

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

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

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

**CONTENTS**

	Page
<b>Reference and Administrative Details of the Academy, its Directors and Advisers</b>	1 - 2
<b>Directors' Report</b>	3 - 10
<b>Governance Statement</b>	11 - 14
<b>Statement on Regularity, Propriety and Compliance</b>	15
<b>Directors' Responsibilities Statement</b>	16
<b>Independent Auditors' Report</b>	17 - 18
<b>Independent Reporting Accountant's Assurance Report on Regularity</b>	19 - 20
<b>Statement of Financial Activities</b>	21
<b>Balance Sheet</b>	22
<b>Cash Flow Statement</b>	23
<b>Notes to the Financial Statements</b>	24 - 47

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

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

**Members**

The Right Reverend S Cunningham  
J Hughes  
A Sales

**Directors**

C L Hughes, Chair<sup>1</sup>  
A Sales, Vice Chair<sup>1</sup>  
Fr J Butters  
J M Cunningham<sup>2</sup>  
J Edwards (appointed 19 March 2014)<sup>2</sup>  
A J Frank  
P M Frank  
J Long<sup>2</sup>  
F P Mackie<sup>1</sup>  
M Matthews<sup>2</sup>  
M B McCollom<sup>1</sup>  
P A McTimoney<sup>1</sup>  
J A Moorhouse (resigned 7 November 2013)  
C Peacock<sup>1</sup>  
C A Powell<sup>1</sup>  
A Ramsey (appointed 4 November 2013)<sup>1</sup>  
M Regan, Principal<sup>1</sup>  
Fr D Russell  
M P Shorten<sup>1</sup>  
C R Wiper<sup>2</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

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

**Company secretary**

Prima Secretary Limited

**Senior leadership team**

M Regan, CEO & 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  
A Ramsey, Head of School  
L O'Hehir, Headteacher  
D C Leane, Finance Manager  
J A Moorhouse, Business Manager  
J Kenshole, Governance Manager

**Independent auditors**

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

**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**  
**(A Company Limited by Guarantee)**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

The Directors present their annual report together with the audited financial statements and auditors' report of Carmel Education Trust (the multi academy trust) for the year ended 31 August 2014. The annual report serves the purposes of both the trustees' report under charity law, and the directors' report under company law.

The trust operates four primary and two secondary academies in the Diocese of Hexham & Newcastle and Stockton & Darlington Borough Councils. Its academies have a combined number on roll of 2935.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

**Constitution**

The multi academy trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of association are the primary governing documents of the multi academy trust. The Directors of Carmel Education Trust are also the trustees of the charitable company for the purposes of charity law. The charitable company is known as Carmel Education Trust.

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.

**Directors' indemnities**

The multi 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.

**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.

Appointment of Directors is undertaken with due cognisance of the Memorandum and Articles of Association by the CEO and the Chair of Directors.

**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 meet with the Governance Manager and are provided with copies of Articles of Association, Scheme of Delegation, schedule of meeting dates, Directors Code of Conduct and committee & organisational structure. 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 there are normally only one or two new Directors appointed each year, induction is undertaken informally and is tailored specifically to the individual.

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

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

**Organisational structure**

The Carmel Education Trust is a multi academy trust and as such is a single legal entity with one governing body (the Board of Directors) which is accountable for all academies in the trust.

Each academy within the trust has its own its own Local Governing Body to which the Board of Directors delegates functions through the Scheme of Delegation. Local Governing Bodies are committees and are accountable to the Board of Directors. Members of the Local Governing Bodies are not governors (although they are referred to as) unless they are also members of the trust's Board of Directors.

**Connected organisations, including related party relationships**

The Directors of Carmel Education Trust note the following related parties and relationships with charities/organisations associated with the trust and provision of education within the region:-

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;  
Hexham & Newcastle Catholic Partnership - M Regan is a Director;  
Youth Ministry Trust - M Matthews is a Director;  
St Bede's Primary School (Darlington) - M Shorten's wife was Headteacher until 31 August 2014.

Carmel College is the sponsor of St Michael's Catholic Academy and as such continues to work closely with the academy. The Head of School, Andrew Ramsey, joined the academy in November 2013 and until this time Head of School support was provided by Carmel College. A phased leadership and staffing structure review is currently being undertaken. Curriculum reviews were undertaken prior to the academic year 2013/14 and the curriculum will continue to be reviewed. St Michael's has been successful in its bid for funding under the Priority Schools Building Programme (PSBP).

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

**OBJECTIVES AND ACTIVITIES**

**Objects and aims**

The principal object and activity of the charitable company is the operation of Carmel Education Trust to provide education for young people 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**  
**(A Company Limited by Guarantee)**

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

**Objects and aims (continued)**

The main objectives of the academy during the year ended 31 August 2014 are summarised below:

- a) To advance for the public benefit education in the United Kingdom, by establishing, maintaining, carrying on, managing and developing catholic schools which offer a broad and balanced curriculum and conducted in accordance with catholic church and canon law principles and practices.
- b) Ancillary to the above, to promote for the benefit of residents the provision of facilities for recreation in the interests of social welfare and for improving the conditions of life.

**Objectives, strategies and activities**

In accordance with the Articles of Association, the multi academy trust has the following objectives:

- 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.

Each academy has its own mission statement defining its overall purpose. On an annual basis, priorities for improvements are set.

**Public benefit**

The academy's aims and achievements are set out within this report and have been undertaken to further its charitable purposes for the public benefit. The Directors have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England and Wales and the Directors have considered this guidance in deciding what activities the academy should undertake.

**Strategic Report**

**ACHIEVEMENTS AND PERFORMANCE**

**Review of activities**

**St Augustine's** achieved excellent results in all key stages. In the Early Years and Foundation Stage, results were outstanding, with 87% of pupils achieving a 'good level of development'. This is 27% higher than in 2013. In the phonics screening check, 67% of pupils achieved the expected standard which was a sharp drop from 93% in 2013. At Key Stage 1, in almost all measures, standards are extremely high and well above national averages, the exception being maths at level 3. Key Stage 2 results are outstanding in all areas at L4+, L4b+ and L5+. More than half of all children achieved Level 5 in maths, with 5 children also reaching Level 6. All progress measures are well above national averages. Crucially, the percentages of children making expected progress improved significantly in writing and maths, reversing the dip in 2013. Confirming strength in maths, 54% exceeded expected progress, which is an increase of 23% since 2013.

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

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

**Review of activities (continued)**

**St Bede's** saw some very good improvement in the Foundation Stage/Key Stage 1 and performance similar to 2013 at Key Stage 2. In EYFS, 52% of pupils achieved a 'good level of development' which is a significant improvement and 37% higher than in 2013. Excellent progress was also seen in Year 1 as 79% of pupils achieved the expected standard of phonics decoding. Children who are supported by the Pupil Premium and those born in the summer achieved higher standards than other groups. 93% of all pupils achieved Level 2+ in reading writing and maths, with an upward trend of strong results at L2b+ also. The standards reached by pupils in Year 6 were similar to those in 2013 with small variations, the exception being at L4+ in maths where they fell to 78% from 96%. However, it must be noted that 95% of children made expected progress, many from a low base. This is well above national averages.

**St Gregory's** results are mixed as the school undergoes major and significant restructure and change. Some changes will need time to impact. A critical area of focus has been the foundation stage, which has seen significant improvement with 48.5% of pupils achieving a good level of development. This is an increase of 30% since 2013. Phonics testing saw significant improvement with 83% of pupils meeting the standard, which is well above the national average and 2013 results of 59%. At Key Stage 1, 96.4% of pupils achieved Level 2+ in all areas. The results for L2b+ showed improving strength in reading and writing, although maths declined slightly compared to 2013 results. It is worth mentioning that 64% of pupils achieved L2b+ in all of reading, writing & maths compared to only 43% in 2013. Children who are supported by the Pupil Premium achieved the same overall as other pupils. At Key Stage 2 improvements have been slower. Compared to 2013, standards in reading and writing have declined slightly at all levels but risen slightly in maths. However, the proportions of pupils making expected progress in reading rose slightly to 84.6%. Writing stayed the same whilst that for maths fell slightly to 73.1%. The reverse was the case for those exceeding expected progress.

**Holy Family** achieved excellent results in all key stages. In the Early Years and Foundation Stage, the percentage of pupils achieving a 'good level of development' was 63%, which is 10% higher than in 2013. At Key Stage 1, 93% of pupils achieved expected standard in phonics and in the SATs tests, almost every area showed significant improvement over the 2013 results. Highlights include 30% of pupils achieving L3+ in maths compared to 20% in 2013 and 33% achieving L3+ in Speaking and Listening compared to 17% in 2013. At Key Stage 2, in reading, writing and maths, all standards were higher than 2013 and most importantly, the percentage of children who made or exceeded expected progress in each area, is higher than national averages. Significantly, in maths, 97% of pupils made expected progress with 50% exceeding this, which is a tremendous result.

**Carmel GCSE:** 87.4% of students achieved 5 A\* to C grades at GCSE or equivalent, including English & maths. 100% achieved 5 A\* to G with English & maths.

In English, 99% achieved GCSE grades of A\* to C with 99.5% of pupils making three levels of expected progress and 88.5% exceeding expected progress. In maths, 89% achieved GCSE grades of A\* to C with 81% of pupils making three levels of expected progress and 44% exceeding expected progress.

All subject areas remained very strong, with the exception of ICT, where results were poor. History saw spectacular improvement with their highest ever results. 99 (83%) students achieved GCSE grades of A\* to C and 41% of pupils achieved A\*/A grades. In Geography, 53% of students achieved A\*/A grades. 60 students across the whole year achieved 5 or more A\*/A grades.

Forty pupils were supported by the pupil premium compared to 30 in 2013. There is a small gap in the standards reached between those pupils supported by the pupil premium and other pupils of 9.5%, when comparing the percentage achieving 5 A\* to C including English and maths. There are 7 pupils with SEN at SA+/Statement. All achieved 5 A\* to C's and 3 achieved this with English and maths. Given the extreme needs of many of these pupils their achievements were outstanding.



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

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

**Review of activities (continued)**

**Carmel Sixth Form:** Results for the Upper Sixth were good with 54% A\* to B for A Levels and 67% for Vocational subjects, giving overall, 56% A\* to B equivalent grades. The average point score per entry was slightly higher than last year at 224 points. Results for the Lower Sixth were also good as the average points per entry rose from 209 to 214 and the percentage A\* to B rose from 42% in 2013 to 49%. As normal there were a number of disappointments, but a great deal of work has been done to sort out new timetables with students, so that they can progress forwards, albeit in some cases, on a different pathwa

**St Michael's** results were disappointing and reflected the serious disruption to their education over many years. 52% of pupils achieved 5 A\* to C GCSE grades or equivalent, including English and maths. 95% achieved 5 A\* to G including English and maths. In both English and maths, 67% of pupils achieved GCSE grades of A\* to C. The proportion of pupils making three levels of progress in English and maths were 70% and 61% respectively. There were strong results in Additional Science GCSE (80% A\* to C grades). In each of the separate sciences, 89% or more of pupils achieved A\* to C grades and 47% of pupils achieved A\*/A grades in Chemistry.

Thirty three pupils were supported by the pupil premium compared to 24 in 2013. There was a gap in the standards reached between those pupils supported by the pupil premium and other pupils, of 24%, when comparing the percentage achieving 5 A\* to C including English and maths. The progress of pupils with SEN at SA+/Statement was a little below that of other pupils but for most, represented significant achievement.

**Key financial performance indicators**

As detailed in the objectives, strategies and activities section of this Directors' Report, maintaining and raising the standard of educational achievement for all students is a key objective of the multi academy trust. The key performance indicators relating to this objective are detailed for each academy in the review of activities section of this Directors' Report.

In order to be able to support children to achieve their best, the Directors also acknowledge the importance of key financial performance indicators. Benchmarking data was provided by Clive Owen & Co LLP in their Academies Benchmark Report 2014 and includes information on over 300 academies audited by the Kreston UK Charities and Education Group in the previous academic year to 31 August 2013. The key financial performance indicators below are for the multi academy trust as a whole and use the multi academy trust data from the Academies Benchmark Report 2014.

The total income per pupil for Carmel Education Trust is significantly higher than the average multi academy trust. This reflects the wide range of activities that the trust has been asked to undertake to support teaching and learning in Darlington, Stockton, the north east and nationally. The trust also makes significant attempts to generate income through the letting of facilities. As detailed in the reserves policy of this Directors' Report, the Directors are mindful that future funding may not increase in line with expected cost increases.

Staff costs per pupil for Carmel Education Trust are also higher than the average multi academy trust. This reflects the importance placed on excellent staff being employed to help students achieve the best that they can. In order to balance the needs of the trust's students and those at the other schools that the trust has been asked to support, it is critical that the right quantity and quality of staff are employed.

Education costs per pupil for Carmel Education Trust are slightly higher than the average multi academy trust. This reflects the importance of ensuring students have access to the best resources while also showing that the trust constantly monitors value for money.

The total number of students at Carmel Education Trust is lower than the average multi academy trust. This reflects that the trust is not looking to grow for growth's sake. The Directors believe that there is an optimum balance between the number of academies in the trust and the support that can be provided to the students and staff of the multi academy trust. We look forward to welcoming Our Lady & St Bede RC School to the trust in the academic year to 31 August 2015.

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

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

**Key financial performance indicators (continued)**

The staff cost ratio (as a percentage of total costs) for Carmel Education Trust is lower than the average multi academy trust. This reflects that a number of staff are at the lower end of pay grades with incremental drift expected to increase this ratio as staff become more experienced. The levels of staffing are kept under constant review.

Capital expenditure per pupil for Carmel Education Trust is significantly higher than the average multi academy trust. This reflects the cost of updating some of the more aged buildings, as well as showing the importance of high quality integrated ICT across the trust. The Directors are mindful of these costs and the trust has been successful in a number of bids to part finance this capital expenditure.

**Going concern**

After making appropriate enquiries, the Board of Directors has a reasonable expectation that the multi 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 Statement of Accounting Policies.

**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 funding**

Most of the 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 2014 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy 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 addition Carmel College receives income from the Teaching Agency and the National College relating to its activities as an Initial Teacher Training provider and a Teaching School. During the year ended 31 August 2014, the total income relating to these areas of activity was £244,000.

During the year ended 31 August 2014, total expenditure of £20,594,000 was exceeded by recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of income over expenditure for the year (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £1,412,000. All of the expenditure shown in the Statement of Financial Activities is in furtherance of the academy trust's objectives.

At 31 August 2014 the net book value of fixed assets was £33,005,000 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.

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

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

**Principal funding (continued)**

The provisions of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17) have been applied in full, resulting in a deficit of £1,457,000 recognised on the balance sheet.

The academy held fund balances at 31 August 2014 of £35,061,000 comprising £32,991,000 of restricted funds and £2,070,000 of unrestricted funds.

**Reserves policy**

The Directors are mindful of the level of reserves required by the multi academy trust. Risk registers are maintained, reviewed and updated on a regular basis for each academy. While the trust has healthy reserves at present, the Directors are aware that there is no guarantee that the recurring grants from the EFA will continue at the current level and that there will be upward pressure on a number of key costs. In particular, the trust will see reduced Education Services Grant income coupled with increased employer contributions to National Insurance and Teachers Pension in 2015/16.

The multi academy trust holds restricted and unrestricted funds (the attached financial statements detail these funds). Unrestricted funds are held:

- to provide funds which can be designated to specific areas such as improving the facilities;
- to cover ongoing costs in relation to the running of the academy including catering provisions, school trips and uniform costs;
- to provide a Newly Qualified Teacher support programme through Darlington Leadership College.

The level of reserves is reviewed by the Directors regularly throughout the year. The minimum level of reserves for the ongoing needs of the multi academy trust is reviewed by the Directors on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Directors therefore consider it prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of £2,063,000. This is sufficient to cover the following reasonably expected costs:

- replacement leadership, teaching and support time to cover staff absence;
- curriculum resources for academies and departments that require additional support;
- capital expenditure on identified priority projects;
- the Newly Qualified Teacher support programme provided through Darlington Leadership College;
- reduced Education Services Grant income and increased employer contributions in respect of National Insurance and Teachers Pension.

The multi academy trust's level of free reserves are in surplus by £2,070,000 and are therefore considered to be above the level of reserves required for the ongoing needs of the multi academy trust. The Directors continue to consider additional activities related to the multi academy trust's objective's to which the excess reserves may be applied including:

- curriculum resources and support for any academy or department that requires immediate and urgent support;
- capital expenditure on new projects or unforeseen costs on existing priority projects.

**Investments policy**

Where the cash flow identifies a base level of cash funds that will be surplus to requirements these may be invested only in the following:

- Interest bearing deposit accounts;
- Fixed term deposits;
- UK Registered Banks ; and
- Banks registered with the Financial Services Compensation Scheme.

Interest rates are fully investigated prior to each investment.

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

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

**Principal risks and uncertainties**

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

The Directors have assessed the major risks to which the multi academy trust is exposed, in particular those relating specifically to teaching, provision of facilities and other operational areas and its finances. The Directors have implemented a number of systems to assess risks that the academies face, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and education 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 multi 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.

The multi academy trust is subject to a number of risks and uncertainties in common with other academies and has in place procedures to identify and mitigate financial risks.

**PLANS FOR THE FUTURE**

**Future developments**

Directors anticipate that the existing aims and key objectives will continue into 2014/2015. Additionally, it is anticipated that Our Lady & St Bede RC School, Stockton will join the multi academy trust.

**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, incorporating the Strategic Report, was approved by order of the Board of Directors, as the company directors, on 19 November 2014 and signed on the board's behalf by:



**C L Hughes**  
**Chair**

**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 Statement of Directors' Responsibilities. The Board of Directors has formally met 7 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
C L Hughes, Chair	7	7
A Sales, Vice Chair	7	7
Fr J Butters	3	7
J M Cunningham	1	7
J Edwards (appointed 19 March 2014)	2	3
P M Frank	6	7
A J Frank	6	7
J Long	7	7
F P Mackie	5	7
M Matthews	6	7
M B McCollom	6	7
P A McTimoney	6	7
J A Moorhouse (resigned 7 November 2013)	1	1
C Peacock	6	7
C A Powell	6	7
A Ramsey (appointed 4 November 2013)	6	6
M Regan, Principal	7	7
Fr D Russell	3	7
M P Shorten	7	7
C R Wiper	3	7

As the number of academies within the Carmel Education Trust has increased, it has not been possible for all academies to be equally represented on the Board of Directors. In 2014/2015 Directors anticipate holding elections for the first time.

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

**GOVERNANCE STATEMENT (continued)**

**Governance reviews**

Directors have approved a Constitution for Local Governing Bodies. It defines the roles and expectations placed by Directors on governing bodies and defines their membership and the specific roles to be played by every governor. It includes specific job roles and person specifications and links these to skill requirements and training resources. The constitution introduces the requirement for regular governing body self-review and skills audits particularly when vacancies arise.

During the recent Ofsted inspection of Carmel College it was noted that ..... 'Governors hold the college robustly to account for its performance. Together with the Principal, they provide inspirational vision for the development of the college and educational provision within the multi academy trust '

'Directors and governors show an exceptional commitment to the college's ambitious programmes for improvement. They are extremely knowledgeable about the work of the college, for example, about the quality of teaching and how teachers' performance is managed, so are able to challenge it robustly over any possible variations in performance. They ensure that funding is judiciously allocated and that the college gets good value from its spending decisions, such as those relating to pupil premium funds. Directors and governors are rigorous in their management of the Principal's performance and are closely involved in agreeing the salary progression of teaching staff and its link to teacher performance. They ensure that all safeguarding requirements are met and that students and staff are safe on this exceptionally well-maintained site.'

Ofsted report Carmel College November 2013.

The Resources Committee is a Committee of the Board of Directors. Its purpose is to:

- 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.
- To make appropriate comments and recommendations on such matters to the Board of Directors on a regular basis. Major issues will be referred to the Board of Directors for ratification.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
C L Hughes	4	5
M Regan	5	5
A Sales	5	5
C Peacock	4	5
A Ramsey	4	4
F P Mackie	4	5
M B McCollom	3	5
P A McTimoney	4	5
M P Shorten	4	5
C A Powell	4	5

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

**GOVERNANCE STATEMENT (continued)**

The Audit Committee is also a sub-committee of the main board of trustees. Its purpose is to:

- advise the Board of Directors on the adequacy and effectiveness of the Trust's 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.

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
C R Wiper	3	4
J M Cunningham	1	4
J Long	4	4
M Matthews	3	4
J Edwards	0	0

**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 multi 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 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements.

**Capacity to Handle Risk**

The Board of Directors has reviewed the key risks to which the multi 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 multi academy trust's significant risks, that has been in place for the year 1 September 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

**The Risk and Control Framework**

The multi 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, the external auditors, to perform additional checks.

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

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

**GOVERNANCE STATEMENT (continued)**

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.

**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 work of the internal auditors;
- the work of the senior staff within the multi 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 recommendations to ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Directors on 19 November 2014 and signed on its behalf, by:



**C L Hughes**  
**Chair**



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



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

**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

As Accounting Officer of Carmel Education Trust I have considered my responsibility to notify the multi 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 multi 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 (2013).

I confirm that I and the multi academy trust Board of Directors are able to identify any material, irregular or improper use of funds by the multi academy trust, or material non-compliance with the terms and conditions of funding under the multi academy trust's funding agreement and the Academies Financial Handbook (2013).

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Directors and EFA.



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

Date: 19 November 2014

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

**DIRECTORS' RESPONSIBILITIES STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

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

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

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

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

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

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

Approved by order of the members of the Board of Directors on 19 November 2014 and signed on its behalf by:



**C L Hughes**  
**Chair**

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

**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 2014 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

This report is made solely to the charitable multi 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 charitable multi 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 charitable multi 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 charitable multi 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 multi 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable multi academy trust's affairs as at 31 August 2014 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 to 2014 issued by the Education Funding Agency.

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

In our opinion the information given in the Directors' Report, incorporating the Strategic Report, for the financial 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  
19 November 2014

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

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

In accordance with the terms of our engagement letter dated 11 September 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Carmel Education Trust during the year 1 September 2013 to 31 August 2014 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Carmel Education Trust and 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 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 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 accountant**

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 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

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

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

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

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

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

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

Approach (continued)

The work undertaken to draw to our conclusion includes:

- Review of governing body and committee minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Governors and Accounting Officer setting out responsibilities;
- 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 cash payments for unusual transactions;
- Review of credit card transactions;
- Review of registers of interests;
- Review related party transactions;
- Review of register of interests and consideration of related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with policy.

**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 2013 to 31 August 2014 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Christopher Beaumont BA (Hons) FCA DChA

**Clive Owen & Co LLP**

Reporting Accountant

140 Coniscliffe Road  
Darlington  
Co Durham  
DL3 7RT

19 November 2014

**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 2014

	Note	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Restricted fixed asset funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
<b>INCOMING RESOURCES</b>						
Incoming resources from generated funds:						
Transfer on conversion	2	55	-	15,102	15,157	11,198
Other voluntary income	2	63	22	83	168	161
Activities for generating funds	3	2,131	-	-	2,131	1,692
Investment income	4	35	-	-	35	25
Incoming resources from charitable activities	5	-	14,926	362	15,288	9,639
<b>TOTAL INCOMING RESOURCES</b>		<b>2,284</b>	<b>14,948</b>	<b>15,547</b>	<b>32,779</b>	<b>22,715</b>
<b>RESOURCES EXPENDED</b>						
Charitable activities	8	1,797	13,778	5,085	20,660	9,696
Governance costs	6	-	314	-	314	208
Other resources expended						
Transfer on conversion	7	-	306	-	306	542
<b>TOTAL RESOURCES EXPENDED</b>	8	<b>1,797</b>	<b>14,398</b>	<b>5,085</b>	<b>21,280</b>	<b>10,446</b>
<b>NET INCOMING RESOURCES BEFORE TRANSFERS</b>		<b>487</b>	<b>550</b>	<b>10,462</b>	<b>11,499</b>	<b>12,269</b>
Transfers between Funds	18	71	(181)	110	-	-
<b>NET INCOME FOR THE YEAR</b>		<b>558</b>	<b>369</b>	<b>10,572</b>	<b>11,499</b>	<b>12,269</b>
Actuarial gains and losses on defined benefit pension schemes		-	10	-	10	5
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>		<b>558</b>	<b>379</b>	<b>10,572</b>	<b>11,509</b>	<b>12,274</b>
Total funds at 1 September 2013		1,512	(1,105)	22,554	22,961	10,687
<b>TOTAL FUNDS AT 31 AUGUST 2014</b>		<b>2,070</b>	<b>(726)</b>	<b>33,126</b>	<b>34,470</b>	<b>22,961</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 24 to 47 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 AUGUST 2014**

	Note	£000	2014 £000	2013 £000
<b>FIXED ASSETS</b>				
Tangible assets	14		33,005	22,524
<b>CURRENT ASSETS</b>				
Debtors	16	861	455	
Cash at bank		3,401	1,936	
		<u>4,262</u>	<u>2,391</u>	
<b>CREDITORS:</b> amounts falling due within one year	17	(749)	(330)	
<b>NET CURRENT ASSETS</b>			3,513	2,061
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>36,518</u>	<u>24,585</u>
Durham County Council Pension Fund	27		(1,742)	(1,506)
Teesside Pension Fund	27		(306)	(118)
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u>34,470</u>	<u>22,961</u>
<b>FUNDS OF THE ACADEMY</b>				
Restricted funds:				
Restricted funds	18	1,322	519	
Restricted fixed asset funds	18	33,126	22,554	
		<u>34,448</u>	<u>23,073</u>	
Restricted funds excluding pension liability				
Pension reserve		(2,048)	(1,624)	
		<u></u>	<u></u>	
Total restricted funds			32,400	21,449
Unrestricted funds	18		2,070	1,512
<b>TOTAL FUNDS</b>			<u>34,470</u>	<u>22,961</u>

The financial statements were approved by the Directors, and authorised for issue, on 19 November 2014 and are signed on their behalf, by:

*Cynthia L. Hughes*

**C L Hughes, Chair**

The notes on pages 24 to 47 form part of these financial statements.



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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

	Note	2014 £000	2013 £000
Net cash flow from operating activities	21	1,650	327
Returns on investments and servicing of finance	22	35	29
Capital expenditure and financial investment	22	(275)	(594)
Cash transferred on conversion to an academy trust		55	145
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>		<b>1,465</b>	<b>(93)</b>

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

	2014 £000	2013 £000
Increase/(Decrease) in cash in the year	1,465	(93)
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>	<b>1,465</b>	<b>(93)</b>
Net funds at 1 September 2013	1,936	2,029
<b>NET FUNDS AT 31 AUGUST 2014</b>	<b>3,401</b>	<b>1,936</b>

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

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

**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 to 2014 issued by EFA, 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 multi 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 funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from 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 2014**

**1. ACCOUNTING POLICIES (continued)**

**1.3 Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the multi 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 multi 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 multi 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 multi 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 multi 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 multi 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.

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

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

**1. ACCOUNTING POLICIES (continued)**

**1.4 Resources expended**

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

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

Governance costs include the costs attributable to the multi 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.

**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 multi 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 multi 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 multi academy trust, 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 premises of the additional schools that have joined the multi academy trust are recognised within tangible fixed assets at build cost, provided by D E Ford Insurance Brokers Limited. 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

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

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

**1. ACCOUNTING POLICIES (continued)**

**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 multi 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 multi 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 2014**

**1. ACCOUNTING POLICIES (continued)**

**1.9 Pensions**

Retirement benefits to employees of the multi 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 multi 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 multi 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 multi 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 multi 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 Michael's and St Bede's to the multi 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 £160,000 and £38,000 respectively were transferred on conversion and have been included in tangible fixed assets. The land and buildings have been included at £14,593,000 based on a review by an independent valuer.

School fund balances totalling £55,000 have been included in voluntary income.

Pension deficits of £306,000 have been transferred from 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 2014**

**2. VOLUNTARY INCOME**

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Transfer from Local Authority on conversion	55	15,102	15,157	11,198
Donations	63	105	168	161
Voluntary income	118	15,207	15,325	11,359

**3. ACTIVITIES FOR GENERATING FUNDS**

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Sundry Income	91	-	91	216
Lettings	30	-	30	30
School Trips	338	-	338	243
Supply Teacher Insurance	47	-	47	48
Catering	413	-	413	331
School Fund	-	-	-	97
Primary SLA	-	-	-	32
Darlington Leadership College	259	-	259	478
Carmel Teacher Training Programme	871	-	871	200
Graduate Teacher Programme	-	-	-	17
Pupil Transport	82	-	82	-
	2,131	-	2,131	1,692

**4. INVESTMENT INCOME**

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Bank interest	35	-	35	25

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

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

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

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
<b>DfE/EFA grants</b>				
Devolved Formula Capital	-	53	53	32
Academy Capital Maintenance Fund	-	136	136	1,174
General Annual Grant (GAG)	-	13,687	13,687	7,432
Pupil Premium	-	578	578	166
16-19 Bursary	-	22	22	10
Academy Conversion grant	-	25	25	5
National College Teaching Schools	-	244	244	361
Other DfE/EFA grants	-	-	-	4
PE Teacher grant	-	30	30	8
Sponsor Capacity Grant	-	-	-	95
St Michael's Pre Opening Grant	-	-	-	200
St Michael's Environment Improvement Grant	-	100	100	-
St Michael's Start Up Grant	-	124	124	-
	-	14,999	14,999	9,487
<b>Other Government grants</b>				
SEN	-	106	106	7
Other government grants	-	183	183	145
	-	289	289	152
	-	15,288	15,288	9,639

**6. GOVERNANCE COSTS**

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Governance Auditors' remuneration	-	17	17	11
Governance Auditors' non audit costs	-	13	13	9
Finance and Human Resources	-	203	203	180
Legal, Professional fees and Consultancy	-	43	43	8
Governance expense - wages and salaries	-	31	31	-
Governance expense - NI	-	2	2	-
Governance expense - pension costs	-	5	5	-
	-	314	314	208



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

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

**7. OTHER RESOURCES EXPENDED**

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Transfer from Local Authority on conversion	-	306	306	542

**8. RESOURCES EXPENDED**

	Staff costs 2014 £000	Premises 2014 £000	Other costs 2014 £000	Total 2014 £000	Total 2013 £000
Direct costs	8,797	-	747	9,544	5,475
Allocated support costs	2,516	6,251	2,349	11,116	4,186
<b>Charitable activities</b>	<b>11,313</b>	<b>6,251</b>	<b>3,096</b>	<b>20,660</b>	<b>9,661</b>
<b>Governance</b>	<b>38</b>	<b>-</b>	<b>276</b>	<b>314</b>	<b>208</b>
<b>Transfer on conversion</b>	<b>-</b>	<b>-</b>	<b>306</b>	<b>306</b>	<b>542</b>
	<b>11,351</b>	<b>6,251</b>	<b>3,678</b>	<b>21,280</b>	<b>10,411</b>

There were no individual transactions exceeding £5,000 for:

- Ex-gratia/compensation payments
- Gifts made by the multi academy trust
- Fixed asset losses
- Stock losses
- Unrecoverable debts
- Cash losses

**9. NET INCOMING RESOURCES**

This is stated after charging:

	2014 £000	2013 £000
Depreciation of tangible fixed assets: - owned by the charity	5,085	762
Auditors' remuneration	17	11
Auditors' remuneration - non-audit	13	9

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

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

**10. CHARITABLE ACTIVITIES**

	Total funds 2014 £000	Total funds 2013 £000
<b>DIRECT COSTS - EDUCATIONAL OPERATIONS</b>		
Wages and salaries	7,164	4,086
National insurance	576	335
Pension cost	1,057	584
Educational supplies	236	194
Examination fees	169	123
Staff development	84	58
Educational consultancy	116	49
Other direct costs	142	46
	<hr/> 9,544	<hr/> 5,475
<b>SUPPORT COSTS - EDUCATIONAL OPERATIONS</b>		
Wages and salaries	2,102	959
National insurance	95	45
Pension cost	319	176
Depreciation	5,085	762
Net interest cost on pension scheme	25	35
Technology costs	187	54
Recruitment and support	29	17
Maintenance of premises and equipment	225	126
Cleaning	112	21
Rates	173	115
Energy	240	133
Insurance	211	102
Security	5	6
Transport	34	18
Catering	538	416
Occupancy costs	303	300
Bank interest and charges	-	1
Other support costs	1,433	935
	<hr/> 11,116	<hr/> 4,221
	<hr/> <hr/> 20,660	<hr/> <hr/> 9,696

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

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

**11. STAFF**

**a. Staff costs**

Staff costs were as follows:

	2014 £000	2013 £000
Wages and salaries	9,120	4,972
Social security costs	673	380
Other pension costs (Note 27)	1,381	759
	<hr/> 11,174	<hr/> 6,111
Supply staff costs	147	51
Staff restructuring costs	30	22
	<hr/> 11,351	<hr/> 6,184
	<hr/> <hr/>	<hr/> <hr/>

**b. Staff severance payments**

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £30,400 (2013: £22,300). Two of the non-statutory/non-contractual payments exceeded £5,000 individually, and these were £18,000 and £10,400.

**c. Staff numbers**

The average number of persons employed by the multi academy trust during the year was as follows:

	2014 No.	2013 No.
Leadership	16	11
Teachers	164	89
Education and Administration Support, including premises and cleaning	135	69
	<hr/> 315	<hr/> 169
	<hr/> <hr/>	<hr/> <hr/>

**d. Higher paid staff**

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

	2014 No.	2013 No.
In the band £60,001 - £70,000	4	3
In the band £70,001 - £80,000	4	3
In the band £110,001 - £120,000	0	1
In the band £130,001 - £140,000	1	0
	<hr/> 9	<hr/> 7
	<hr/> <hr/>	<hr/> <hr/>

All of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2014, pension contributions for these staff amounted to £98,000 (2013: £66,000). In 2013 an employee participated in the Local Government Pension Scheme, pension contributions amounted to £11,000.

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

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

**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 multi 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:

	2014 £000	2013 £000
M Regan, Principal	150-155	135-140
M P Shorten	85-90	85-90
J A Moorhouse (resigned 7 November 2013)	15-20	75-80
A J Frank (appointed 1 March 2013)	40-45	35-40
M B McCollom (appointed 1 March 2013)	65-70	25-30
C Peacock (appointed 1 March 2013)	55-60	20-25
F P Mackie (appointed 1 March 2013)	75-80	30-35
M Mathews	30-35	-
A Ramsey (appointed 4 November 2013)	75-80	-

During the year, no Directors received any benefits in kind (2013 - £NIL).

During the year, no Directors received any reimbursement of expenses (2013 - £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 multi 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 2014 was £2,000 (2013 - £1,000). The cost of this insurance is included in the total insurance cost.

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

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

**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 2013	22,866	126	595	24	23,611
Additions	116	58	290	-	464
Transfer on conversion	14,904	160	38	-	15,102
At 31 August 2014	37,886	344	923	24	39,177
<b>Depreciation</b>					
At 1 September 2013	962	18	101	6	1,087
Charge for the year	4,787	48	244	6	5,085
At 31 August 2014	5,749	66	345	12	6,172
<b>Net book value</b>					
At 31 August 2014	32,137	278	578	12	33,005
At 31 August 2013	21,904	108	494	18	22,524

**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 2014 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**

	2014 £000	2013 £000
Trade debtors	11	14
Amounts owed by group undertakings	3	-
VAT recoverable	111	131
Other debtors	74	94
Prepayments and accrued income	662	216
	861	455

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

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

**17. CREDITORS:**  
**Amounts falling due within one year**

	2014 £000	2013 £000
Trade creditors	442	92
Other creditors	3	-
Accruals and deferred income	304	238
	<u>749</u>	<u>330</u>
		£000
<b>Deferred income</b>		
Deferred income at 1 September 2013		87
Resources deferred during the year		217
Amounts released from previous years		(87)
		<u>217</u>
Deferred income at 31 August 2014		<u>217</u>

Deferred income includes free school meals income received in advance and 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	650	1,898	(1,632)	-	-	916
School Funds	752	126	-	71	-	949
Darlington Leadership College	110	260	(165)	-	-	205
	<u>1,512</u>	<u>2,284</u>	<u>(1,797)</u>	<u>71</u>	<u>-</u>	<u>2,070</u>

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

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

**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)	49	13,687	(12,415)	(341)	-	980
Pupil Premium	-	578	(578)	-	-	-
16-19 Bursary	-	22	(22)	-	-	-
Academy Conversion Grant	-	25	(25)	-	-	-
National College Teaching Schools	204	244	(242)	-	-	206
Other DfE/EFA grants	-	30	(30)	-	-	-
SEN	7	106	(113)	-	-	-
Other Government grants	97	183	(280)	-	-	-
Carmel College Development Fund	114	22	-	-	-	136
Carmel Teacher Training Partnership	48	-	(48)	-	-	-
St Michael's pre opening grant	-	-	(160)	160	-	-
Start up grant	-	49	(49)	-	-	-
Environment improvement grant	-	2	(2)	-	-	-
Pension reserve	(1,624)	-	(434)	-	10	(2,048)
	(1,105)	14,948	(14,398)	(181)	10	(726)

**Restricted fixed asset funds**

Devolved Formula Capital	37	53	(8)	-	-	82
Academy Capital Maintenance Fund	1,391	136	(423)	-	-	1,104
Capital expenditure from GAG	237	-	(126)	267	-	378
Legacy assets	20,630	15,102	(4,440)	-	-	31,292
Donations	19	83	(31)	-	-	71
Other capital funds	240	173	(57)	(157)	-	199
	22,554	15,547	(5,085)	110	-	33,126
Total restricted funds	21,449	30,495	(19,483)	(71)	10	32,400
Total of funds	22,961	32,779	(21,280)	-	10	34,470

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, Year 7 catch up Grant, St Michael's Start up Grant and St Michael's Environment Improvement 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 £136,000.

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.

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

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

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

Other government grants are SEN Funding, Early Years Funding and Darlington Borough Council behaviour and attendance.

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 pupil transport, 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 £267,000 has been made to Capital expenditure from GAG to reflect those items included within fixed assets which have been purchased using GAG monies. Transfers have also been made from Other capital funds and School Funds to correct the allocation of the St Michael's pre opening grant expenditure.

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

**ANALYSIS OF ACADEMIES BY FUND BALANCE**

Fund balances at 31 August 2014 were allocated as follows:

	Total £000
Carmel College	2,491
St Augustine	107
St Gregory's	143
Holy Family	173
St Michael's	294
St Bede's	151
Carmel Education Trust	33
Total before fixed asset fund and pension reserve	3,392
Restricted fixed asset fund	33,126
Pension reserve	(2,048)
Total	34,470

The Carmel College balance above includes unspent funds of £206,000 and £205,000 for National College Teaching Schools and Darlington Leadership College respectively.



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

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

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

**ANALYSIS OF ACADEMIES BY COST**

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total £000
Carmel College	4,622	914	147	2,759	8,442
St Augustine's	356	242	18	171	787
St Gregory's	550	342	16	257	1,165
Holy Family	387	217	13	192	809
St Michael's	2,835	530	52	743	4,160
St Bede's	447	228	5	136	816
Carmel Education Trust	-	-	1	15	16
	<u>9,197</u>	<u>2,473</u>	<u>252</u>	<u>4,273</u>	<u>16,195</u>

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

	Unrestricted funds 2014 £000	Restricted funds 2014 £000	Restricted fixed asset funds 2014 £000	Total funds 2014 £000	Total funds 2013 £000
Tangible fixed assets	-	-	33,005	33,005	22,524
Current assets	2,070	2,071	121	4,262	2,391
Creditors due within one year	-	(749)	-	(749)	(330)
Provisions for liabilities and charges	-	(2,048)	-	(2,048)	(1,624)
	<u>2,070</u>	<u>(726)</u>	<u>33,126</u>	<u>34,470</u>	<u>22,961</u>

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

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

**20. CENTRAL SERVICES**

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

- Leadership and business management;
- Standards and data;
- Finance and governance.

The multi academy trust charges for these services on the following basis:

- Pupil numbers;
- The phases provided by the academy (including nursery and sixth form);
- The overall budget of the academy.

The multi 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, Governance Manager, Data Manager and Family Support and Attendance Lead who work across the MAT.

The actual amounts charged during the year were as follows:

	2014 £000
Carmel College	160
St Augustine's	40
St Gregory's	50
Holy Family	40
St Michael's	115
St Bede's	30
Total	<u>435</u>

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

	2014 £000	2013 £000
Net incoming resources before revaluations	11,499	12,269
Returns on investments and servicing of finance	(35)	(29)
Cash received on conversion	(55)	(145)
Assets inherited on conversion	(15,102)	(11,053)
Depreciation of tangible fixed assets	5,085	762
Capital grants from DfE	(189)	(1,217)
Increase in debtors	(406)	(257)
Increase/(decrease) in creditors	419	(616)
Pension deficit inherited on conversion	306	542
FRS 17 adjustments	128	71
<b>Net cash inflow from operations</b>	<u>1,650</u>	<u>327</u>

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

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

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

	2014 £000	2013 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	35	29
	<u>35</u>	<u>29</u>
	2014 £000	2013 £000
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(464)	(1,811)
Capital grants from DfE	189	1,217
	<u>(275)</u>	<u>(594)</u>
<b>Net cash outflow capital expenditure</b>	<u>(275)</u>	<u>(594)</u>

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

	1 September 2013 £000	Cash flow £000	Other non-cash changes £000	31 August 2014 £000
Cash at bank and in hand:	1,936	1,465	-	3,401
<b>Net funds</b>	<u>1,936</u>	<u>1,465</u>	<u>-</u>	<u>3,401</u>

**24. CONVERSION TO AN ACADEMY TRUST**

On 1 September 2014 St Michael's Secondary School and on 1 December 2014 St Bede's 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 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.

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

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

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Total funds £000
Tangible fixed assets				
- Freehold/leasehold land and buildings	-	-	14,904	14,904
- Other tangible fixed assets	-	-	198	198
Other assets	55	-	-	55
Net assets/(liabilities)	55	-	15,102	15,157

The above net assets include £55,000 that were transferred as cash.

## 25. RELATED PARTY TRANSACTIONS

Owing to the nature of the multi 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 multi academy trust's financial regulations and normal procurement procedures.

During the period to 7 November 2013 procurement of IT equipment and IT services of £5,000 (2013:£45,000) were purchased from GKM Technical Services, a company in which J A Moorhouse's husband has a controlling interest. As at 31 August 2014 there was no balance outstanding (2013:£Nil).

During the period procurement of Catholic education support services of £18,000 (2013:£36,000) were purchased from Diocese of Hexham and Newcastle, a company in which Rev J Butters is also a director. As at 31 August 2014 £1,000 (2013:£Nil) was owed to Diocese of Hexham and Newcastle.

During the period procurement of event sound and lighting services of £1,000 (2013:£1,000) were purchased from Peter Shorten Productions, a company in which M P Shorten's son has a controlling interest. As at 31 August 2014 £1,000 (2013:£Nil) was owed to Peter Shorten Productions.

During the period annual contributions were paid amounting to £31,000 (2013:£Nil) to Hexham & Newcastle Catholic Partnership, a company in which M Regan & A Ramsey are also directors of. As at 31 August 2014 there was no balance outstanding.

During the period procurement of event services of £27,000 (2013:£Nil) were purchased from Youth Ministry Trust, a company in which M Matthews is also a director. As at 31 August 2014 there was no balance outstanding.

During the period teacher training was provided to the value of £12,000 (2013:£Nil) to St Bede's R C Primary School, Darlington, a school in which M Shorten's wife is the headteacher. As at 31 August 2014 there was no balance outstanding.

During the period support services were provided to the primary schools by Carmel Community Services Limited, a wholly owned subsidiary of Carmel Education Trust. As at 31 August 2014 £3,000 (2013:£Nil) was owed from Carmel Community Services Limited.

In entering into the above transactions the trust has complied with the requirements of the EFA's Academies Financial Handbook.

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

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

**26. CAPITAL COMMITMENTS**

At 31 August 2014 the multi academy trust had capital commitments as follows:

	2014 £000	2013 £000
Contracted for but not provided in these financial statements	179	-

**27. PENSION COMMITMENTS**

The multi 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 2013.

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

**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

The total contributions made for the year ended 31 August 2014 was £1,492,000, of which employer's contributions totalled £869,000 and employees' contributions totalled £623,000. The agreed contribution rates for future years are 14.1% for employers and 6.4 - 12.5% for employees.

**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

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

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

**27. PENSION COMMITMENTS (continued)**

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.

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

**Teachers' Pension Scheme Changes**

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

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall 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 have been phased in from April 2012 on a 40:80:100% basis.

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The multi academy trust is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the multi 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 multi 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 2014 was £542,000, of which employer's contributions totalled £409,000 and employees' contributions totalled £133,000. The agreed contribution rates for future years are 13.9% and 14.6% for employers and 5.5-12.5% for employees.

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

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

**27. PENSION COMMITMENTS (continued)**

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:

	2014 £000	2013 £000
Present value of funded obligations	(6,169)	(3,975)
Fair value of scheme assets	4,121	2,351
	<hr/>	<hr/>
Net liability	(2,048)	(1,624)
	<hr/>	<hr/>

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

	2014 £000	2013 £000
Current service cost	(512)	-
Interest on obligation	(245)	(119)
Expected return on scheme assets	220	84
Current service cost	-	(258)
	<hr/>	<hr/>
Total	(537)	(293)
	<hr/>	<hr/>
Actual return on scheme assets	149	104
	<hr/>	<hr/>

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

	2014 £000	2013 £000
Opening defined benefit obligation	3,975	2,058
Current service cost	512	-
Interest cost	245	119
Contributions by scheme participants	133	66
Actuarial Losses	48	15
Current service costs	-	258
Benefits paid	(58)	23
Transferred from Local Authority	1,314	1,436
	<hr/>	<hr/>
Closing defined benefit obligation	6,169	3,975
	<hr/>	<hr/>

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

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

**27. PENSION COMMITMENTS (continued)**

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

	2014 £000	2013 £000
Opening fair value of scheme assets	2,351	1,042
Expected return on assets	220	84
Actuarial gains and (losses)	58	20
Contributions by employer	409	222
Contributions by employees	133	66
Benefits paid	(58)	23
Transferred from Local Authority	1,008	894
	4,121	2,351

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses was £331,000 loss (2013 - £281,000 loss).

The multi academy trust expects to contribute £385,000 to its Defined Benefit Pension Scheme in 2015.

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

	2014	2013
Equities	55.40 %	53.30 %
Property	6.60 %	7.00 %
Government bonds	26.00 %	28.00 %
Corporate bonds	8.60 %	9.40 %
Cash	3.40 %	2.30 %
Other	- %	- %

**Durham County Council Pension Fund**

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

	2014	2013
Discount rate for scheme liabilities	3.70 %	4.50 %
Rate of increase to deferred pensions	2.10 %	2.80 %
Rate of increase in salaries	3.60 %	4.70 %
Rate of increase for pensions in payment / inflation	2.10 %	2.80 %
Inflation assumption (CPI)	2.10 %	2.80 %
Inflation assumption (RPI)	3.10 %	3.70 %

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

	2014	2013
Retiring today		
Males	24.7	22.1
Females	27.3	24.3
Retiring in 20 years		
Males	22.5	23.9
Females	25.0	26.2



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

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

**27. PENSION COMMITMENTS (continued)**

Teesside Pension Fund

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

	2014	2013
Discount rate for scheme liabilities	3.70 %	4.50 %
Rate of increase to deferred pensions	2.10 %	2.50 %
Rate of increase in salaries	3.60 %	4.40 %
Rate of increase for pensions in payment / inflation	2.10 %	2.50 %
Inflation assumption (CPI)	2.10 %	2.50 %
Inflation assumption (RPI)	3.10 %	3.40 %

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

	2014	2013
Retiring today		
Males	22.9	19.2
Females	25.4	23.2
Retiring in 20 years		
Males	25.1	21.1
Females	27.7	25.1

Amounts for the current and previous two periods are as follows:

Defined benefit pension schemes

	2014 £000	2013 £000	2012 £000
Defined benefit obligation	(6,169)	(3,975)	(2,058)
Scheme assets	4,121	2,351	1,042
Deficit	(2,048)	(1,624)	(1,016)
Experience adjustments on scheme liabilities	(48)	(15)	(306)
Experience adjustments on scheme assets	58	20	20

**28. OPERATING LEASE COMMITMENTS**

At 31 August 2014 the multi academy trust had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Expiry date:</b>				
Within 1 year	-	-	24	-
Between 2 and 5 years	-	-	4	23
After more than 5 years	-	-	2	-