

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

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**CARMEL EDUCATION TRUST**  
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS DIRECTORS AND  
ADVISERS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**Directors**

G V Wiper (resigned 1 March 2013)<sup>1</sup>  
C R Wiper<sup>2</sup>  
J M Cunningham<sup>2</sup>  
Fr S A J Doyle (resigned 1 March 2013)<sup>1</sup>  
S Heywood (resigned 1 March 2013)  
C L Hughes, Chair<sup>1</sup>  
J P Humphrey (resigned 1 March 2013)<sup>1</sup>  
M Kane (resigned 1 March 2013)  
R McGovern (resigned 1 March 2013)  
C O'Neill (resigned 1 March 2013)<sup>1</sup>  
G Price (resigned 1 March 2013)  
M Regan, Principal<sup>1</sup>  
A Sales<sup>1</sup>  
M Smyth (resigned 1 March 2013)<sup>1</sup>  
S L Thornton (resigned 1 March 2013)<sup>1</sup>  
J A Moorhouse  
Fr J Butters (appointed 1 March 2013)  
A J Frank (appointed 1 March 2013)  
P M Frank (appointed 1 March 2013)  
J Long (appointed 1 March 2013)<sup>2</sup>  
F P Mackie (appointed 1 March 2013)<sup>1</sup>  
M Matthews (appointed 1 March 2013)<sup>2</sup>  
M B McCollom (appointed 1 March 2013)<sup>1</sup>  
P A McTimoney (appointed 1 March 2013)<sup>1</sup>  
C Peacock (appointed 1 March 2013)  
Fr D Russell (appointed 1 March 2013)  
M P Shorten (appointed 1 March 2013)<sup>1</sup>  
C A Powell (appointed 22 May 2013)<sup>1</sup>

<sup>1</sup> members of the Resources Committee

<sup>2</sup> members of the Audit Committee

**Company registered number**

07808732

**Principal and registered office**

The Headlands  
Darlington  
Co Durham  
DL3 8RW

**Company secretary**

Prima Secretary Limited

**Senior Statutory Auditor**

Christopher Beaumont BA (Hons) FCA DChA

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS DIRECTORS AND  
ADVISERS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**Advisers (continued)**

**Independent auditors**

Clive Owen & Co LLP, Chartered Accountants & Statutory Auditors  
140 Coniscliffe Road  
Darlington  
Co Durham  
DL3 7RT

**Senior management team**

M Regan, CEO and Principal  
M P Shorten, Head of School  
C Peacock, Headteacher  
F P Mackie, Headteacher  
M B McCollom, Head of School  
J V Gorlach, Head of Standards  
J Jasper, Vice Principal  
L Hunter, Vice Principal  
E Hannaford, Assistant Principal  
T Madeley, Assistant Principal  
M Wilkinson, Assistant Principal  
J A Moorhouse, Business Manager  
D C Leane, Finance Manager  
J C Kenshole, Governor Manager

**Bankers**

National Westminster Bank plc  
25 High Row  
Darlington  
Co Durham  
DL3 7QP

**Solicitors**

Bond Dickinson  
St Ann's Wharf  
Newcastle upon Tyne  
NE1 3DX

**CARMEL EDUCATION TRUST**  
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**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

The Directors present their annual report together with the audited financial statements of Carmel Education Trust (the academy trust) for the year ended 31 August 2013. The Directors confirm that the Annual Report and financial statements of the academy trust comply with the current statutory requirements, the requirements of the academy trust's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

**Constitution**

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles are the primary governing documents of the academy.

Details of the Directors who served throughout the period, except as noted, are included in the Reference and Administrative Information on page 1.

**Members' liability**

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

**Method of recruitment and appointment or election of Directors**

The term of office for any Director shall be 4 years, save that this time limit shall not apply to the Principal or any post held ex officio. Subject to remaining eligible to be a particular type of Director, any Director may be re-appointed or re-elected.

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

The training and induction provided for new Directors depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All new Directors are given a tour of the academy trust and the chance to meet with staff and students. All Directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Directors. As there are normally only one or two new Directors a year, induction tends to be done informally and is tailored specifically to the individual.

**Organisational structure**

During the period September 2012 to February 2013 the academy continued to operate a unified management structure as Carmel College A Catholic Academy. On 1 March 2013 the academy converted to Carmel Education Trust, a Multi Academy Trust. The structure consists of four levels: the Members, Directors, the Multi Academy Leadership Team (known as MAT SLT) with Senior and Middle Leaders in each of the academies within the trust. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The MAT SLT consists of the CEO/Principal, the Headteachers/Heads of School from each academy, the Head of Standards, Finance Manager, Governor Manager and the Business Manager from Carmel College who control the academy at an executive level implementing the policies laid down by the Directors and reporting back to them. As a group the MAT SLT are responsible for the authorisation of spending within agreed budgets and the appointment of staff for posts in the Senior Leadership Team.

**CARMEL EDUCATION TRUST**  
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**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**Connected organisations, including related party relationships**

The Directors of Carmel Education Trust have declared the following related party relationships:-

GKM Technical Services Ltd – the Director of which is G Moorhouse, husband of J A Moorhouse  
Diocese of Hexham and Newcastle – the Director of which is Rev J Butters  
PS Productions – the Director of which is P Shorten, son of M P Shorten

Further details are stated in Note 25 to the Financial Statements.

**Risk management**

The Directors have assessed the major risks to which the academy is exposed, in particular those relating specifically to teaching, provision of facilities and other operational areas of the academy, and its finances. The Directors have implemented a number of systems to assess risks that the Multi Academy Trust faces, in operational areas (e.g. in relation to teaching, health and safety and school visits) and in relation to the control of finance. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Multi Academy Trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

The academy trust has fully implemented the requirements of the Safer Recruitment procedures and all staff have received training in this area in addition to training on Child Protection.

**Directors' indemnities**

The academy trust has purchased insurance to protect Directors from claims arising against negligent acts, errors or omissions occurring whilst on academy business. Further details are provided in note 13.

**Principal activities**

The principal activity is the operation of Carmel Education Trust which consists of Carmel College, St Augustine's RC Primary, St Gregory's Catholic Primary and Holy Family RC Primary. Further details are provided under 'Objectives and Activities'.

**OBJECTIVES AND ACTIVITIES**

**Objects and aims**

Carmel Education Trust is a family of Catholic schools that exist to further the Church's saving mission by educating her young people in accordance with the teachings of Jesus Christ.

The principal object and activity of the charitable company is the operation of academies within the Carmel Education Trust to provide education for students of different abilities between the ages of 3 and 19.

In accordance with the articles of association the charitable company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to academies, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum.

**CARMEL EDUCATION TRUST**  
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**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**Objects and aims (continued)**

The main objectives of the academy during the year ended 31 August 2013 are summarised below:

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 Catholic schools designed as such ("the academies") which shall offer a broad and balanced curriculum and shall be conducted in accordance with the principles, practices and tenets of the Catholic Church and all Catholic canon law applying thereto including any trust deed governing the use of land used by an academy both generally and in particular in relation to arranging for religious education and daily acts of worship and having regard to any advice and following directives issued by the Diocesan Bishop.

As purely ancillary to the above, to promote for the benefit of the inhabitants of the areas served by the academies the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the conditions of life of the said inhabitants.

**Objectives, strategies and activities**

The main objectives of each academy are encompassed in its individual mission statement. To this end the strategies are summarised below:

- To maintain and raise the standard of educational achievement for all students
- To improve the effectiveness of the academies by keeping the curriculum and organisation 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; and
- To conduct the trust's business in accordance with the highest standards of integrity and probity

**Public benefit**

The Charity's aims and achievements are set out within this report. The activities set out in this report have been undertaken to further the Charity's charitable purposes for the public benefit. The Directors have complied with the duty under Section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charities Commission and the Directors have paid due regard to this guidance in deciding what activities the charity should undertake.

**ACHIEVEMENTS AND PERFORMANCE**

**Review of activities**

All of the primary schools within the academy were above the government's floor targets for 2013. Each excelled in different areas. 81% of pupils at Holy Family achieved Level 4+ in the combination of reading, writing and mathematics. St Augustine's and Holy Family both exceeded national averages for progress in reading (93% and 90% respectively) with St Gregory's significantly exceeding national figures in writing with 96% achieving Level 4+. All were close to or above national figures for spelling, grammar and punctuation.

Results at Carmel continued to exceed national averages in the overwhelming majority of indicators, with 90% of pupils achieving 5 A\* to C incl. English and maths. 100% of pupils made expected progress in English (3 level of progress) and 88% made more than expected progress. 91% of pupils made expected progress in maths and 64% made more than expected progress. 40 % of all pupils at the College achieved the English Baccalaureate which is made up of GCSEs achieved at A\* to C in English, mathematics, history or geography, the sciences and a language.

**CARMEL EDUCATION TRUST**  
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**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**Key financial performance indicators**

Benchmarking data was provided by Clive Owen & Co LLP in their Academies Benchmark Report 2013 and includes over 160 academies audited by the Kreston Academies Group. The comparative data used reflects the average results of Converter Secondary Academies for the year ended 31 August 2012.

Data for Carmel College A Catholic Academy has been extracted from the audited 2012 accounts as a standalone academy.

Income and expenditure results have been annualised. Surpluses and deficits on conversion to academy status (i.e. on transfer of land and buildings and the LGPS deficit) have been excluded from the benchmarking unless referred to specifically.

Carmel earns above average other income per pupil. This includes other education funding, as well as income from lettings and training courses.

**Overhead Cost Measures**

As expected, the largest spend for all academies is staff costs. Carmel's staff cost percentage is slightly below average. Following a number of NQTs being appointed in recent years, Carmel's staff costs are currently at the bottom end of an incremental drift.

**Pension Cost Measures**

While pension costs and LGPS deficit are significant for Carmel, they are below the average burden on academies.

**Pupil / Teacher Measures**

Despite high pupil numbers, Carmel maintained a pupil teacher ratio significantly better than average. This indicates more efficient deployment of teaching staff than at other academies.

**Surplus / (Deficit) Measures**

Carmel carried forward a lower percentage of GAG income showing that GAG income has been utilised in supporting the education of current students.

**Net Asset Measures**

While not carrying forward a large amount of GAG income, Carmel has managed to maintain healthy cash balances. The policies in respect of the security and return on cash continue to be key.

**Fixed Asset Measures**

While Carmel incurred lower than average capital expenditure to 31 August 2012, the building work undertaken in the current academic year will significantly increase capital expenditure in the 2013 accounts.

**Overall comparison and future considerations**

The standalone results of Carmel College A Catholic Academy summarised above show that Carmel performed well compared to other Converter Secondary Academies for the year ended 31 August 2012.

Directors will review appropriate data to benchmark this year's account's data.



**CARMEL EDUCATION TRUST**  
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**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**FINANCIAL REVIEW**

**Financial and risk management objectives and policies**

The academy trust is subject to a number of risks and uncertainties in common with other academies. The academy trust has in place procedures to identify and mitigate financial risks. These are discussed further in the Risk Management section of this report, and in the Governance Statement.

**Principal risks and uncertainties**

The principal risks and uncertainties are centred around changes in the level of funding from the DfE/EFA. In addition the academy trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant deficit on the academy trust balance sheet.

**Reserves policy**

The Directors review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves together with an estimation of the possible financial impact of the risks to which the Trust is exposed. The Directors have determined that the appropriate level of free reserves should be equivalent to £1,590,000. The academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) are in surplus by £1,512,000 (see note 18).

**Principal funding**

Most of the academy trust's income is obtained from the Department for Education (DfE) via the Education Funding Agency (EFA), in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/EFA during the year ended 31 August 2013 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy trust also receives grants for fixed assets from the DfE/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 asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

In relation to its function as a Teaching School, Carmel College receives income from the National College of Teaching & Learning to undertake these duties.

In addition, the work of the Darlington Leadership College which for the year ended 31 August 2013 covers activities relating to school improvement, staff training and development of Advanced Skills Teachers and Newly Qualified Teachers.

The academy also received grants in the year relating to sponsorship activities at St Michael's Catholic Academy which joined the Carmel Education Trust on 1 September 2013.

During the year ended 31 August 2013, total expenditure of £10,446,000 was exceeded by recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of income over expenditure for the period (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £772,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the academy trust's objectives.

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**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**Principal funding (continued)**

At 31 August 2013 the net book value of fixed assets was £22,524,000 and movements in tangible fixed assets are shown in note 14 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the Academy.

The provisions of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17) have been applied in full, resulting in a deficit of £1,624,000 recognised on the balance sheet.

The Academy held fund balances at 31 August 2013 of £22,961,000 comprising £21,449,000 of restricted funds and £1,512,000 of unrestricted funds.

**Investments policy**

The academy trust invests surplus funds through deposit accounts and bonds. Interest rates are reviewed prior to each investment. This policy maximises investment return whilst minimising risks to the principal sum.

**Going concern**

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

**PLANS FOR THE FUTURE**

**Future developments**

Directors anticipate that the existing aims and key objectives will continue into 2013/2014. An additional objective will be the work with St Michael's Catholic Academy which has recently joined the Carmel Education Trust on a sponsored arrangement. The Head of School Designate, Mr Andrew Ramsey will join the St Michael's Catholic Academy in November 2013. St Bede's RC Primary School, Stockton is also in the process of conversion to Academy and will aim to join the Trust in December 2013.

**Disclosure of information to auditors**

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

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

This report was approved by order of the Board of Directors on 20 November 2013 and signed on its behalf by:



**C L Hughes, Chair**  
**Director**

**CARMEL EDUCATION TRUST**  
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**GOVERNANCE STATEMENT**

**Scope of Responsibility**

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

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

**Governance**

The information on governance included here supplements that described in the Directors' Report and in the Directors' Responsibilities Statement. The Board of Directors has formally met 9 times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

Director	Meetings attended	Out of a possible
G V Wiper	1	1
C R Wiper	8	9
J M Cunningham	8	9
Fr S A J Doyle	1	6
S Heywood	2	6
C L Hughes	9	9
J P Humphrey	2	6
M Kane	2	6
R McGovern	2	6
C O'Neill	2	6
G Price	1	6
M Regan, Principal	9	9
A Sales	8	9
M Smyth	1	6
S L Thornton	2	6
J A Moorhouse	9	9
Fr J Butters	3	3
A J Frank	3	3
P M Frank	2	3
J Long	2	3
F P Mackie	3	3
M Matthews	1	3
M B McCollom	3	3
P A McTimoney	3	3
C Peacock	3	3
Fr D Russell	3	3
M P Shorten	3	3
C A Powell	2	3

Carmel College A Catholic Academy converted to Carmel Education Trust on 1 March 2013 at which point the following Directors resigned: Fr Seamus Doyle, S Heywood, C O'Neill, Fr G Price, J Humphrey, R McGovern, M Kane, S Thornton, M Smyth. G V Wiper resigned prior to conversion. The remaining Directors were joined by Fr J Butters, Fr D Russell, M Mathews, M P Shorten, F P Mackie, M B McCollom, C Peacock, P A McTimoney, P M Frank, A J Frank, J Long and C A Powell at varying points during the summer term 2013, hence not all Directors were able or eligible to attend all meetings.

**CARMEL EDUCATION TRUST**  
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**GOVERNANCE STATEMENT (continued)**

A key challenge of this transitional period has been to ensure the timely appointment of Directors, develop appropriate terms of reference for committees, make key staffing appointments (Finance Manager and Governor Manager), and ensure all conversion documentation is complete and that the all legal and procedural matters are attended to.

As Carmel College A Catholic Academy the Finance and General Purposes Committee was a sub-committee of the main Board of Directors. Since conversion to Carmel Education Trust, the Resources Committee is a sub-committee of the Board of Directors. Its purpose is to assist the decision making of the Board of Directors by enabling more detailed consideration to be given to the best means of fulfilling the Board of Director's responsibility to ensure sound management of the Trust's finances, staffing and resources, including proper planning, monitoring and probity. During the period, D C Leane, who is a qualified accountant, attended the meetings in his capacity as Carmel Education Trust Finance Manager.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
G V Wiper	2	2
Fr S A J Doyle	1	2
C L Hughes	0	1
J P Humphrey	0	2
C O'Neill	2	2
M Regan	3	3
A Sales	1	1
M Smyth	2	2
S L Thornton	1	2
F P Mackie	1	1
M B McCollom	1	1
P A McTimoney	1	1
M P Shorten	1	1
C A Powell	1	1

The Audit Committee is also a sub-committee of the main Board of Directors. Its purpose is to advise the Board of Directors on the adequacy and effectiveness of the academies' systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money) and that the systems are rigorous and constantly reviewed. The Audit Committee was established in July 2013.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
C R Wiper	2	2
J M Cunningham	1	2
J Long	2	2
M Matthews	1	2

**The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Carmel Education Trust for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements.

**CARMEL EDUCATION TRUST**  
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**GOVERNANCE STATEMENT (continued)**

**Capacity to Handle Risk**

The Board of Directors has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks, that has been in place for the year 1 September 2012 to 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

**The Risk and Control Framework**

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

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

The Board of Directors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Directors have appointed Clive Owen & Co LLP, Chartered Accountants & Statutory Auditors, the external auditors, to perform additional checks.

The auditors' role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a termly basis, the auditors report to the Board of Directors on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities.

The external auditors have delivered their schedule of work as planned and no material control issues have arisen as a result of their work.

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**GOVERNANCE STATEMENT (continued)**

**Review of Effectiveness**

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

- the work of the external auditors;
- 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 Resources Committee and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Directors on 20 November 2013 and signed on their behalf, by:



**C L Hughes, Chair  
Director**



**M Regan  
Accounting Officer**

**CARMEL EDUCATION TRUST**  
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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

As Accounting Officer of Carmel Education Trust I have considered my responsibility to notify the academy trust Board of Directors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2012).

I confirm that I and the academy trust Board of Directors 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 (2012).

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



**M Regan**  
**Accounting Officer**

Date: 20 November 2013

**CARMEL EDUCATION TRUST**  
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**DIRECTORS' RESPONSIBILITIES STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Directors on 20 November 2013 and signed on its behalf by:



**C L Hughes, Chair**  
**Director**



**CARMEL EDUCATION TRUST**  
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARMEL EDUCATION TRUST**

We have audited the financial statements of Carmel Education Trust for the year ended 31 August 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the Education Funding Agency.

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

**Respective responsibilities of Directors and auditors**

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

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

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

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

**Opinion on financial statements**

In our opinion the financial statements:

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

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

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

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARMEL EDUCATION TRUST**

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

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

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



Christopher Beaumont BA (Hons) FCA DChA (Senior Statutory Auditor)

for and on behalf of

**Clive Owen & Co LLP, Chartered Accountants & Statutory Auditors**

140 Coniscliffe Road  
Darlington  
Co Durham  
DL3 7RT  
20 November 2013

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO CARMEL  
EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 19 September 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Carmel Education Trust during the year 1 September 2012 to 31 August 2013 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 Carmel Education Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Carmel Education Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Carmel Education Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Carmel Education Trust's accounting officer and the reporting auditors**

The accounting officer is responsible, under the requirements of Carmel Education Trust's funding agreement with the Secretary of State for Education dated 28 February 2013, and the Academies Financial Handbook extant from 1 September 2012, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:


- Review of governing body and committee minutes;
- Review of termly Responsible Officer reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Obtained formal letter of representation detailing the responsibilities of Directors;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review of credit card transactions;
- Review of register of interests and consideration of related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions; and
- Review of potential and actual bad debts.

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO CARMEL  
EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2012 to 31 August 2013 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Christopher Beaumont BA (Hons) FCA DChA (Senior Statutory Auditor)

for and on behalf of

**Clive Owen & Co LLP, Chartered Accountants & Statutory Auditors**

140 Coniscliffe Road  
Darlington  
Co Durham  
DL3 7RT

20 November 2013

**CARMEL EDUCATION TRUST**  
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES**  
(Incorporating Income and Expenditure Account and Statement of Recognised Gains and Losses)  
**FOR THE YEAR ENDED 31 AUGUST 2013**

		Unrestricted funds	Restricted funds	Restricted fixed asset funds	Total funds	Total funds 10 months
	Note	2013 £000	2013 £000	2013 £000	2013 £000	2012 £000
<b>INCOMING RESOURCES</b>						
Incoming resources from generated funds:						
Transfer on conversion	2	145	-	11,053	11,198	11,391
Other voluntary income	2	115	28	18	161	28
Activities for generating funds	3	1,475	217	-	1,692	410
Investment income	4	25	-	-	25	13
Incoming resources from charitable activities	5	-	8,433	1,206	9,639	5,749
<b>TOTAL INCOMING RESOURCES</b>		<b>1,760</b>	<b>8,678</b>	<b>12,277</b>	<b>22,715</b>	<b>17,591</b>
<b>RESOURCES EXPENDED</b>						
Charitable activities	9	1,061	7,881	762	9,704	5,750
Governance costs	6	-	200	-	200	153
Other resources expended						
Transfer on conversion	7	-	542	-	542	715
<b>TOTAL RESOURCES EXPENDED</b>	8	<b>1,061</b>	<b>8,623</b>	<b>762</b>	<b>10,446</b>	<b>6,618</b>
<b>NET INCOMING RESOURCES BEFORE TRANSFERS</b>		<b>699</b>	<b>55</b>	<b>11,515</b>	<b>12,269</b>	<b>10,973</b>
Transfers between Funds	18	(71)	(356)	427	-	-
<b>NET INCOME FOR THE YEAR</b>		<b>628</b>	<b>(301)</b>	<b>11,942</b>	<b>12,269</b>	<b>10,973</b>
Actuarial gains and losses on defined benefit pension schemes		-	5	-	5	(286)
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>628</b>	<b>(296)</b>	<b>11,942</b>	<b>12,274</b>	<b>10,687</b>
Total funds at 1 September 2012		884	(809)	10,612	10,687	-
<b>TOTAL FUNDS AT 31 AUGUST 2013</b>		<b>1,512</b>	<b>(1,105)</b>	<b>22,554</b>	<b>22,961</b>	<b>10,687</b>

All activities relate to continuing operations.

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

The notes on pages 22 to 45 form part of these financial statements.

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**  
**REGISTERED NUMBER: 07808732**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2013**

	Note	£000	2013 £000	2012 £000
<b>FIXED ASSETS</b>				
Tangible assets	14		22,524	10,422
<b>CURRENT ASSETS</b>				
Debtors	16	455		198
Cash at bank		1,936		2,029
		<u>2,391</u>		<u>2,227</u>
<b>CREDITORS: amounts falling due within one year</b>	17	(330)		(946)
<b>NET CURRENT ASSETS</b>			<u>2,061</u>	<u>1,281</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>24,585</u>	<u>11,703</u>
Durham County Council Pension Fund	27		(1,506)	(1,016)
Teesside Pension Fund	27		(118)	-
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u><u>22,961</u></u>	<u><u>10,687</u></u>
<b>FUNDS OF THE ACADEMY</b>				
Restricted funds:				
Restricted funds	18	519		207
Restricted fixed asset funds	18	22,554		10,612
		<u>23,073</u>		<u>10,819</u>
Restricted funds excluding pension liability				
Pension reserve		(1,624)		(1,016)
		<u></u>		<u></u>
Total restricted funds			21,449	9,803
Unrestricted funds	18		1,512	884
<b>TOTAL FUNDS</b>			<u><u>22,961</u></u>	<u><u>10,687</u></u>

The financial statements were approved by the Directors, and authorised for issue, on 20 November 2013 and are signed on their behalf, by:

*Cynthia L Hughes*

**C L Hughes, Chair  
Director**

The notes on pages 22 to 45 form part of these financial statements.

**CARMEL EDUCATION TRUST**  
(A Company Limited by Guarantee)

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

		31 August 2013 £000	Period ended 31 August 2012 £000
	Note		
Net cash flow from operating activities	21	327	1,114
Returns on investments and servicing of finance	22	29	9
Capital expenditure and financial investment	22	(594)	80
Cash transferred on conversion to an academy trust		145	826
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(93)</b>	<b>2,029</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

	31 August 2013 £000	Period ended 31 August 2012 £000
(Decrease)/Increase in cash in the year	(93)	2,029
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>	<b>(93)</b>	<b>2,029</b>
Net funds at 1 September 2012	2,029	-
<b>NET FUNDS AT 31 AUGUST 2013</b>	<b>1,936</b>	<b>2,029</b>

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

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

**1.2 Fund accounting**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 Department for Education.

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



**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.3 Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the academy trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability. For legacies, entitlement is the earlier of the academy trust being notified of an impending distribution or the legacy being received.

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the academy 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 it is measurable.

The value of donated services and gifts in kind provided to the academy trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the academy 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 academy trust's policies.

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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

**1.4 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.

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

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

All resources expended are inclusive of irrecoverable VAT.

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.5 Going concern**

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

**1.6 Tangible fixed assets and depreciation**

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

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

The premises are held on 125 year leases from Darlington Borough Council and Stockton Borough Council. As the risks and rewards have transferred to the Academy, the asset has been recognised within tangible fixed assets. The initial acquisition was recognised at existing use valuation by DTZ, on behalf of the Education Funding Agency. The Governors consider that the cost of obtaining an additional valuation would outweigh the benefit.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long leasehold property	-	between 10-27 years straight line
Leasehold Land	-	over 125 years straight line
Motor vehicles	-	over 4 years straight line
Fixtures and fittings	-	over 7 years straight line
Computer equipment	-	over 3 years straight line

**1.7 Investments**

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

**1.8 Taxation**

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

**CARMEL EDUCATION TRUST**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.9 Pensions**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). 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 academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 27, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

**1.10 Conversion to an academy trust**

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

The assets and liabilities transferred on conversion from St Augustine's, St Gregory's and Holy Family to the academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the Directors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Carmel Education Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Furniture and equipment and ICT equipment with depreciated values of £6,000 and £52,000 respectively were transferred on conversion and have been included in tangible fixed assets. The land and buildings have been included at £10,995,000 based on a review by an independent valuer.

School fund balances totalling £145,000 have been included in voluntary income.

Pension deficits of £542,000 have been transferred from Darlington and Stockton Local Authority's during the year and are included within other resources expended.

Further details of the transaction are set out in note 24.

**CARMEL EDUCATION TRUST**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**2. VOLUNTARY INCOME**

	Unrestricted funds	Restricted funds	Total funds	Total funds 10 months
	2013 £000	2013 £000	2013 £000	2012 £000
Transfer from Local Authority on conversion	145	11,053	11,198	11,391
Donations	115	46	161	28
Voluntary income	260	11,099	11,359	11,419

**3. ACTIVITIES FOR GENERATING FUNDS**

	Unrestricted funds	Restricted funds	Total funds	Total funds 10 months
	2013 £000	2013 £000	2013 £000	2012 £000
Sundry Income	212	-	212	47
Lettings	32	-	32	23
School Trips	243	-	243	145
Supply Teacher Insurance	48	-	48	17
Catering	331	-	331	-
School Fund	97	-	97	-
Primary SLA	32	-	32	33
Training Courses	2	-	2	21
Darlington Leadership College	478	-	478	26
Carmel Teacher Training Partnership	-	200	200	83
Graduate Teacher Programme	-	17	17	15
	1,475	217	1,692	410

**4. INVESTMENT INCOME**

	Unrestricted funds	Restricted funds	Total funds	Total funds 10 months
	2013 £000	2013 £000	2013 £000	2012 £000
Bank interest	25	-	25	13

**CARMEL EDUCATION TRUST**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds	Restricted funds	Total funds	Total funds 10 months
	2013 £000	2013 £000	2013 £000	2012 £000
<b>DfE/EFA grants</b>				
Devolved Formula Capital	-	32	32	10
Academy Capital Maintenance Fund	-	1,174	1,174	238
General Annual Grant (GAG)	-	7,380	7,380	5,315
Pupil Premium	-	166	166	47
16-19 Bursary	-	10	10	14
Academy Conversion grant	-	5	5	25
National College Teaching Schools	-	361	361	49
Other DfE/EFA grants	-	4	4	-
PE Teacher grant	-	8	8	-
Sponsor Capacity Grant	-	95	95	-
St Michael's Pre-opening Grant	-	200	200	-
	-	9,435	9,435	5,698
<b>Other Government grants</b>				
SEN	-	7	7	-
Other government grants	-	197	197	51
	-	204	204	51
	-	9,639	9,639	5,749

**6. GOVERNANCE COSTS**

	Unrestricted funds	Restricted funds	Total funds	Total funds 10 months
	2013 £000	2013 £000	2013 £000	2012 £000
Governance Auditors' remuneration	-	11	11	6
Governance Auditors' non audit costs	-	9	9	6
Finance and Human Resources	-	87	87	33
Legal, Professional fees and Consultancy	-	93	93	108
	-	200	200	153

**CARMEL EDUCATION TRUST**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**7. OTHER RESOURCES EXPENDED**

	Unrestricted funds	Restricted funds	Total funds	Total funds 10 months
	2013 £000	2013 £000	2013 £000	2012 £000
Transfer from Local Authority on conversion	-	542	542	715

**8. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE**

	Staff costs	Depreciation	Other costs	Total	Total 10 months
	2013 £000	2013 £000	2013 £000	2013 £000	2012 £000
Direct costs	5,178	-	367	5,545	3,736
Allocated support costs	1,006	762	2,391	4,159	1,988
<b>Charitable activities</b>	<b>6,184</b>	<b>762</b>	<b>2,758</b>	<b>9,704</b>	<b>5,724</b>
<b>Governance</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>200</b>	<b>153</b>
<b>Other resources expended</b>	<b>-</b>	<b>-</b>	<b>542</b>	<b>542</b>	<b>715</b>
	<b>6,184</b>	<b>762</b>	<b>3,500</b>	<b>10,446</b>	<b>6,592</b>

**CARMEL EDUCATION TRUST**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**9. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds	Restricted funds	Total funds	Total funds 10 months
	2013 £000	2013 £000	2013 £000	2012 £000
<b>DIRECT COSTS</b>				
Wages and salaries	-	4,230	4,230	2,865
National insurance	-	336	336	231
Pension cost	-	612	612	391
Educational supplies	-	195	195	90
Examination fees	-	123	123	122
Educational consultancy	-	49	49	37
	<u>-</u>	<u>5,545</u>	<u>5,545</u>	<u>3,736</u>
<b>SUPPORT COSTS</b>				
Wages and salaries	-	815	815	570
National insurance	-	44	44	31
Pension cost	-	147	147	96
Depreciation	-	762	762	325
Net interest cost on pension scheme	-	35	35	25
Staff development	-	59	59	22
Technology costs	-	81	81	90
Recruitment and support	-	16	16	15
Maintenance of premises and equipment	-	123	123	80
Cleaning	-	32	32	18
Rates	-	31	31	30
Energy	-	133	133	100
Insurance	35	97	132	80
Security	-	6	6	7
Transport	-	15	15	8
Catering	331	77	408	54
Occupancy costs	-	113	113	59
Bank interest and charges	-	1	1	-
Other support costs	695	511	1,206	403
	<u>1,061</u>	<u>3,098</u>	<u>4,159</u>	<u>2,013</u>
	<u>1,061</u>	<u>8,643</u>	<u>9,704</u>	<u>5,749</u>

**CARMEL EDUCATION TRUST**  
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**10. NET INCOMING RESOURCES**

This is stated after charging:

	31 August 2013 £000	Period ended 31 August 2012 £000
Depreciation of tangible fixed assets:		
- owned by the charity	762	325
Auditors' remuneration	11	6
Auditors' remuneration - non-audit	9	6
	<u>          </u>	<u>          </u>



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**11. STAFF COSTS**

Staff costs were as follows:

	31 August 2013 £000	Period ended 31 August 2012 £000
Wages and salaries	4,972	3,410
Social security costs	380	262
Other pension costs (Note 27)	759	487
	<hr/> 6,111	<hr/> 4,159
Supply teacher costs	51	2
Compensation payments	22	24
	<hr/> 6,184	<hr/> 4,185

Included within Other pension costs is a £44,000 LGPS lump sum deficit payment and £36,000 recognised in the Statement of Financial Activities in respect of movements in the LGPS deficit as described in note 27.

The average number of persons (including the senior management team) employed by the academy trust during the year expressed as full time equivalents was as follows:

	31 August 2013 No.	Period ended 31 August 2012 No.
Leadership	11	9
Teachers	89	78
Education and Administration Support, including premises and cleaning	69	55
	<hr/> 169	<hr/> 142

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

	31 August 2013 No.	Period ended 31 August 2012 No.
In the band £60,001 - £70,000	3	2
In the band £70,001 - £80,000	3	3
In the band £110,001 - £120,000	1	1
	<hr/> 7	<hr/> 6

Six of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2013, pension contributions for these staff amounted to £66,000 (2012: £53,000). The other employee participated in the Local Government Pension Scheme, pension contributions amounted to £11,000.

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**12. DIRECTORS' REMUNERATION AND EXPENSES**

The Principal and other staff Directors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as Directors. Other Directors did not receive any payments, other than expenses, from the academy trust in respect of their role as Directors. The value of Directors' remuneration, being gross salary and employers' pension contributions, fell within the following bands:

	31 August 2013 £000	Period 1 November 2011 to 31 August 2012 £000
M Regan, Principal	135-140	105-110
M P Shorten	85-90	
J A Moorhouse	75-80	55-60
A J Frank	35-40	
M B McCollom	25-30	
C Peacock	20-25	
F P Mackie	30-35	
M Kane		45-50
S L Thornton		40-45
M Smythe		10-15
S Heywood		0-5

During the year, no Directors received any benefits in kind (2012 - £NIL).

During the year, no Directors received any reimbursement of expenses (2012 - £NIL).

Other related party transactions involving the Directors are set out in note 25.

**13. DIRECTORS' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the academy trust has purchased insurance to protect Directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5 million on any one claim and the cost for the year ended 31 August 2013 was £1,000 (2012 - £2,000).

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

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**14. TANGIBLE FIXED ASSETS**

	Long leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At 1 September 2012	10,544	60	140	3	10,747
Additions	1,327	60	403	21	1,811
Transfer on conversion	10,995	6	52	-	11,053
At 31 August 2013	22,866	126	595	24	23,611
<b>Depreciation</b>					
At 1 September 2012	304	6	14	1	325
Charge for the year	658	12	87	5	762
At 31 August 2013	962	18	101	6	1,087
<b>Net book value</b>					
At 31 August 2013	21,904	108	494	18	22,524
At 31 August 2012	10,240	54	126	2	10,422

**15. FIXED ASSET INVESTMENTS**

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Holding
Carmel Community Services Limited	100%
The aggregate of the share capital and reserves as at 31 August 2013 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:	

Name	Aggregate of share capital and reserves £000	Profit/(loss) £000
Carmel Community Services Limited	-	-

**16. DEBTORS**

	2013 £000	2012 £000
Trade debtors	14	19
VAT recoverable	131	41
Other debtors	94	-
Prepayments and accrued income	216	138
	455	198

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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. CREDITORS:**  
**Amounts falling due within one year**

	2013 £000	2012 £000
Trade creditors	44	221
Other taxation and social security	-	102
Other creditors	48	74
Accruals and deferred income	238	549
	<u>330</u>	<u>946</u>
		£000
<b>Deferred income</b>		
Deferred income at 1 September 2012		521
Resources deferred during the year		87
Amounts released from previous years		<u>(521)</u>
Deferred income at 31 August 2013		<u>87</u>

Deferred income includes Insurance, Devolved Formula Capital income, and School Trips income which straddle the academic year end.

**18. STATEMENT OF FUNDS**

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
<b>Unrestricted funds</b>						
Unrestricted general funds	130	1,137	(617)	-	-	650
School Funds	678	145	-	(71)	-	752
Darlington Leadership College	76	478	(444)	-	-	110
	<u>884</u>	<u>1,760</u>	<u>(1,061)</u>	<u>(71)</u>	<u>-</u>	<u>1,512</u>

**CARMEL EDUCATION TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**18. STATEMENT OF FUNDS (continued)**

**Restricted funds**

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
General Annual Grant (GAG)	121	7,380	(7,268)	(184)	-	49
Pupil Premium	-	166	(166)	-	-	-
16-19 Bursary Academy	-	10	(10)	-	-	-
Conversion Grant	-	5	(5)	-	-	-
National College Teaching Schools	-	361	(157)	-	-	204
Other DfE/EFA grants	-	12	(12)	-	-	-
SEN	-	7	-	-	-	7
Other Government grants	-	197	(100)	-	-	97
Carmel College Development Fund	86	28	-	-	-	114
Carmel Teacher Training Partnership	-	200	(152)	-	-	48
Graduate Teacher Programme	-	17	(17)	-	-	-
Sponsor Capacity Grant	-	95	(48)	(47)	-	-
St Michael's Pre- opening Grant	-	200	(75)	(125)	-	-
Pension reserve	(1,016)	-	(613)	-	5	(1,624)
	<u>(809)</u>	<u>8,678</u>	<u>(8,623)</u>	<u>(356)</u>	<u>5</u>	<u>(1,105)</u>

**Restricted fixed asset funds**

Devolved Formula Capital	9	32	(4)	-	-	37
Academy Capital Maintenance Fund	238	1,174	(21)	-	-	1,391
Capital expenditure from GAG	114	-	(61)	184	-	237
Legacy assets	10,249	11,053	(672)	-	-	20,630
Donations	2	18	(1)	-	-	19
Other capital funds	-	-	(3)	243	-	240
	<u>10,612</u>	<u>12,277</u>	<u>(762)</u>	<u>427</u>	<u>-</u>	<u>22,554</u>
<b>Total restricted funds</b>	<u>9,803</u>	<u>20,955</u>	<u>(9,385)</u>	<u>71</u>	<u>5</u>	<u>21,449</u>
<b>Total of funds</b>	<u><u>10,687</u></u>	<u><u>22,715</u></u>	<u><u>(10,446)</u></u>	<u><u>-</u></u>	<u><u>5</u></u>	<u><u>22,961</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**18. STATEMENT OF FUNDS (continued)**

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

General Annual Grant (GAG) must be used for the normal running costs of the academy trust including salaries and related costs, overheads, repairs and maintenance and insurance.

Pupil Premium is additional funding to be spent as the academy trust sees fit to support deprived students. The 16-19 Bursary and Academy Conversion Grant are towards sixth form and the costs of conversion respectively. Other DfE/EFA grants also include National College Teaching School, PE Teacher Grants, WGA Grants, Sponsor Capacity Grant and St Michael's Pre-opening Grant. The National College monies are towards the running of a teaching school.

The Carmel College Development Fund, a restricted fund which is intended to support the premises development at the college, has a carry forward balance of £114,000.

The Carmel Teacher Training Partnership income comes from The Teaching Agency for Schools out of funds made available by the Secretary of State for Education and Skills. The monies are for the provision of teacher training and towards the facilities and services necessary for such activity.

Other government grants are SEN Funding, Advance Skilled Teachers Grant, Early Years Funding, Department for Children, Schools and Family Funding, Admissions Administration Funding and Chain Grant.

The pension reserve is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 27.

The restricted fixed asset fund represents monies received to purchase fixed assets. Depreciation is charged over the useful life of the associated assets.

Unrestricted funds include the income from premises hire, school trips and staff absence insurances and other sundry income streams, with relevant costs allocated accordingly. Darlington Leadership College covers activities relating to school improvement, staff training and development of Advanced Skills Teachers and Newly Qualified Teachers.

A transfer of £184,000 has been made to Capital expenditure from GAG to reflect those items included within fixed assets which have been purchased using GAG monies. A transfer has also been made to Other capital funds to reflect ICT equipment purchased from the Sponsor Capacity Grant (£47,000) and for use by St Michael's post conversion (£196,000). The ICT equipment to be used by St Michael's is fully funded from other grant income receivable post conversion and in addition to the Pre-opening grant.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2013.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**18. STATEMENT OF FUNDS (continued)**

**ANALYSIS OF ACADEMIES BY FUND BALANCE**

Fund balances at 31 August 2013 were allocated as follows:

	Total £000
Carmel College	1,824
St Augustine's	56
St Gregory's	52
Holy Family	99
	<hr/>
Total before fixed asset fund and pension reserve	2,031
Restricted fixed asset fund	22,554
Pension reserve	(1,624)
	<hr/>
Total	22,961
	<hr/> <hr/>

**ANALYSIS OF ACADEMIES BY COST**

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total £000
Carmel College	4,395	944	184	2,433	7,956
St Augustine's	218	38	2	296	554
St Gregory's	319	32	4	254	609
Holy Family	210	28	4	323	565
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	5,142	1,042	194	3,306	9,684
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**19. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted funds	Restricted funds	Restricted fixed asset funds	Total funds	Total funds 10 months
	2013 £000	2013 £000	2013 £000	2013 £000	2012 £000
Tangible fixed assets	-	-	22,524	22,524	10,422
Current assets	1,512	849	30	2,391	2,227
Creditors due within one year	-	(330)	-	(330)	(946)
Provisions for liabilities and charges	-	(1,624)	-	(1,624)	(1,016)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,512	(1,105)	22,554	22,961	10,687
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**20. CENTRAL SERVICES**

The academy trust provides support in relation to all its schools. This includes support from the MAT SLT and other teaching staff, as well as the finance and administrative teams at Carmel College. The academy trust also employs a Finance Manager and Governor Manager who work across the MAT. The costs are charged to schools on a per pupil basis.

The actual amounts charged during the year were as follows:

	31 August 2013 £000
Carmel College	83,000
St Augustine's	15,000
St Gregory's	19,000
Holy Family	15,000
	<hr/>
Total	132,000 <hr/>

**21. NET CASH FLOW FROM OPERATING ACTIVITIES**

	31 August 2013 £000	Period ended 31 August 2012 £000
Net incoming resources before revaluations	12,269	10,973
Returns on investments and servicing of finance	(29)	(9)
Cash received on conversion	(145)	(826)
Assets inherited on conversion	(11,053)	(10,565)
Depreciation of tangible fixed assets	762	325
Capital grants from DfE	(1,217)	(262)
Increase in debtors	(257)	(198)
(Decrease)/increase in creditors	(616)	946
Pension deficit inherited on conversion	542	715
FRS 17 adjustments	71	15
	<hr/>	<hr/>
Net cash inflow from operations	327	1,114 <hr/>

**22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	31 August 2013 £000	Period ended 31 August 2012 £000
Returns on investments and servicing of finance		
Interest received	29	9
	<hr/>	<hr/>



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**NOTES TO THE FINANCIAL STATEMENTS  
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**22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)**

	31 August 2013 £000	Period ended 31 August 2012 £000
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,811)	(182)
Capital grants from DfE	1,217	262
<b>Net cash (outflow)/inflow capital expenditure</b>	<u>(594)</u>	<u>80</u>

**23. ANALYSIS OF CHANGES IN NET FUNDS**

	1 September 2012 £000	Cash flow £000	Other non-cash changes £000	31 August 2013 £000
Cash at bank and in hand:	2,029	(93)	-	1,936
<b>Net funds</b>	<u>2,029</u>	<u>(93)</u>	<u>-</u>	<u>1,936</u>

**24. CONVERSION TO AN ACADEMY TRUST**

On 1 April 2013 St Augustine's Primary School, St Gregory's Primary School and Holy Family Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Carmel Education Trust from Darlington Borough Council and Stockton Borough Council for £Nil consideration.

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

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities.

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Total funds £000
<b>Tangible fixed assets</b>				
- Freehold/leasehold land and buildings	-	-	10,995	10,995
- Other tangible fixed assets	-	-	58	58
<b>Other assets</b>	145	-	-	145
<b>LGPS pension surplus/(deficit)</b>	-	(542)	-	(542)
<b>Net assets/(liabilities)</b>	<u>145</u>	<u>(542)</u>	<u>11,053</u>	<u>10,656</u>

The above net assets include £145,000 that were transferred as cash.

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**25. RELATED PARTY TRANSACTIONS**

Owing to the nature of the academy trust's operations and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which a director has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures.

During the period procurement of IT equipment and IT services of £45,000 (2012:£9,000) were purchased from GKM Technical Services, a company in which J A Moorhouse's husband has a controlling interest. As at 31 August 2013 £Nil (2012:£3,000) was owed to GKM Technical Services.

During the period procurement of Catholic education support services of £36,000 (2012:£Nil) were purchased from Diocese of Hexham and Newcastle, a company in which Rev J Butters is also a director of. As at the 31 August 2013 there was no balance outstanding.

During the period procurement of event sound and lighting services of £1,000 (2012:£Nil) were purchased from Peter Shorten Productions, a company in which M P Shorten's son has a controlling interest. As at 31 August 2013 there was no balance outstanding.

**26. CAPITAL COMMITMENTS**

At 31 August 2013 the academy trust had capital commitments as follows:

	2013 £000	2012 £000
Contracted for but not provided in these financial statements	-	20,000

**27. PENSION COMMITMENTS**

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2010.

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

**Teachers' Pension Scheme**

The TPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £793,000, of which employer's contributions totalled £498,000 and employees' contributions totalled £295,000. The agreed contribution rates for future years are 14.1% for employers and 6.4-11.2% for employees.

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers

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**27. PENSION COMMITMENTS (continued)**

and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions 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, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation of the Teachers' Pension Scheme**

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was 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 review, 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.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, 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.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

**Teachers' Pension Scheme Changes**

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an

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**27. PENSION COMMITMENTS (continued)**

accrual rate of 1/57th ; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

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

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases were to be phased in from April 2012 on a 40:80:100% basis. The employee contribution rate from April 2012 was between 6.4% and 8.8% and from April 2013 was between 6.4% and 11.2%.

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

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £248,000, of which employer's contributions totalled £181,000 and employees' contributions totalled £67,000. The agreed contribution rates for future years are 18.9% and 15.4% for employers for the Durham County Council Pension Fund and the Teesside Pension Fund respectively and 5.5-6.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

The amounts recognised in the Balance Sheet are as follows:

	31 August 2013 £000	Period ended 31 August 2012 £000
Present value of funded obligations	(3,975)	(2,058)
Fair value of scheme assets	2,351	1,042
<b>Net liability</b>	<b>(1,624)</b>	<b>(1,016)</b>

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

The amounts recognised in the Statement of Financial Activities are as follows:

	31 August 2013 £000	Period ended 31 August 2012 £000
Interest on obligation	(119)	(65)
Expected return on scheme assets	84	40
Current service cost	(258)	(127)
	<hr/>	<hr/>
Total	(293)	(152)
	<hr/>	<hr/>
Actual return on scheme assets	104	60
	<hr/>	<hr/>

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

	31 August 2013 £000	Period ended 31 August 2012 £000
Opening defined benefit obligation	2,058	-
Interest cost	119	65
Contributions by scheme participants	66	42
Actuarial Losses	15	306
Current service costs	258	127
Benefits paid	23	(2)
Transferred from Local Authority	1,436	1,520
	<hr/>	<hr/>
Closing defined benefit obligation	3,975	2,058
	<hr/>	<hr/>

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

	31 August 2013 £000	Period ended 31 August 2012 £000
Opening fair value of scheme assets	1,042	-
Expected return on assets	84	40
Actuarial gains and (losses)	20	20
Contributions by employer	222	137
Contributions by employees	66	42
Benefits paid	23	(2)
Transferred from Local Authority	894	805
	<hr/>	<hr/>
	2,351	1,042
	<hr/>	<hr/>

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses was £281,000 losses (2012 - £286,000 losses).

The academy trust expects to contribute £296,000 to its Defined Benefit Pension Scheme in 2014.

**CARMEL EDUCATION TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**27. PENSION COMMITMENTS (continued)**

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

**Durham County Council Pension Fund**

	2013	2012
Equities	53.30 %	51.70 %
Property	7.00 %	6.90 %
Government bonds	28.00 %	29.30 %
Corporate bonds	9.40 %	10.80 %
Cash	2.30 %	1.20 %
Other	- %	0.10 %

**Teesside Pension Fund**

	2013	2012
Equities	78.6%	-
Property	5.1%	-
Government bonds	5.4%	-
Corporate bonds	2.2%	-
Cash	5.8%	-
Other	2.9%	-

**Durham County Council Pension Fund**

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2013	2012
Discount rate for scheme liabilities	4.50 %	4.20 %
Rate of increase to deferred pensions	2.80 %	2.20 %
Rate of increase in salaries	4.70 %	4.70 %
Rate of increase for pensions in payment / inflation	2.80 %	2.20 %
Inflation assumption (CPI)	2.80 %	2.20 %
Inflation assumption (RPI)	3.70 %	3.20 %

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

	2013	2012
Retiring today		
Males	22.1	22.0
Females	24.3	24.1
Retiring in 20 years		
Males	23.9	23.8
Females	26.2	26.1

**CARMEL EDUCATION TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**27. PENSION COMMITMENTS (continued)**

Teesside Pension Fund

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2013	2012
Discount rate for scheme liabilities	4.50 %	- %
Rate of increase to deferred pensions	2.50 %	- %
Rate of increase in salaries	4.40 %	- %
Rate of increase for pensions in payment / inflation	2.50 %	- %
Inflation assumption (CPI)	2.50 %	- %
Inflation assumption (RPI)	3.40 %	- %

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

	2013	2012
Retiring today		
Males	19.2	
Females	23.2	
Retiring in 20 years		
Males	21.1	
Females	25.1	

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2013 £000	2012 £000
Defined benefit obligation	(3,975)	(2,058)
Scheme assets	2,351	1,042
Deficit	(1,624)	(1,016)
Experience adjustments on scheme liabilities	(15)	(306)
Experience adjustments on scheme assets	20	20

**28. OPERATING LEASE COMMITMENTS**

At 31 August 2013 the academy trust had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>Expiry date:</b>				
Between 2 and 5 years	-	-	23	23

