	-	-	81	45
Transfer on conversion	3	-	-	-	-	-	21,900
Incoming resources from charitable activities							
Funding for the Trust's educational operations	7	-	19,435	2,080	-	21,515	15,674
<b>Total incoming resources</b>		<b>380</b>	<b>20,383</b>	<b>2,080</b>	<b>-</b>	<b>22,843</b>	<b>39,445</b>
<b>Resources expended</b>							
Charitable activities							
Trust's educational Operations	9	247	19,200	1,854	-	21,301	14,944
Governance costs	10	246	187	-	-	433	28
Transfer on conversion	3	(55)	199	-	-	144	-
Other finance costs	11	-	26	-	-	26	10
<b>Total resources expended</b>	<b>8</b>	<b>438</b>	<b>19,612</b>	<b>1,854</b>	<b>-</b>	<b>21,904</b>	<b>14,982</b>
<b>Net incoming resources before transfers</b>		<b>(58)</b>	<b>771</b>	<b>226</b>	<b>-</b>	<b>939</b>	<b>24,463</b>
Gross transfers between funds	20	-	(330)	330	-	-	-
<b>Net income for the year</b>		<b>(58)</b>	<b>441</b>	<b>556</b>	<b>-</b>	<b>939</b>	<b>24,463</b>
Actuarial (loss)/gain on defined pension benefit scheme	28	-	(508)	-	-	(508)	531
Change in market value of investments	16	-	-	-	32	32	(49)
Realised gain on disposal of fixed asset investments	16	-	-	-	7	7	-
<b>Net movement in funds</b>		<b>(58)</b>	<b>(67)</b>	<b>556</b>	<b>39</b>	<b>470</b>	<b>24,945</b>

**David Ross Education Trust**  
**Statement of Financial Activities for the year ended 31 August 2012 (continued)**

	Unrestricted Funds	Restricted Funds – Non- Fixed Assets	Restricted Fixed Asset Funds	Endowment Fund	Total Year Ended 31 August 2012 £000	Total Year Ended 31 August 2011 £000
Note	£000	£000	£000	£000		
<b>Reconciliation of funds</b>						
Funds brought forward	731	119	23,965	2,026	26,841	1,896
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Funds carried forward at 31 August 2012</b>	<b>673</b>	<b>52</b>	<b>24,521</b>	<b>2,065</b>	<b>27,311</b>	<b>26,841</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

An analysis between continuing operations and acquired operations is shown in notes 3 and 20

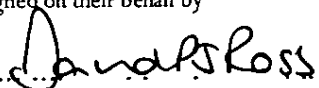
A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities

## David Ross Education Trust

### Balance sheet at 31 August 2012

	Note	2012 £000	2011 £000
<b>Fixed assets</b>			
Tangible assets	15	23,958	23,247
Investments	16	917	583
		<hr/>	<hr/>
		24,875	23,830
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	17	1,174	732
Cash at bank and in hand		5,024	5,293
		<hr/>	<hr/>
		6,198	6,025
		<hr/>	<hr/>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	18	(2,129)	(2,107)
		<hr/>	<hr/>
<b>Net current assets</b>		4,069	3,918
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		28,944	27,748
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	19	(14)	-
		<hr/>	<hr/>
<b>Net assets excluding defined benefit pension liability</b>		28,930	27,748
		<hr/>	<hr/>
Defined benefit pension scheme liability	28	(1,619)	(907)
		<hr/>	<hr/>
<b>Net assets including defined benefit pension liability</b>		27,311	26,841
		<hr/>	<hr/>
<b>Funds</b>			
<b>Restricted funds</b>			
Permanent endowment	20	2,065	2,026
Restricted fixed asset funds	20	24,521	23,965
		<hr/>	<hr/>
Restricted non-fixed asset fund – before defined benefit pension liability	20	1,671	1,026
Defined benefit pension scheme liability	20	(1,619)	(907)
		<hr/>	<hr/>
Restricted non-fixed asset fund – after defined benefit pension liability		52	119
		<hr/>	<hr/>
		26,638	26,110
		<hr/>	<hr/>
<b>Unrestricted funds</b>			
Unrestricted fund	20	673	731
		<hr/>	<hr/>
<b>Total funds</b>		27,311	26,841
		<hr/>	<hr/>

The financial statements on pages 19 to 52 were approved by the trustees, and authorised for issue on 10 December 2012 and are signed on their behalf by

  
D Ross  
Trustee

**David Ross Education Trust**  
**Income and expenditure account**  
**For the year ended 31 August 2012**

	Note	2012 £000	2011 £000
<b>Income</b>			
General Annual Grant (GAG)	7	16,231	10,547
Start up Grants	7	1,144	856
DfE Capital Grants	7	2,080	1,462
Other DfE Grants	7	1,308	1,750
Other Government Grants	7	752	1,059
Private Sponsorship and Donations	4	462	24
Permanent Endowment	4	-	750
Transfer on conversion	3	-	21,900
Investment Income	6	81	45
Other Income	5	785	1,052
<b>Total income</b>		<b>22,843</b>	<b>39,445</b>
<b>Expenditure</b>			
General Annual Grant (GAG) related expenditure		15,243	11,403
Other DfE grant expenditure		2,626	2,358
Other grant expenditure		687	-
Depreciation		1,824	633
Loss on disposal of tangible fixed assets		30	-
Other expenditure		1,350	588
Transfer on conversion	3	144	-
<b>Total expenditure</b>	8	<b>21,904</b>	<b>14,982</b>
<b>Excess of income over expenditure</b>		<b>939</b>	<b>24,463</b>

The income and expenditure account is derived from the statement of financial activities on pages 19 and 20 which, together with the notes to the financial statements on pages 24 to 52 provides full information on the movements during the year on all funds of the academy trust

## David Ross Education Trust

### Cash flow statement for the year ended 31 August 2012

	Note	2012 £000	2011 £000
Net cash inflow from operating activities	23	299	2,036
Permanent endowment funds receipt	4	-	750
Returns on investments and servicing of finance	6	81	45
Capital income and expenditure	24	(780)	229
Cash inherited on acquisition		131	100
		<hr/>	<hr/>
(Decrease)/Increase in cash in the year	25	(269)	3,160
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September 2011		5,293	2,133
		<hr/>	<hr/>
Net funds at 31 August 2012		5,024	5,293
		<hr/>	<hr/>

## Notes

### (Forming part of financial statements)

#### 1 Statement of Accounting Policies

##### *Basis of Preparation*

The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction issued by the EFA and the Companies Act 2010. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

During the year the EFA issued an updated Academies Accounts Direction. This direction amended the disclosure of amounts transferred from the local authority as a result of conversion to academy status. The comparatives have been restated to reflect this revised treatment. This has had no impact on the results for the year or the prior year.

##### *Going Concern*

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of the financial statements.

##### *Incoming Resources*

All incoming resources are recognised when the Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

- **Grants receivable**

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

- **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 is certainty of receipt and the amount can be reliably measured.

- **Donations**

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

- **Other income**

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

## Notes (continued)

### Statement of Accounting Policies (continued)

- **Donated Services and gifts in kind**

The value of donated services and gifts in kind provided to the Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Trust's policies. Buildings are brought onto the balance sheet on the basis of their written down market value.

The Trust holds land and buildings on a short term lease from North East Lincolnshire Council for Havelock Academy with a rental of one peppercorn a year to be paid. The lease for Havelock Academy expires during 2013, and the accounts show a notional rental for the buildings based on building valuations compiled by the Valuation Office Agency. Construction of a new building took place in 2010/2011, and on completion of snagging in 2012/2013 the Trust will enter into a 125 year lease for the entire site. At this point all of the premises will be valued and entered into the balance sheet and depreciated over their estimated useful life.

The conversion of Cedar Road Primary School Academy to the academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Cedar Road Primary School Academy to the academy trust have been valued at their fair value being a reasonable estimate of their current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for David Ross Education Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised as net expenditure in the Statement of Financial Activities and analysed under restricted or unrestricted funds, as appropriate. Inherited assets with an estimated individual value of over £1,000 were £nil. Further details of the transaction are set out in note 3.

- **Interest receivable**

Interest receivable is accrued on a daily basis.

### **Resources Expended**

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

## Notes (continued)

### Statement of Accounting Policies (continued)

- **Charitable activities**

These are costs incurred on the Trust's educational operations

- **Governance Costs**

These include the costs attributable to the Trust's compliance with constitutional and statutory requirements, including audit, strategic management and governor's meetings and reimbursed expenses

All resources expended are inclusive of irrecoverable VAT

### **Tangible Fixed Assets**

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment

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 such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Fixtures, fittings and equipment	3-10 years
ICT equipment	3 years

Freehold and long leasehold land and buildings are valued on entering the trust at their written down depreciated value and depreciated over their remaining lifespan for a maximum of 50 years or the remaining life of the lease if shorter.

### **Investments**

Investments are included at market value

- Listed investments are stated at the bid price
- Fixed interest securities are stated at their deal prices
- Pooled investment vehicles are stated at bid price or single price as appropriate and as provided by the investment manager

### **Leased Assets**

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

## Notes (continued)

### Statement of Accounting Policies (continued)

#### *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'). The LGPS is administered through the East Riding Pension Fund for Humberston and Havelock Academies, and by the Northamptonshire Pension Scheme for Malcolm Arnold Academy and Cedar Road Primary School Academy. These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Trust.

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

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

## Notes (continued)

### Statement of Accounting Policies (continued)

#### 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 the Education Funding Agency where the asset acquired or created is held for a specific purpose

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency

### 2 General Annual Grant (GAG)

<b>a. Results and Carry Forward for the Year</b>	<b>Havelock</b>	<b>Humberston</b>	<b>Malcolm Arnold</b>	<b>Cedar Road</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
GAG brought forward from previous year	-	30	-	-	30	-
GAG allocation for current year	6,659	3,949	5,301	322	16,231	10,547
<b>Total GAG available to spend</b>	<b>6,659</b>	<b>3,979</b>	<b>5,301</b>	<b>322</b>	<b>16,261</b>	<b>10,547</b>
Recurrent expenditure from GAG	(6,600)	(3,436)	(4,880)	(322)	(15,238)	(10,517)
Fixed assets purchased from GAG	(59)	(128)	(201)	-	(388)	-
<b>GAG carried forward to next year</b>	<b>-</b>	<b>415</b>	<b>220</b>	<b>-</b>	<b>635</b>	<b>30</b>
Maximum permitted GAG carry forward at end of current year (12% of allocation for current year)	799	474	636	39	1,948	1,266
<b>GAG to surrender to DfE</b> (12% rule breached if result is positive)	<b>(799)</b>	<b>(59)</b>	<b>(416)</b>	<b>(39)</b>	<b>(1,313)</b>	<b>(1,242)</b>
	no breach	no breach	no breach	no breach	no breach	no breach
<b>b. Use of GAG Brought Forward from Previous Year for Recurrent Purposes</b> (Of the amount carried forward each year a maximum of 2% of GAG can be used for recurrent purposes. Any balance up to a maximum of 12%, can only be used for capital purposes)						
Recurrent expenditure from GAG in current year	-	3,436	-	-	-	-
GAG allocation for current year	-	(3,949)	-	-	-	-
GAG allocation for previous year x 2%	-	6	-	-	-	-
<b>GAG b/twd from previous year in excess of 2% used on recurrent expenditure in current year</b>	<b>-</b>	<b>(507)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(2% rule breached if result is positive)	No breach	No breach	No breach	No breach	No breach	No breach

### 3 Acquisition

On 1 June 2012 Cedar Road Primary School Academy converted to academy status and all the operations and assets and liabilities were transferred to David Ross Education Trust from Northamptonshire County Council for £nil consideration

The transfer has been accounted for using the acquisition method. The assets and liabilities were transferred at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as expenditure in the Statement of Financial Activities

## Notes (continued)

### 3 Acquisition (continued)

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

	Unrestricted funds £000	Restricted funds £000	Total £000	2011 £000
Fixed assets				
Freehold and leasehold land and buildings	-	-	-	22,190
Other tangible fixed assets	-	-	-	413
Budget surplus on local authority funds	55	-	55	231
LGPS pension deficit	-	(199)	(199)	(934)
Net assets / (liabilities)	55	(199)	(144)	21,900

The net deficit of £144,000 has been included as expenditure in accordance with the Academies Accounts Direction issued by the EFA in August 2012. The comparatives have been restated in respect of the acquisition of Malcolm Arnold Academy and Humberston Academy to align the presentation with the latest guidance.

The current year expense includes £55,000 that is currently included in debtors and will be transferred as cash from the local authority in 2012/13.

Cedar Road Primary School Academy is part of the Northamptonshire Private Finance Initiative (PFI), and ownership and maintenance of the land and buildings remains with the PFI financiers. The trust occupies the assets under a transferred 25 year lease, with an annual rental and service charge. The pension deficits were valued by Douglas Green, Fellow of the Institute and Faculty of Actuaries, on behalf of Hyman Robertson LLP, on a consistent FRS 17 basis to the year end valuations.

### 4 Voluntary income

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Donations	6	456	462	24
Permanent endowment	-	-	-	750
	6	456	462	774

## Notes (continued)

### 5 Activities for generating funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Hire of facilities	113	-	113	113
Sundry income	246	-	246	346
Gift in kind – rent receivable	-	426	426	426
New academies' projects	-	-	-	167
	<u>359</u>	<u>426</u>	<u>785</u>	<u>1,052</u>

### 6 Investment income

	Unrestricted funds £000	Restricted funds £000	Total 2012 £000	Total 2011 £000
Bank interest	15	43	58	16
Dividends	-	23	23	29
	<u>15</u>	<u>66</u>	<u>81</u>	<u>45</u>

### 7 Funding for the Trust's educational operations

	Unrestricted Funds £000	Restricted funds non fixed assets £000	Restricted fixed assets funds £000	Total 2012 £000	Total 2011 £000
<b>DfE/EFA capital grant</b>					
ICI special grant	-	-	1,953	1,953	1,405
Capital grants	-	-	127	127	57
	<u>-</u>	<u>-</u>	<u>2,080</u>	<u>2,080</u>	<u>1,462</u>
<b>DfE / EFA revenue grants</b>					
General Annual Grant (GAG) (note 2)	-	16,231	-	16,231	10,547
Start Up Grants	-	1,144	-	1,144	856
Standards Fund	-	11	-	11	1,095
Pupil Premium	-	297	-	297	48
Other DfE / EFA grants	-	1,000	-	1,000	607
	<u>-</u>	<u>18,683</u>	<u>-</u>	<u>18,683</u>	<u>13,153</u>
<b>Other Government grants</b>					
Funding via Local Authority	-	651	-	651	1,050
Others	-	101	-	101	9
	<u>-</u>	<u>752</u>	<u>-</u>	<u>752</u>	<u>1,059</u>
	<u>-</u>	<u>19,435</u>	<u>2,080</u>	<u>21,515</u>	<u>15,674</u>

## Notes (continued)

### 8 Resources expended

	Staff Costs £000	Non-Pay Premises £000	Expenditure Other Costs £000	Total 2012 £000	Total 2011 £000
<b>Trust's educational operations</b>					
Direct costs	11,612	-	4,012	15,624	10,896
Allocated support costs	2,087	741	2,849	5,677	4,048
	<u>13,699</u>	<u>741</u>	<u>6,861</u>	<u>21,301</u>	<u>14,944</u>
 Governance costs including allocated support costs	-	-	433	433	28
Transferred on conversion	-	-	144	144	-
Other finance costs	-	-	26	26	10
	<u>-</u>	<u>-</u>	<u>603</u>	<u>603</u>	<u>38</u>
	<u>13,699</u>	<u>741</u>	<u>7,464</u>	<u>21,904</u>	<u>14,982</u>
				2012 £000	2011 £000

#### Outgoing resources for the year include:

Fees payable to auditor – audit	30	21
Fees payable to auditor – non-audit	2	2
Loss on disposal of tangible fixed assets	30	-
	<u>62</u>	<u>23</u>

## Notes (continued)

### 9 Charitable activities – Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
<b>Direct costs</b>				
Teaching and educational support staff costs	41	11,571	11,612	8,878
Depreciation	-	1,391	1,391	230
Educational supplies	72	988	1,060	716
Examination fees	11	340	351	164
Staff development	1	97	98	78
Educational consultancy	1	980	981	65
Other direct costs	3	128	131	765
	<u>129</u>	<u>15,495</u>	<u>15,624</u>	<u>10,896</u>
<b>Allocated support costs</b>				
Support staff costs	9	2,078	2,087	1,434
Depreciation	-	463	463	403
Recruitment and support	-	105	105	21
Maintenance of premises and equipment, including IT costs	2	649	651	237
Cleaning	-	206	206	188
Rent and rates	-	541	541	484
Heat and lighting	5	279	284	200
Insurance	-	263	263	158
Security and transport	-	78	78	15
Catering	81	266	347	307
Bank interest and charges	-	2	2	7
Other support costs	21	631	652	594
	<u>118</u>	<u>5,559</u>	<u>5,677</u>	<u>4,048</u>
	<u>247</u>	<u>21,054</u>	<u>21,301</u>	<u>14,944</u>

The increase in educational consultancy costs includes the project management costs of bringing new academies into the Trust from 1 September 2012, this work was fully funded by a combination of government grant and support from the David Ross Foundation. These costs also include the cost of support to the Trust's existing academies to aid their school improvement programmes, and the cost of providing interim principals. Resources were also provided for new and prospective academies to aid them in developing their curriculum models in line with the vision of the Trust.

## Notes (continued)

### 10 Governance costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2012 £000	Total 2011 £000
Legal and professional fees	224	165	389	7
Auditor and responsible officer fees	22	20	42	21
Trustees' reimbursed expenses	-	2	2	-
	<u>246</u>	<u>187</u>	<u>433</u>	<u>28</u>

The increase in legal and professional fees reflects the work required in advance of admitting academies to the Trust, and in developing the Trust's articles of association and other legal documents

### 11 Other finance costs

	2012 £000	2011 £000
Net interest cost on defined benefit pension obligation (see note 28)	26	9
Bank charges	-	1
	<u>26</u>	<u>10</u>

### 12 Staff costs

Staff costs charged against restricted funds during the year were	2012 £000	2011 £000
Wages and salaries	10,988	8,250
Social security costs	847	634
Pension costs	1,373	1,023
Supply teacher costs	491	405
	<u>13,699</u>	<u>10,312</u>

The average FTE of persons (including senior management team) employed by the Trust during the year was as follows

	2012 No.	2011 No.
Teachers	196	143
Administration and support	167	121
Management	6	6
	<u>369</u>	<u>270</u>

## Notes (continued)

### 12 Staff costs (continued)

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

	2012	2011
	No.	No
£60,001 – £70,000	6	4
£90,001 – £100,000	2	1
£120,001-£130,000	-	1
£130,001 – £140,000	1	1
£140,001-£150,000	1	-
£150,001-£160,000	-	1
	<hr/> 10	<hr/> 8
	<hr/> <hr/>	<hr/> <hr/>

All but two of the above employees participated in the Teachers' Pension Scheme. The other employees were members of the East Riding Pension Fund. During the year ended 31 August 2012, pension contributions for these staff amounted to £135,425 (2011 £68,981).

### 13 Trustees' remuneration and expenses

Four trustees of the charity received a total of £2,123 from the Trust during the period ended 31 August 2012 (2011 £1,542), for travel expenses to attend trustee and governors' meetings. No trustees received remuneration as an employee of the Trust.

### 14 Governors', trustees' and officers' insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect governors, trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £1,000,000 on any one claim and the cost for year ended 31 August 2012 was included within the overall insurance premia, which was reimbursed by the Education Funding Agency.

## Notes (continued)

### 15 Tangible Fixed Assets

	Buildings - Leased	Buildings Freehold	Site Improvem- ents	Furniture and Equipment	Computer Equipment	Total
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>						
At 1 September	18,310	2,310	1,604	416	1,834	24,474
Additions	-	-	300	63	2,202	2,565
Disposals	-	-	-	-	(104)	(104)
<b>At 31 August</b>	<b>18,310</b>	<b>2,310</b>	<b>1,904</b>	<b>479</b>	<b>3,932</b>	<b>26,935</b>
<b>Accumulated depreciation</b>						
At 1 September	367	3	33	269	555	1,227
Charged in year	367	45	50	84	1,278	1,824
On disposals	-	-	-	-	(74)	(74)
<b>At 31 August</b>	<b>734</b>	<b>48</b>	<b>83</b>	<b>353</b>	<b>1,759</b>	<b>2,977</b>
<b>Net book values</b>						
At 31 August 2011	17,943	2,307	1,571	147	1,279	23,247
<b>At 31 August 2012</b>	<b>17,576</b>	<b>2,262</b>	<b>1,821</b>	<b>126</b>	<b>2,173</b>	<b>23,958</b>

### 16 Investments

The Trust administers the David Ross Education Trust Endowment Fund. This is a permanent endowment that has received donations totalling £2 million from the David Ross Foundation.

The endowment is held in a combination of cash and investments. During 2011/2012 net investments totalling £295,000 were made, the total market value of the fund's investments increased by £32,000, giving a total market value of £917,000.

During September 2012 the Trust received a further £100,000 into the endowment from the David Ross Foundation in respect of Malcolm Arnold Academy.

	2012 £000s	2011 £000s
Investments	<u>917</u>	<u>583</u>

## Notes (continued)

### 16 Investments (continued)

Investments are analysed as follows for all fund holdings in excess of 5%

	2012	2011
<b>Fixed Interest Bonds</b>		
Tesco 5.0% 21/11/2020	6%	0%
Marks and Spencer 5.625% 24/03/2014	0%	8%
National Grid Gas Plc 6% 13/05/2038	7%	8%
Phoenix Life 7.25% Perp	7%	0%
Lloyds 1SB Bank Plc 6.9625% 29/05/2020	5%	8%
	<u>25%</u>	<u>24%</u>
<b>Equity &amp; Unit Trusts</b>		
<b>UK Investment and Unit Trust - fixed income</b>		
15 shares IBOXX GBP Corporate Bond Fund	9%	28%
15 shares IBOXX USD Corporate Bond Fund	10%	0%
FIF Moneybuilder Income Account	9%	0%
	<u>28%</u>	<u>28%</u>
<b>Cash Funds</b>		
M&G Strategic Corporate Bond	<u>9%</u>	<u>0%</u>
<b>International Investment and Unit Trust</b>		
M&G Global Convertibles STG	<u>8%</u>	<u>0%</u>
<b>UK high Income</b>		
Schroders Unit Trusts Income Maximiser Account	17%	27%
AXA Fund Managers STG	7%	11%
Cazenove Investment Strategic Bond	6%	10%
	<u>30%</u>	<u>48%</u>
	<u>100%</u>	<u>100%</u>
	<u>£000</u>	<u>£000</u>
Original book cost	895	595
Change in market value	22	(12)
Market value at 31 August	<u>917</u>	<u>583</u>

## Notes (continued)

### 17 Debtors

	2012 £000	2011 £000
<b>Amounts due within one year:</b>		
Trade debtors	424	361
VAT receivable	258	371
Other debtors, prepayments and accrued income	492	-
	<u>1,174</u>	<u>732</u>

### 18 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	978	1,184
Other taxation and social security	274	241
Accruals	759	682
Other creditors	118	-
	<u>2,129</u>	<u>2,107</u>

### 19 Creditors: amounts falling due after one year

	2012 £000	2011 £000
Other creditors	14	-
	<u>14</u>	<u>-</u>

## Notes (continued)

### 20 Funds

	Balance at 31 August 2011 £000s	Incoming resources £000s	Resources expended £000s	Acquisitions £000s	Gains, losses and transfers £000s	Balance at 31 August 2012 £000s
<b>Restricted non-fixed asset funds including pension liability</b>						
General Annual Grant (GAG)	30	16,231	(15,238)	-	(388)	635
Standards Fund	-	11	(11)	-	-	-
Start up Grants	613	1,144	(1,028)	-	-	729
Pupil Premium	-	297	(292)	-	-	5
Special Grants	-	1,101	(1,154)	-	58	5
LA funding	-	651	(651)	-	-	-
Donation for rent of premises	-	426	(426)	-	-	-
Voluntary income	231	456	(456)	-	-	231
Activities for generating funds	152	-	(152)	-	-	-
Investment income	-	66	-	-	-	66
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,026	20,383	(19,408)	-	(330)	1,671
Pension reserve	(907)	-	(5)	(199)	(508)	(1,619)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	119	20,383	(19,413)	(199)	(838)	52
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Restricted permanent endowment fund</b>	2,026	-	-	-	39	2,065
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Restricted Fixed Asset Funds</b>						
DfE Capital Grants	1,766	2,080	(1,309)	-	(58)	2,479
Capital expenditure from GAG	-	-	(129)	-	388	259
Private sector capital sponsorship	12	-	(4)	-	-	8
Donation of transferred assets from local authority	22,187	-	(412)	-	-	21,775
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	23,965	2,080	(1,854)	-	330	24,521
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Unrestricted Funds</b>	731	380	(493)	55	-	673
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 20 Funds (continued)

Restricted funds can be analysed across the Academics as follows	2012 £000	2011 £000
Havelock Academy	2,832	3,533
Humberston Academy	2,565	2,233
Malcolm Arnold Academy	21,435	20,344
Cedar Road Primary School Academy	(194)	-
	<hr/> 26,638 <hr/>	<hr/> 26,110 <hr/>

#### Notes

- (i) General Annual Grant must be used for the normal running costs of the academies. Each academy is allowed to carry forward up to 12% of the current GAG. Of the carried forward amount, up to 2% of GAG can be used for general purposes at the discretion of the Trust, but any balance over 2% must be used for capital purposes.
- (ii) The Standards Fund and start up grants must be used to boost standards of attainment within the academies. Unspent grants can be carried forward.
- (iii) The Pupil Premium is allocated to academies on the basis of deprivation and is intended to support education for children from disadvantaged backgrounds.
- (iv) Special grants are awarded by the DfE to boost performance within specific academies. During the year the trust received grants to support individual schools, including those due to join the Trust in the next financial year: King Edward VI Academy, Lodge Park Technology College, Edward Heneage Primary School, Briar Hill Primary School and Eastfield Primary School. In line with other academy trusts David Ross Education Trust received a grant for each converter school that formally expressed an interest in joining the Trust during the year. All grants received during the year were defrayed by the end of the year.
- (v) LA funding relates to funding supplied for pupils with Statements of Special Educational Need, passed on to an academy from the local authority's own funding.
- (vi) Restricted fixed assets were funded by government grants or private sector funding as detailed in the note.
- (vii) Voluntary income is deemed to be restricted where the funder places conditions on how the income can be spent. During the year the Trust received a donation from the David Ross Foundation to fund enhanced support and development in the Trust. This income was fully defrayed by the end of the year.
- (viii) The restricted permanent endowment fund is the David Ross Education Trust Endowment Fund (previously known as Havelock Academy Endowment Fund). The interest is used to counter the educational impact of disadvantage and deprivation, and for educational work within the local communities. This income should not be used to meet the normal running costs of the academies. The principal amount of the investment may not be used without the express prior written consent of the Secretary of State for Education.

## Notes (continued)

### 20 Funds (continued)

- (ix) The costs and income associated with the defined benefit pension scheme have been recorded in the restricted non-fixed asset fund. Staff costs are paid from this fund, including contributions to the East Riding Pension Fund and the Northamptonshire Pension Fund, and the pension liability has therefore been aligned with these costs.
- (x) Transfers from General Annual Grant to restricted fixed asset funds relates to capital expenditure from GAG income. Transfers from DfE capital grants represents those occasions where the funder allows the academy to use the funding for revenue costs, such as IT training.
- (xi) The deficit balance for Cedar Road Primary School Academy is due to the inherited pension deficit for this academy. The academy is in in-year balance on day to day funding and expenditure. The deficit is planned to reduce in line with the actuary's expectations over time.

### 21 Analysis of net assets between funds

Fund balances at 31 August 2012 are represented by	Unrestricted funds £000s	Restricted funds – non-fixed asset £000s	Restricted fixed asset funds £000s	Permanent endowment £000s	<b>Total 2012 £000s</b>	Total 2011 £000s
Tangible fixed assets	-	-	23,958	-	<b>23,958</b>	23,247
Investments	-	-	-	917	<b>917</b>	583
Current assets	673	3,814	563	1,148	<b>6,198</b>	6,025
Liabilities	-	(2,143)	-	-	<b>(2,143)</b>	(2,107)
Defined benefit pension scheme liability	-	(1,619)	-	-	<b>(1,619)</b>	(907)
	<u>673</u>	<u>52</u>	<u>24,521</u>	<u>2,065</u>	<u><b>27,311</b></u>	<u>26,841</u>

## Notes (continued)

### 22 Financial commitments

#### Operating leases

At 31 August 2012 the Trust had annual commitments under non-cancellable operating leases as follows

	2012 £000	2011 £000
<b>Other</b>		
Expiring within one year	5	19
Expiring within two and five years inclusive	32	-
	<u>37</u>	<u>19</u>
<b>Land and buildings</b>		
Expiring after five years	106	-
	<u>106</u>	<u>-</u>

### 23 Reconciliation of net income to net cash inflow from operating activities

	At 31 August 2012 £000	At 31 August 2011 £000
Net income for the year	939	24,463
Depreciation and loss on disposal	1,852	633
Donations in kind on academy conversion	-	(22,603)
Capital grants from DfE and other capital income	(2,080)	(1,462)
Interest and dividends receivable	(81)	(45)
Permanent endowment fund receipts	-	(750)
FRS 17 pension cost less contributions payable	(21)	148
FRS 17 pension finance income	26	(125)
FRS 17 pension liability transferred on conversion	199	934
Increase in debtors	(573)	(356)
Increase in creditors	38	1,199
	<u>299</u>	<u>2,036</u>
<b>Net cash inflow from operating activities</b>		

## Notes (continued)

### 24 Capital expenditure and financial investment:

	2012 £000	2011 £000
Purchase of tangible fixed assets	(2,565)	(1,138)
Capital grants from DfE/EFA	2,080	1,462
Purchase of investments	(438)	(95)
Disposal of investments	143	-
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>	<b>(780)</b>	<b>229</b>
	<hr/> <hr/>	<hr/> <hr/>

### 25 Analysis of changes in net funds

	At 1 September 2011 £000	Cash Flows £000	At 31 August 2012 £000
Cash in hand and at bank	5,293	(269)	5,024
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 26 Contingent liabilities

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

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

(a) the value at that time of the Trust's site and premises and other assets held for the purpose of the Trust and

(b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement

Upon termination of the Funding Agreement the Trust's pension liability is expected to transfer to any successor organisation

## Notes (continued)

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

### 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, the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the East Riding Pension Fund and the Northamptonshire Pension Fund. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

#### Teachers' Pension Scheme (TPS)

The TPS is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pension Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the TPS, teachers' contributions on a 'pay-as-you-go' basis, and employer contributions, are credited to the Exchequer under arrangements governed by the above act.

The Teacher's Pension Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary ("GA"), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

## Notes (continued)

### 28 Pension and similar obligations (continued)

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme and the implications for the academy in terms of the anticipated contribution rates.

## Notes (continued)

### 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 contribution made for the year ended 31 August 2012 was £587,000 of which employer's contributions totalled £447,000 and employees' contributions totalled £140,000. The agreed contribution rates for the period ended 31 August 2011 were 17.8% for Malcolm Arnold Academy, 19.4% for Havelock Academy, 24.2% for Humberston Academy and 17.8% for Cedar Road Primary School Academy. Employees' rates varied according to salary.

The element of the LGPS creditor relating to Cedar Road Primary School Academy relates to the employees who transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employee who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

Havelock Academy and Humberston Academy are members of the East Riding Pension Fund. Malcolm Arnold Academy and Cedar Road Primary School Academy are members of the Northamptonshire Pension Fund. The Principal Actuarial Assumptions of the schemes were:

	East Riding		Northamptonshire	
	At 31 August 2012	At 31 August 2011	At 31 August 2012	At 31 August 2011
Rate of increase in salaries	4.5%	4.9%	4.5%	4.9%
Rate of increase for pensions in payment / inflation	2.2%	2.6%	2.2%	2.6%
Discount rate for scheme liabilities	4.1%	5.4%	4.1%	5.4%
Expected return on assets	4.9%	6.2%	4.8%	6.2%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	East Riding		Northamptonshire	
	At 31 August 2012	At 31 August 2011	At 31 August 2012	At 31 August 2011
<i>Retiring today</i>				
Males	22.9	22.9	21.4	21.4
Females	25.7	25.7	23.3	23.3
<i>Retiring in 20 years</i>				
Males	24.9	24.9	23.4	23.4
Females	27.7	27.7	25.5	25.5

**Notes (continued)**

**28 Pension and similar obligations (continued)**

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

<b>Havelock</b>	<b>Expected return at 31 August 2012</b>	<b>Fair value at 31 August 2012</b>	<b>Expected return at 31 August 2011</b>	<b>Fair value at 31 August 2011</b>
Equities	5.5%	1,389	6.8%	1,175
Bonds	3.4%	228	4.6%	170
Property	3.7%	152	4.8%	93
Cash	2.8%	133	3.9%	108
<b>Total market value of assets</b>		<b>1,902</b>		<b>1,546</b>
Present value of scheme liabilities - Funded		<b>2,288</b>		<b>1,676</b>
<b>Deficit in the scheme</b>		<b>(386)</b>		<b>(130)</b>
<b>Humberston</b>	<b>Expected return at 31 August 2012</b>	<b>Fair value at 31 August 2012</b>	<b>Expected return at 31 August 2011</b>	<b>Fair value at 31 August 2011</b>
Equities	5.5%	289	6.8%	151
Bonds	3.4%	48	4.6%	22
Property	3.7%	32	4.8%	12
Cash	2.8%	28	3.9%	14
<b>Total market value of assets</b>		<b>397</b>		<b>199</b>
Present value of scheme liabilities - Funded		<b>1,165</b>		<b>840</b>
<b>Deficit in the scheme</b>		<b>(768)</b>		<b>(641)</b>
<b>Malcolm Arnold</b>	<b>Expected return at 31 August 2012</b>	<b>Fair value at 31 August 2012</b>	<b>Expected return at 31 August 2011</b>	<b>Fair value at 31 August 2011</b>
Equities	5.5%	897	6.8%	758
Bonds	3.0%	299	4.6%	187
Property	3.7%	78	4.8%	73
Cash	2.8%	26	3.9%	21
<b>Total market value of assets</b>		<b>1,300</b>		<b>1,039</b>
Present value of scheme liabilities - Funded		<b>1,580</b>		<b>1,175</b>
<b>Deficit in the scheme</b>		<b>(280)</b>		<b>(136)</b>

## Notes (continued)

### 28 Pension and similar obligations (continued)

Cedar Road	Expected return at 31 August 2012	Fair value at 31 August 2012
Equities	5.5%	50
Bonds	3.0%	16
Property	3.7%	4
Cash	2.8%	1
		<hr/>
<b>Total market value of assets</b>		<b>71</b>
		<hr/>
Present value of scheme liabilities		
- Funded		256
		<hr/>
<b>Deficit in the scheme</b>		<b>(185)</b>
		<hr/>

The expected long term return on cash is equal to bank base rates. The expected return on bonds is determined by reference to UK long dated gilt and bond yields. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions.

The actual return on the scheme assets in the period were:

	2012 £000	2011 £000
Havelock	136	93
Humberston	23	(10)
Malcolm Arnold	101	41
Cedar Road	4	-
	<hr/>	<hr/>
	<b>264</b>	<b>124</b>
	<hr/>	<hr/>

## Notes (continued)

### 28 Pension and similar obligations (continued)

#### Total expenditure recognised in statement of financial activities

	Havelock		Humberston	
	2012	2011	2012	2011
	£000	£000	£000	£000
Current service cost	190	163	109	10
Interest cost	97	81	49	4
Expected return on scheme assets	(103)	(75)	(18)	(1)
Past service costs	-	8	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total expenditure</b>	<b>184</b>	<b>177</b>	<b>140</b>	<b>13</b>
	<hr/>	<hr/>	<hr/>	<hr/>

	Malcolm Arnold		Cedar Road	
	2012	2011	2012	2011
	£000	£000	£000	£000
Current service cost	118	127	9	-
Interest cost	68	55	3	-
Expected return on scheme assets	(69)	(57)	(1)	-
Transfer on conversion	-	-	199	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total expenditure</b>	<b>117</b>	<b>125</b>	<b>210</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 28 Pension and similar obligations (continued)

#### Net gains/(loss) recognised in statement of total recognised gains and losses

	Havelock		Humberston	
	2012	2011	2012	2011
	£000	£000	£000	£000
Actuarial gains/(losses) on pension scheme assets	32	180	5	(10)
Actuarial gains/(losses) on pension scheme liabilities	(285)	192	(132)	99
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total amounts recognised in STRGL</b>	<b>(253)</b>	<b>372</b>	<b>(127)</b>	<b>89</b>
	<hr/>	<hr/>	<hr/>	<hr/>

	Malcolm Arnold		Cedar Road	
	2012	2011	2012	2011
	£000	£000	£000	£000
Actuarial gains/(losses) on pension scheme assets	32	(16)	14	-
Actuarial gains/(losses) on pension scheme liabilities	(177)	86	3	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total amounts recognised in STRGL</b>	<b>(145)</b>	<b>70</b>	<b>17</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The actuarial gains and losses for the current year are recognised in the statement of financial activities and totalled a loss of £508,000 (2011 £531,000 gain)

The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £376,000 loss (2011 £132,000 gain)

## Notes (continued)

### 28 Pension and similar obligations (continued)

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

	Havelock		Humberston	
	2012	2011	2012	2011
	£000	£000	£000	£000
At 1 September	1,676	1,574	840	-
On date of transfer to DRET	-	-	-	922
Current service cost	190	163	109	10
Interest cost	97	81	49	4
Employee contributions	61	48	35	3
Actuarial loss/(gain)	285	(192)	132	(99)
Benefits paid	(21)	(6)	-	-
At 31 August	2,288	1,676	1,165	840

	Malcolm Arnold		Cedar Road	
	2012	2011	2012	2011
	£000	£000	£000	£000
At 1 September	1,175	1,035	-	-
On date of transfer to DRET	-	-	256	-
Current service cost	118	127	9	-
Interest cost	68	55	3	-
Employee contributions	42	44	2	-
Actuarial loss/(gain)	177	-	(14)	-
Benefits paid	-	(86)	-	-
At 31 August	1,580	1,175	256	-

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

	Havelock		Humberston	
	2012	2011	2012	2011
	£000	£000	£000	£000
At 1 September	1,546	1,093	199	-
On date of transfer to DRET	-	-	-	195
Expected return on assets	103	75	18	1
Actuarial gain/(loss)	32	180	5	(10)
Employer contributions	181	156	140	10
Employee contributions	61	48	35	3
Benefits paid	(21)	(6)	-	-
At 31 August	1,902	1,546	397	199

## Notes (continued)

### 28 Pension and similar obligations (continued)

	Malcolm Arnold		Cedar Road	
	2012	2011	2012	2011
	£000	£000	£000	£000
At 1 September	1,039	828	-	-
On date of transfer to DRET	-	-	57	-
Expected return on assets	69	57	1	-
Actuarial gain/(loss)	32	(16)	3	-
Employer contributions	118	126	8	-
Employee contributions	42	44	2	-
Benefits paid	-	-	-	-
At 31 August	1,300	1,039	71	-

The estimated value of employer contributions for the year ended 31 August 2013 is

	£000
Havelock	169
Humbertson	122
Malcolm Arnold	123
Cedar Road	34
	448

The four-year history of experience adjustments is as follows:

	2012	2011	2010	2009
	£000	£000	£000	£000
Present value of defined benefit obligations	5,289	3,691	1,574	1,273
Fair value of share of scheme assets	3,670	2,784	1,093	801
Deficit in the scheme	1,619	907	481	472
Experience adjustments on share of scheme assets	72	132	78	106
Experience adjustments on scheme liabilities	-	-	1	108

## 29 Related party transactions

The remuneration of the trustees is disclosed in note 13

During the year the Trust contracted the services of educational consultants, CYPF Development Services Limited, a company which employs a number of specialists in education. Mrs H Stevenson, a member of the Trust's senior leadership team, is a shareholder and director in the consultancy business. The total cost of the services during the period amounted to £696,100. At the year end amounts outstanding totalled £247,563. As a large majority of these costs are funded by Government grants the Trustees sought and received assurances from the DfE that, so long as the Trust's rigorous procurement procedures were applied, the Trust would be permitted to employ external educational specialists. All transactions were in accordance with the academy's financial regulations and normal procurement procedures. The Trustees consider this was an arm's length transaction at normal commercial rates.

## 30 Post balance sheet events

From 1 September 2012 the Trust has admitted further academies, as follows:

### 1 September 2012

- King Edward VI Academy, a secondary school in Lincolnshire
- Skegness Grammar School, a secondary grammar school with a boarding unit, in Lincolnshire
- Hogsthorpe Primary School Academy, a primary school in Lincolnshire

### 1 October 2012

- Welton Church of England Primary School Academy, a primary school located near to Daventry
- Edward Heneage Primary School, a primary school in Grimsby

### 1 November 2012

- Eastfield Primary School Academy, a primary school in Northampton
- Briar Hill Primary School Academy, a primary school in Northampton

On 1 January 2013 the Trust will be augmented by the inclusion of Lodge Park Technology College, in Corby, and The Arbours Primary School, in Northampton. Further schools are expected to join the Trust in the coming year.