

Company Registration Number: 07808732 (England & Wales)

CARMEL EDUCATION TRUST

(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS

Members

The Right Reverend R Byrne (appointed 25 March 2019)
The Right Reverend S Cunningham (resigned 25 March 2019)
D Fox
J Ledger

Directors

C L Hughes, Chair¹
Fr J Butters
Y Coates (appointed 10 July 2019)
J M Cunningham (resigned 31 August 2019)^{1,2}
P M Frank
J Long (resigned 17 December 2018)²
M Matthews²
P A McTimoney (resigned 31 August 2019)¹
C A Powell¹
M Regan OBE, DL, Chief Executive Officer and Accounting Officer¹
I Sebastine (appointed 10 July 2019)
C R Wiper²

¹ members of the Resources Committee

² members of the Audit Committee

Company registered number

07808732

Company name

Carmel Education Trust

Principal and registered office

The Headlands
Darlington
County Durham
DL3 8RW

Company secretary

Prima Secretary Limited

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REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Senior management team

M Regan OBE, DL, Chief Executive Officer
M P Shorten, Deputy CEO and Principal, Carmel College
J Weatherall, Headteacher, Holy Family RC Primary School
C Hammill, Principal, Our Lady & St Bede Catholic Academy
M McCollom, Headteacher, St Augustine's RC Primary School
B Rizzi-Allan, Headteacher, St Bede's Catholic Academy
M Tate, Headteacher, St Gregory's Catholic Academy
A Ramsey, Principal, St Michael's Catholic Academy
J Moorhouse, Business Manager
D Leane, Finance Manager
J Kenshole, Governance Manager
D King, Headteacher, St Bede's RC Primary School
B Tester, Headteacher, Our Lady of the Most Holy Rosary Catholic Academy
G Dowson Wren, Headteacher, St Joseph's Catholic Academy

Independent auditors

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

Bankers

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

Solicitors

Womble Bond Dickinson (UK) LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

CARMEL EDUCATION TRUST
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The Directors present their annual report together with the financial statements and auditors' report of the charitable company for the year 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a Directors' report and a directors' report under company law.

The Academy Trust operates three secondary and seven primary Catholic academies in the Diocese of Hexham and Newcastle, covering Darlington and Stockton-on-Tees. Its academies have a combined pupil capacity of 4,642 and had a roll of 4,839 in the school census on 16 May 2019.

The following schools joined the Academy Trust during the year:

- St Bede's RC Primary School (Darlington) – joined 1 September 2018
- Our Lady of the Most Holy Rosary RC Primary School (Billingham) – joined 1 January 2019
- St Joseph's RC Primary School (Norton) – joined 1 February 2019.

Structure, governance and management

Constitution

The Academy Trust is a charitable company limited by guarantee and an exempt charity.

The charitable company's Memorandum of Association is the primary governing document of the Academy Trust.

The Directors of Carmel Education Trust are also the Directors of the charitable company for the purposes of company law. The charitable company operates as Carmel Education Trust.

Details of the Directors who served during the year, and to the date these accounts are approved are included in the Reference and Administrative Details on page 1.

Members' liability

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

Directors' indemnities

The Academy Trust has purchased insurance to protect Directors from claims arising against negligent acts, errors or omissions occurring whilst on Academy Trust business.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Structure, governance and management (continued)

Method of recruitment and appointment or election of Directors

The Academy Trust has a set of rules and procedures setting out how it is run and how it conducts its business and meetings. These are known as the Articles of Association and set out the Academy Trust's charitable objects. The Articles detail the constitution of the Company and the rules for the appointment and removal of its Members and Directors. Members of the Company form the first governing body and are its first Directors (Trustees). They appoint a governing body to which they delegate their duties (in our case the MAT Directors). The Members of the Carmel Education Trust are as follows:

- a. The Right Reverend Robert Byrne, Bishop of Hexham and Newcastle
- b. Deborah Fox
- c. Jeff Ledger

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

Policies adopted for the induction and training of Directors

The training and induction provided for new Directors and Governors 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 the Articles of Association, Scheme of Delegation, schedule of meeting dates, Directors Code of Conduct and committee & organisational structure. All Governors 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 a year, induction tends to be done informally and is tailored specifically to the individual. During induction Directors and Governors are provided access to the NGA Learning link which provides online learning resources including Induction.

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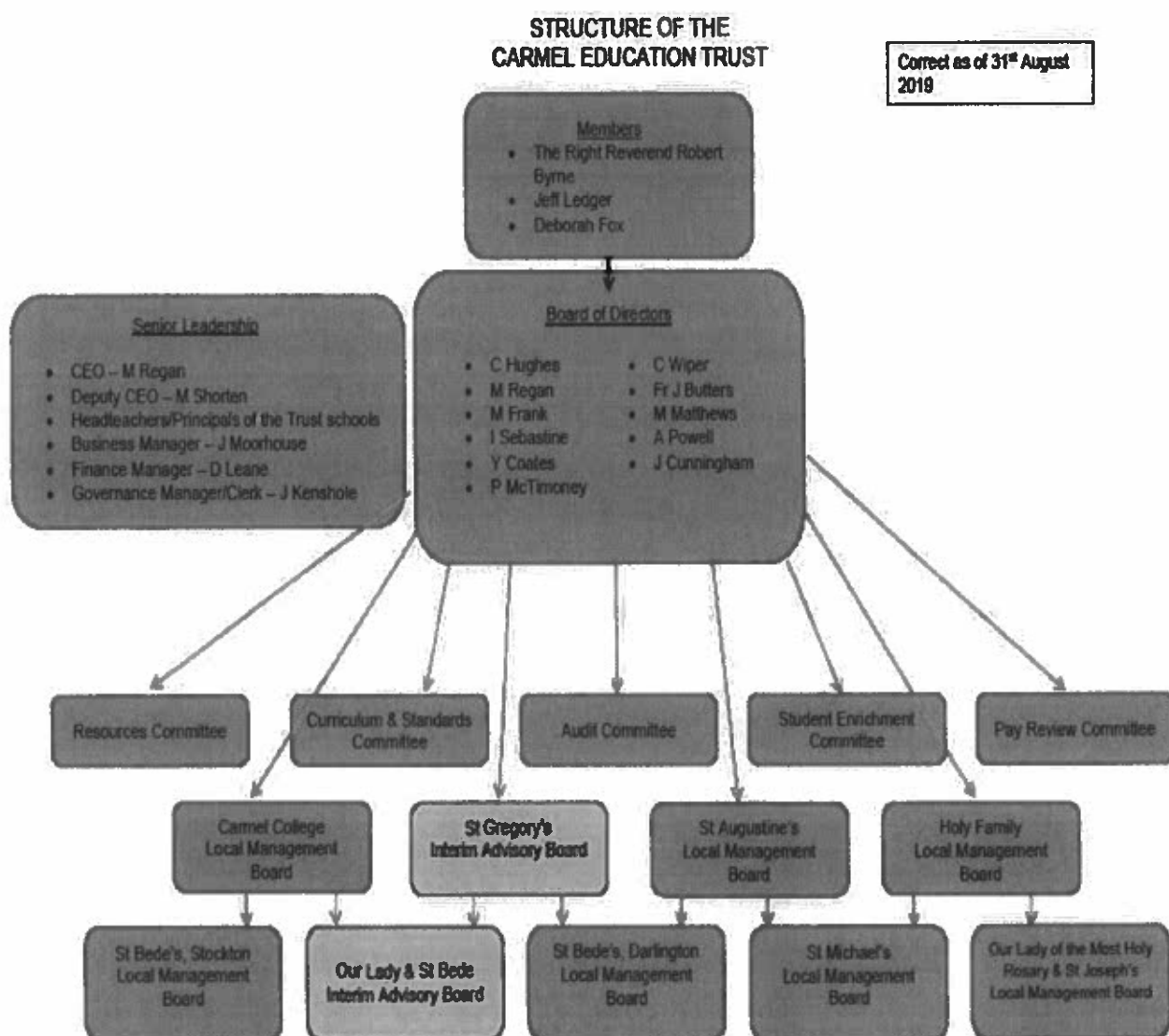
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Structure, governance and management (continued)

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 Academy Trust. The Directors are the Governors.

Each academy within the Academy Trust has its own Local Management Board to which the Academy Trust governing body (the Board of Directors) delegates functions to (through the Scheme of Delegation). Local Management Boards are committees of the Academy Trust's governing body and are accountable to the Board of Directors. Members of the Local Management Boards are not Directors (although they are referred to as) unless they are also members of the Academy Trust's Board of Directors. The Academy Trust reviewed the Scheme of Delegation in 2015 and as part of this resolved not to award the Scheme of Delegation to the Governing Body of Our Lady & St Bede Catholic Academy and instead established an Interim Advisory Board in its place. In addition, the Local Management Board of St Gregory's was dissolved in 2015 and replaced by an Interim Advisory Board. The diagram below describes the structure of a Multi Academy Trust.



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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Structure, governance and management (continued)

Arrangements for setting pay and remuneration of key management personnel

The Pay Policy for all staff, including key management personnel, is governed by the Pay Policy 2018-19 and Performance Appraisal Policy adopted by the Academy Trust. These policies include the Academy Trust's commitment that teachers are employed in accordance with the provisions of the School Teachers Pay and Conditions Document. The Academy Trust has also signed an undertaking with the Diocese of Hexham & Newcastle that it will abide by national pay and conditions.

The Pay Review Committee deals with all pay and performance matters relating to staff including the Chief Executive Officer, Principals, Headteachers and other members of key management personnel in accordance with the approved Pay Policy. At least three Directors are members of the committee none of whom are employees of the Academy Trust.

Trade union facility time

There were no employees who were relevant union officials during the period.

Related parties and other connected charities and organisations

Carmel Community Services Limited (CCS) is a 100% subsidiary of Carmel Education Trust. The principal activity of CCS is the provision of support services to primary schools.

Objectives and activities

Objects and aims

The main objects and activities of the Academy Trust are:

- a) To advance for public benefit education in the UK 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.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Objectives and activities (continued)

Objectives, strategies and activities

The Academy Trust has set out the main objectives it wants to pursue in the Trust Development Plan that was approved by Directors in May 2017. The plan sets out the Academy Trust's vision, values, outcomes and priorities for the year as follows:

Outcome 1: To ensure that our students can develop their character and resilience through an exciting offer of opportunities

Improvement theme: To harness the interests of staff and volunteers to provide a wide interest in life beyond the classroom.

Key Priorities:

To establish a strong culture of virtue / character education across the Academy Trust.
To develop the culture, vision and values of each school through the exploration of key virtues.
To develop through collaborative practice how virtues form part of our unique Catholic curriculum.

Outcome 2: To secure the highest standards of achievement for all through the provision of a broad and balanced curriculum

Improvement theme: Progression / transition between Key Stage 2 & Key Stage 3.

Our aim is to develop cohesion and continuity of a broad-based curriculum that focusses on progress from Key Stage 1 to Key Stage 5.

Key Priorities:

To develop an all-through approach to transition from primary to secondary within Academy Trust schools.
To ensure continuity of progress & standards of expectations from Key Stage 2 to Key Stage 3.
To build progressive transition partnerships.
To develop greater understanding between staff of the Key Stage 2/3 interface and curricular expectations to ensure that progress is maximised for children in our care.
Review progression between Key Stage 2 and Key Stage 4/5 as part of a seamless curriculum for the Academy Trust.

Outcome 3: Develop systems of support and a culture that nurtures resilience and promotes Agape

Improvement theme: Mental Health & Emotional Well-being

Key Priorities:

Designate a senior member of staff to be the mental health and well-being lead within each school.
To have a key member of staff trained in mental health first aid in each setting.
A clear commitment from each school to devote personnel and resources to support mental health and wellbeing in school.
To review staff well-being using the evidence-based public mental health messages produced by the New Economics Foundation.

Outcome 4 – Our behaviour systems will be positive and reflect values of reconciliation

Improvement theme: Improve attendance of vulnerable pupils.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Objectives and activities (continued)

Objectives, strategies and activities (continued)

Key Priorities:

Short-term:

Parents/carers are clear about their responsibility to report/formally request absence.

Key pupil groups and absence trends are identified through data analysis.

Staff are trained in the correct use of attendance codes and the Academy Trust procedure pathway for attendance.

Adherence to the Academy Trust Policy and Procedures is monitored by the Project Team.

Medium-term:

Successful improvement and maintenance strategies are shared.

Strategies identified through shared practice and research are implemented.

Information is shared regarding pupils with attendance issues prior to phase transition.

The importance of good attendance is highlighted to new parents/carers.

Longer-term:

Parents/carers work with school to support good attendance.

Improved attendance impacts positively on pupil/student achievement.

Particularly on disproportionately affected groups.

Outcome 5: To have collaborative, purposeful, manageable and meaningful systems for staff effectiveness and well-being

Key Priorities:

To harness the benefits of the skills and experience across the Academy Trust to give specialised support & training for middle & senior leaders across the Academy Trust.

To maximise the expertise and opportunities afforded by the Teaching School.

To develop a Trust-wide approach of 'grow your own' through 'deep' involvement in ITT, NQT & RQT training programmes.

To develop a Trust-wide coherent Recruitment & Retention Strategy that incorporates:

- i) Marketing the benefits of working within the Academy Trust.
- ii) Having a strategic overview of reducing workload whilst maintaining and improving standards.
- iii) Embrace flexible working that is innovative and which creates benefits for both staff and students.
- iv) A progressive CPD programme that is purposeful and focused on career pathways.

Outcome 6 - Teaching that is planned, resourced and delivered that engages in purposeful learning at all levels

Improvement theme: Closing the Reading & Vocabulary Gap.

Key Priorities:

To deliver training on "Repairing the text" and explicit teaching of reading skills via Academy Trust staff and specialists in literacy (Alison Potter and Chris Quigley).

To raise the profile of importance of teaching vocabulary across all key stages in particular Tier 2 words.

To further close the gap in reading attainment and progress between disadvantaged and non-disadvantaged.

To ensure that the teaching of reading is of high quality across all Academy Trust schools.

To ensure that resources for reading are of high quality and relevant.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Objectives and activities (continued)

Public benefit

The Academy Trust'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 Trust should undertake.

Strategic report

Achievements and performance

Key performance indicators

Our key Academy Trust priorities are detailed in the Objectives, Strategies and Activities section of this report. These cover all aspects of school and student life. Our key performance indicators focus on the academic results of our students and are summarised below.

Progress 8 for the Academy Trust continues to be higher than national, with performance improving on 2018. The gap between disadvantaged students within the Academy Trust and other pupils - both nationally and within the Academy Trust - is closing.

Progress 8 for all students across the secondary schools in the Academy Trust has improved from +0.08 to +0.13 an improvement of +0.05. Progress 8 for disadvantaged has improved by closing the gap by +0.33. Disadvantaged remains an area for improvement across the Academy Trust this year.

Academy Trust attainment at GCSE was also well above national.

Key Stage 4 Headline Measures	Carmel Education Trust	National
Attainment 8 Score	51.5	46.6
% achieving grade 9-4 (standard pass) in English and Maths	77.5%	64.4%
% achieving grade 9-5 (strong pass) in English and Maths	53.4%	43.0%
EBacc Average Point Score	4.38	4.07

In primary schools, Academy Trust attainment was also above national, with attainment particularly strong at the expected standard. The gap between disadvantaged students within the Academy Trust and other pupils - both nationally and within the Academy Trust - has completely closed in four of the five primary schools who were with the Academy Trust throughout the 2018/19 academic year.

Key Stage 2 Measure	Carmel Education Trust	National
% at the expected standard in reading, writing and Maths	73.2%	65%
% at a higher standard in reading, writing and Maths	12.8%	11%

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report (continued)

Achievements and performance (continued)

Key performance indicators (continued)

Key Stage 1 to 2 progress averages for the Academy Trust remain above national in all subjects:

Subject	Key Stage 1 to 2 Progress Score			
	2016	2017	2018	2019
Reading	-0.4	+1.3	+0.8	+0.5
Writing	+0.7	+1.4	+1.1	+0.5
Mathematics	0.0	+0.9	+0.5	+0.7

At A Level, Carmel College continues to achieve above both national and North East averages for each grade threshold. The A Level Value Added score for the College has also improved to +0.07, which is higher than national, with disadvantaged students achieving an outstanding value added score of +0.35.

Grade threshold	2019 GCE A Level performance		
	Carmel	National	North East
A*	9.6%	7.7%	6.7%
A*-A	31.1%	25.2%	23.0%
A*-B	57.6%	51.1%	49.7%
A*-C	81.6%	75.5%	76.3%
A*-D	95.8%	90.8%	92.2%
Pass Rate (A*-E)	99.4%	97.5%	98.3%

Extending support to others

Directors believe that an additional key role of the Academy Trust is to extend support to other schools and students. This support can be through the Carmel Teaching School Alliance or by Academy Trust participation in local, regional, national and international projects.

Carmel Teacher Training Partnership (CTTP) continues to go from strength to strength with over 90% of our trainees taking up posts in primary and secondary schools across the region. 95% of the cohort achieved good and outstanding outcomes in both QTS and PGCE. The Ofsted team recognised the 'Outstanding' work of the partnership and the central Carmel team in the Ofsted inspection 2018/19.

Maths Hub is working with 115 schools. Its work is focused on the move to a mastery curriculum, with nine Primary Mastery Specialists working with over 60 primary schools in 2018/19. It continues to grow and develop both in terms of capacity, engagement and sustainability.

The School to School Support team worked with five secondary schools outside the Academy Trust over the period 2018/19. In addition to support for many departments, we delivered 'Middle Leader' training across the schools and supported 26 Early Career Teachers as part of the external mentoring programme. All programmes are designed to meet the needs of the individuals and the schools where they work. The Teaching School continues to deliver TSST training to regional cohorts as well as internships for undergraduates in Maths and Physics. Carmel Teaching School is highly active in the recruitment and retention of teachers both locally and regionally.

We are very pleased that the Academy Trust has been recognised for its educational research into pedagogy and leadership and has been awarded Research School Status to begin Autumn 2019.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report (continued)

Achievements and performance (continued)

Extending support to others (continued)

During the year, Directors were delighted that the Academy Trust was successful in bids to be accredited Computing Hub and Sports Partnership, as well as Research School. The Academy Trust is committed to utilise the capacity of our staff to enable full active involvement in evidence based research to improve outcomes for students. We look forward to working on these and other projects in 2019/20 and beyond.

Going concern

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

Successful schools across the board

Focused leadership and school improvement support from Carmel Education Trust has continued to result in positive outcomes for students across the Academy Trust as recognised by the Ofsted inspection reports. Two of the three secondary schools that were part of the Academy Trust at 31 August 2019 were rated outstanding by Ofsted at their latest inspection, with the third rated good.

- Carmel College (Darlington) – Outstanding
- Our Lady & St. Bede Catholic Academy (Stockton) – Outstanding
- St Michael's Catholic Academy (Billingham) – Good

The Academy Trust is also proud of the achievements of the seven primary schools that were part of the Academy Trust at 31 August 2019. Two were rated outstanding by Ofsted at their latest inspection, with all others rated good.

- Holy Family RC Primary School (Darlington) – Good
- Our Lady of the Most Holy Rosary Catholic Academy (Billingham) – Outstanding
- St Augustine's RC Primary School (Darlington) – Outstanding
- St Bede's RC Primary School (Darlington) – Good
- St Bede's Catholic Academy (Stockton) – Good
- St Gregory's Catholic Academy (Stockton) – Good
- St Joseph's Catholic Academy (Norton) – Good

The Academy Trust was delighted to welcome another two primary schools on 1 September 2019:

- St Teresa's Catholic Primary School (Darlington)
- St William's Catholic Primary School (Trimdon)

All Academy Trust schools inspected in the last year maintained their Ofsted grades and so all schools are now graded good or better.

Plans for future periods

As detailed above, we welcomed St Teresa's Catholic Primary School and St William's Catholic Primary School into the Academy Trust on 1 September 2019. Carmel Education Trust remains committed to supporting additional schools and students as part of the Diocesan Academy Policy.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report (continued)

Financial review

Most of the Academy Trust's income is obtained from the Department of Education (DfE) via the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/ESFA during the year ended 31 August 2019 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Academy Trust also received grants for fixed assets from the DfE/ESFA. In accordance with the Charities SORP (FRS 102), such grants are shown under 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, the Academy Trust receives income from DfE/ESFA for its activities as a Teaching School. During the year ended 31 August 2019, the Academy Trust received total income of £979,000 relating to this activity.

During the year ended 31 August 2019, total expenditure of £28,147,000 was exceeded by recurrent grant funding from DfE/ESFA together with other incoming resources. The excess of expenditure over income for the year (before transfers and actuarial gains, and excluding fixed asset funds) was £68,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the Academy Trust's objectives.

The in-year surplus, excluding the pension reserve and restricted fixed asset funds, was £1,290,000.

At 31 August 2019 net book value of fixed assets was £10,368,000 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 Trust.

The provisions of Financial Reporting Standard (FRS) 102 have been applied in full in respect of LGPS pension scheme, resulting in a deficit of £9,876,000 recognised on the Balance Sheet.

The Academy Trust held fund balances as at 31 August 2019 of £6,235,000. This comprises the deficit pension reserve of £9,876,000, restricted fixed asset funds of £10,851,000, restricted income funds of £1,723,000 and unrestricted funds of £3,537,000.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report (continued)

Financial review (continued)

Reserves Policy

The level of reserves is reviewed by Directors regularly throughout the year. The minimum level of reserves for the ongoing needs of the 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 are particularly mindful of the uncertainty in both revenue and capital funding in the future and 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 £5,000,000 at this stage of the Academy Trust's expansion.

Part of these unrestricted funds are held to cover specific revenue risks identified in relation to:

- Implementation of the national funding formula including the soft formulae in 2019/20 and 2020/21 where the calculation of school budget shares will remain with local authorities
- Future government funding restrictions
- Increases in employer contribution rates for national insurance and pension (teachers and support staff)
- Leadership and management capacity for potential trust expansion as a result of Diocesan proposals for academisation and multi-academy trusts
- An academy within the Academy Trust receives an unsatisfactory Ofsted judgement
- Management capacity for large-scale procurement exercises and to implement efficiency programme / contract management
- Information governance/ information security
- Business continuity planning
- Sustainability of faith and associated school transport policy for Carmel College and Stockton schools.

Part of these unrestricted funds are held to cover specific capital risks identified in relation to:

- Expansion / refurbishment of school sites
- Fire alarm system upgrades
- Boiler replacements / energy efficiency upgrades
- Window replacements / fascia upgrades
- Site safeguarding / car park projects
- Toilet upgrades
- Sports hall roof
- Outdoor canopy
- Sports hall flooring
- Extension to kitchen to provide store
- PC / laptop / iPad / compliance with latest operating platforms.

The individual school balances detailed in note 18 form the Academy Trust's reserves of £5,260,000. After deducting the restricted income funds of £1,723,000, the Academy Trust's current level of reserves are £3,537,000 and therefore considered to be lower than the level of free reserves required for the ongoing needs of the expanding Academy Trust.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report (continued)

Financial review (continued)

Investment 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
- Banks registered with the Financial Services Compensation Scheme
- Credit Unions

Interest rates are reviewed prior to each investment. This policy maximises investment return whilst minimising risks to the principal sum.

Principal risks and uncertainties

The principal risks and uncertainties are centered on changes in the level of funding from DfE/ESFA. In addition, the Academy Trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant deficit on the Academy Trust Balance Sheet.

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

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

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.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Employee Involvement and employment of the disabled

The Academy Trust complies with the requirements of the Equality Act 2010. The specific duties require our schools:

- to publish information to demonstrate how they are complying with the Public Sector Equality Duty, and
- to prepare and publish equality objectives.

The Equality Information and objectives for each of our academies are published on their respective websites. Academies are required under the Equality Act 2010 to carry out accessibility planning for disabled pupils. As such they must prepare and implement accessibility plans which are aimed at:

- increasing the extent to which disabled pupils can participate in the curriculum;
- improving the physical environment of schools to enable disabled pupils to take better advantage of education, benefits, facilities and services provided; and
- improving the availability of accessible information to disabled pupils.

Our academies include their accessibility plans as part of their SEN Information reports which are published on their websites.

Employee Consultation

The Academy Trust has its own Joint Consultative Committee with comprehensive Terms of Reference, which meets on a termly basis and is well represented by teaching and support staff unions. The Committee reviews relevant policies prior to full consultation with staff. All policies are available to staff via the Academy Trust's Sharepoint.

Prior to conversion into the Academy Trust, all staff in joining schools are provided with information relating to their rights under the Transfer of Undertakings (Protection of Employment) Regulations.

Fundraising

The Directors are aware of their duties in respect of fundraising, including the following areas covered in section 13 of the Charities (Protection and Social Investment) Act 2016 in respect of the Academy Trust's:

- approach to fundraising
- work with, and oversight of, any commercial participators / professional fundraisers
- fundraising conforming to recognised standards
- monitoring of fundraising carried out on its behalf
- fundraising complaints
- protection of the public, including vulnerable people, from unreasonably intrusive or persistent fundraising

approaches, and undue pressure to donate.

Directors are also mindful of the Charity Commission publication "Charity fundraising : a guide to Director duties (CC20)" which has been updated to reflect new requirements, including the following 6 principles that underpin the Academy Trust's responsibility for fundraising:

1. Planning effectively
2. Supervising your fundraisers
3. Protecting your charity's reputation, money and other assets
4. Identifying and ensuring compliance with the laws or regulations that apply specifically to your charity's fundraising
5. Identifying and following any recognised standards that apply to your charity's fundraising
6. Being open and accountable.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Plans for future periods

The Academy Trust is committed to being an active partner in improving the life chances for an increasing number of pupils in the communities that it serves. The Academy Trust stands ready to support formally schools and academies identified with the Diocese of Hexham & Newcastle, including the opportunities offered by Academy Trust expansion. Through the Carmel College Teaching School Alliance, the Academy Trust will also continue to promote school improvement with other partner schools. The Academy Trust carefully manages the resources required for the school improvement work it carries out and carries out regular capacity reviews.

The Directors welcomed St Teresa's RC Primary School (Darlington) and St William's RC Primary School (Trimdon) to the Academy Trust on 1 September 2019 and expect a number of other schools to join in the short to medium term.

Funds held as custodian on behalf of others


The Academy Trust does not hold any funds held as custodian Director on behalf of others.

Disclosure of information to auditors

Insofar as the Directors are aware:

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

The Directors' Report, incorporating a strategic report, was approved by order of the Board of Directors, as the company directors, on 18 December 2019 and signed on its behalf by:


C L Hughes

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

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 Officer, 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 8 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	8	8
Fr J Butters	5	8
Y Coates	0	0
J M Cunningham	8	8
P M Frank	7	8
J Long	3	3
M Matthews	6	8
P A McTimoney	7	8
C A Powell	8	8
M Regan OBE, DL, Chief Executive Officer and Accounting Officer	8	8
I Sebastine	0	0
C R Wiper	7	8

The Academy Trust undertakes a rolling programme of Governance. During the last year the Academy Trust undertook a review of governance at St Augustine's RC Primary School.

The Resources Committee is a sub-committee of the main Board of Directors. Its purpose is:

- i. 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 Academy Trust's finances, staffing and resources, including proper planning, monitoring and probity.
- ii. 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 during the year at meetings was as follows:

Director	Meetings attended	Out of a possible
J Cunningham (resigned 31 August 2019)	0	1
C Hughes	4	4
P McTimoney (resigned 31 August 2019)	3	4
A Powell	3	4
M Regan	4	4

The Audit Committee is also a sub-committee of the main Board of Directors. Its purpose is to advise the Board

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

of Directors on the adequacy and effectiveness of the Academy 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 during the year at meetings was as follows:

Director	Meetings attended	Out of a possible
J Cunningham (resigned 31 August 2019)	1	2
J Long (resigned 17 December 2018)	1	1
M Matthews	1	2
C Wiper	2	2

Review of value for money

As Accounting Officer, the Chief Executive Officer has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Academy Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Directors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Academy Trust has delivered improved value for money during the year by:

- Movement to a single bank account;
- Centralised financial processing for 9 of the 10 schools;
- Renegotiation of staff vacancy advertising, enabling free access for primary schools;
- Tendering for Health/Safety and Human Resources Advice & Guidance.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Carmel Education Trust for the year 1 September 2018 to 31 August 2019 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 Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the 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 LLP, the external auditors, to perform additional checks.

The external auditors' role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. In particular the checks carried out in the current period included:

- testing of purchase systems
- testing of accounting systems and nominal ledger
- testing of fixed assets
- testing of bank reconciliations
- testing of control account reconciliations, including VAT, payroll and trade debtor / creditors
- testing of accruals, prepayments, accrued income and deferred income
- review of Finance Manual and minutes of meetings
- focus on the financial affairs and internal procedures at new academies that have joined the Academy Trust.

On a biannual basis, the external auditors report to the Board of Directors through the Audit Committee on the operation of the systems of control and on the discharge of the Directors' financial responsibilities.

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

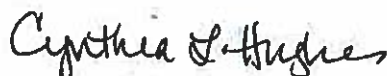
Review of effectiveness

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

- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the 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 18 December 2019 and signed on their behalf by:


C L Hughes
Chair of Trustees


M Regan OBE, DL
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 Academy Trust Board of Directors and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Academy Trust, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the Academy Trust Board of Directors are able to identify any material irregular or improper use of all funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2018.

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 ESFA.



M Regan OBE, DL
Accounting Officer
Date: 18 December 2019

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2019

The Directors (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Directors' Report and the financial statements in accordance with the Academies Accounts Direction published by the Education & Skills 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 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

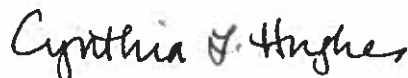
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements 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 DfE/ESFA 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 18 December 2019 and signed on its behalf by:

C L Hughes



CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

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

Opinion

We have audited the financial statements of Carmel Education Trust (the 'academy trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2019 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, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Academy Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Academy Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
CARMEL EDUCATION TRUST (CONTINUED)**

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Other information includes the Reference and Administrative Details, the Directors' Report including the Strategic Report, and the Governance Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report including the Strategic Report.

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

- adequate accounting records have not been kept, 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.

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
CARMEL EDUCATION TRUST (CONTINUED)**

Responsibilities of trustees

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

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

Auditors' responsibilities for the audit of the financial statements

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

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



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

for and on behalf of
Clive Owen LLP

Chartered Accountants
Statutory Auditors

140 Coniscliffe Road

Darlington

County Durham

DL3 7RT

18 December 2019

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO CARMEL
EDUCATION TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 19 September 2019 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, 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 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Carmel Education Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Carmel Education Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Carmel Education Trust and ESFA, 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 2018, 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 2018 to 2019. 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 2018 to 31 August 2019 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 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Review of Board of Directors and committee minutes;
- Review of Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Directors 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;

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO CARMEL
EDUCATION TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)**

Approach (continued)

- 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;
- Review an instance of gifts/hospitality to ensure in line with policy;
- Review whistleblowing procedures;
- Review pay policy and factors determining executive pay;
- Review of staff expenses;
- Review other income to ensure is in line with funding agreement;
- Review governance structure and number of meetings held; and
- Review whether there is a risk register in place.

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Reporting Accountant

Clive Owen LLP

140 Coniscliffe Road
Darlington
County Durham
DL3 7RT

Date: 18 December 2019

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2019**

	Note	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Income from:						
Donations and capital grants:	3					
Transfer from Local Authority on conversion		108	(84)	193	217	-
Acquisition of existing academy		-	(329)	895	566	-
Other donations and capital grants		-	112	1,924	2,036	1,037
Charitable activities:	4					
Funding for the academy trust's educational operations		1,704	24,191	-	25,895	21,714
Teaching schools	29	-	979	-	979	1,178
Other trading activities	5	625	-	-	625	552
Investments	6	19	-	-	19	6
Total income		2,456	24,869	3,012	30,337	24,487
Expenditure on:						
Charitable activities:	7					
Academy trust educational operations		2,814	23,067	754	26,635	22,908
Other charitable activities		-	467	-	467	-
Teaching schools	29	-	1,045	-	1,045	1,119
Other expenditure		-	-	-	-	-
Total expenditure		2,814	24,579	754	28,147	24,027
Net (expenditure)/income		(358)	290	2,258	2,190	460
Transfers between funds	18	-	(211)	211	-	-
Net movement in funds before other recognised gains/(losses) carried forward		(358)	79	2,469	2,190	460

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
(CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

		Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
	Note					
Net movement in funds before other recognised (losses)/gains brought forward		(358)	79	2,469	2,190	460
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension schemes	24	-	(3,101)	-	(3,101)	1,295
Net movement in funds		(358)	(3,022)	2,469	(911)	1,755
Reconciliation of funds:						
Total funds brought forward		3,895	(5,131)	8,382	7,146	5,391
Net movement in funds		(358)	(3,022)	2,469	(911)	1,755
Total funds carried forward		3,537	(8,153)	10,851	6,235	7,146

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

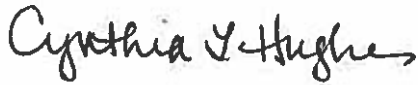
BALANCE SHEET
AS AT 31 AUGUST 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	14	10,368	8,111
		<u>10,368</u>	<u>8,111</u>
Current assets			
Debtors	15	755	792
Cash at bank and in hand		6,588	4,391
		<u>7,343</u>	<u>5,183</u>
Creditors: amounts falling due within one year	16	(1,547)	(873)
Net current assets		<u>5,796</u>	<u>4,310</u>
Total assets less current liabilities		<u>16,164</u>	<u>12,421</u>
Creditors: amounts falling due after more than one year	17	(53)	(69)
Net assets excluding pension liability		<u>16,111</u>	<u>12,352</u>
Defined benefit pension scheme liability	24	(9,876)	(5,206)
Total net assets		<u><u>6,235</u></u>	<u><u>7,146</u></u>
Funds of the Academy Trust			
Restricted funds:			
Fixed asset funds	18	10,851	8,382
Restricted income funds	18	1,723	75
		<u>12,574</u>	<u>8,457</u>
Restricted funds excluding pension asset	18	12,574	8,457
Pension reserve	18	(9,876)	(5,206)
Total restricted funds	18	<u>2,698</u>	<u>3,251</u>
Unrestricted Income funds	18	<u>3,537</u>	<u>3,895</u>
Total funds		<u><u>6,235</u></u>	<u><u>7,146</u></u>

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2019

The financial statements on pages 28 to 71 were approved by the Directors, and authorised for issue on 18 December 2019 and are signed on their behalf, by:



C L Hughes, Chair

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Net cash provided by operating activities	20	2,300	159
Cash flows from Investing activities	21	(103)	45
Change in cash and cash equivalents in the year		2,197	204
Cash and cash equivalents at the beginning of the year		4,391	4,187
Cash and cash equivalents at the end of the year	22	<u>6,588</u>	<u>4,391</u>

The notes on pages 33 to 71 form part of these financial statements

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies

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

1.1 Basis of preparation of financial statements

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historic cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Carmel Education Trust meets the definition of a public benefit entity under FRS 102.

1.2 Fund accounting

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

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

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

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

1.3 Consolidated accounts

The trust has not prepared consolidated financial statements as the results of the subsidiary, Carmel Community Services Limited, are not considered material to the financial statements.

CARMEL EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.4 Income

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

• **Grants**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the year is deducted from income and recognised as a liability.

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

• **Donations**

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

• **Other income**

Other income, including the hire of facilities, is recognised in the year it is receivable and to the extent the Academy Trust has provided the goods or services.

• **Transfer on conversion**

Where assets and liabilities are received by the Academy Trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point when the risks and rewards of ownership pass to the Academy Trust. An equal amount of income is recognised as a transfer on conversion within 'Income from Donations and Capital Grants' to the net assets received.

• **Transfer of existing academies into the Academy Trust**

Where assets and liabilities are received on the transfer of an existing academy into the Academy Trust, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point when the risks and rewards of ownership pass to the Academy Trust. An equal amount of income is recognised for the transfer of an existing academy into the Academy Trust within 'Income from Donations and Capital Grants' to the net assets acquired.

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party. It is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on charitable activities are costs incurred on the multi academy trust's educational operations, including support costs and those costs relating to the governance of the multi academy trust appointed to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

1.6 Going concern

The Directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Academy Trust to continue as a going concern. The Directors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.7 Tangible fixed assets

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.7 Tangible fixed assets (continued)

Leasehold improvements	- between 10-27 years straight line
Leasehold land	- over 125 years straight line
Furniture and equipment	- over 7 years straight line
Computer equipment	- over 3 years straight line
Motor vehicles	- over 4 years straight line

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to leasehold land and buildings.

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

1.8 Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

1.9 Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 11, chapter 3 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.

1.10 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the multi academy trust; this is normally upon notification of the interest paid or payable by the bank.

1.11 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.12 Cash at bank and in hand

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.13 Pensions

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

1.14 Liabilities and provisions

Liabilities and provisions are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the multi academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.15 Financial instruments

The Academy Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the Academy Trust and their measurement bases are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments. Amounts due from the Academy Trust's wholly owned subsidiary are held at face value less any impairment.

Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 16 and 17. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to the Academy Trust's wholly owned subsidiary are held at face value less any impairment.

1.16 Agency arrangements

The Academy trust acts as an agent in distributing Carmel Teacher Training Partnership bursary funds from the National College for Teaching and Leadership. Payments received from the National College for Teaching and Leadership and subsequent disbursements to trainee teachers are excluded from the Statement of Financial Activities as the Academy Trust does not have control over the charitable application of the funds. The funds are received and paid and any balances held are disclosed in the note 27.

1.17 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. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Our Lady of the Most Holy Rosary RC Primary School and St Joseph's Roman Catholic Voluntary Aided Primary School, Norton to the Academy Trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate Balance Sheet categories, with a corresponding amount recognised in Income from Donations and Capital Grants in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

The transfer included the land and buildings leased from Stockton Borough Council, cash balances inherited on conversion and the LGPS pension deficit.

Further details of the transaction are set out in note 23.

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

2. Critical accounting estimates and areas of judgment

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The Academy Trust trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £754,000.

Critical areas of judgment:

LGPS Pension - There are two recent court cases which could impact on the future liabilities associated with the LGPS scheme, McCloud Sargeant (McCloud) and GMP Indexation and Equalisation (GMP).

McCloud

In 2015 the government introduced reforms to public sector pensions resulting in most public sector workers being transferred to a new scheme. In December 2018, the Court of Appeal ruled that the 'transitional protections' offered to some members of the judges and firefighter schemes as part of the reforms amounted to unlawful discrimination. While the judgement was not in relation to the LGPS it is reasonable to expect that it will need to be applied to this scheme by the government. Actuaries have estimated that the additional liabilities associated with this to be around 3-4% of active liabilities. As this has been considered to be potentially material to the financial statements the year end valuation performed by the actuary has included an approximate calculation of the McCloud valuation. This has increased the LGPS liability by £474k as at 31 August 2019.

GMP

This case related to the equalisation for men and women of guaranteed minimum pension (GMP) for those who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997. In October 2018 the High Court ruled that equalisation of GMP was required. This case was in relation to Lloyds Bank and HM Treasury have since gone on record to state public sector schemes have a method to equalise GMP already. There is however some judgement in how this equalisation works and is reflected in the LGPS valuations. Actuaries have estimated that the impact of GMP indexation to be around 0.3% of total liabilities. Based on this estimate it would increase liabilities by £75k which has been assessed to be immaterial to the financial statements.

Land - Land is held under a 125 year lease from Darlington Borough Council and Stockton Borough Council. These assets are included on the Balance Sheet of the Academy Trust due to the significant risks and rewards of ownership belonging to the academy Trust, the lease term being the major part of the economic life of the assets and the assets being of such a specialised nature that only the Academy Trust could use them without major modification.

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

2. Critical accounting estimates and areas of judgment (continued)

The Academy Trust buildings are owned by the Diocese of Hexham and Newcastle. The Academy Trust occupies the buildings under a mere licence. The licence delegates aspects of the management of the buildings to the Academy Trust for the time being, but does not vest any rights over the buildings to the Academy Trust. The Diocese of Hexham and Newcastle has given an undertaking to the Secretary of State that they will not give Academy Trust less than two years notice to terminate the occupation of the buildings. Having considered the factual matrix under which the Academy Trust is occupying the buildings the Directors have concluded that the value of the buildings occupied by the Academy Trust at the date of conversion to an academy will not be recognised on the balance sheet of the Academy Trust. In addition, whilst the occupation constitutes a donation in kind to the Academy Trust, the Trustees consider that the cost of obtaining a valuation for such a donation outweighs the expense and therefore no such donation and related expense are included in the Statement of Financial Activities. Additions since conversion funded by grant bids or from GAG have been capitalised as leasehold improvements and written off over their economic life.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

3. Income from donations and capital grants

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Donations				
Transfer From Local Authority on conversion	108	193	301	-
Acquisition of existing academy	-	936	936	-
	<u>108</u>	<u>1,129</u>	<u>1,237</u>	<u>-</u>
Donations	-	730	730	54
Capital Grants	-	852	852	983
	<u>-</u>	<u>1,582</u>	<u>1,582</u>	<u>1,037</u>
Subtotal	<u>108</u>	<u>2,711</u>	<u>2,819</u>	<u>1,037</u>
Total 2018	-	1,037	1,037	

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

4. Funding for the Academy Trust's educational operations

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	20,078	20,078	17,377
Pupil Premium	-	1,076	1,076	897
PE Teacher Grant	-	104	104	71
UFSM	-	194	194	119
Rates	-	123	123	116
Year 7 Catch Up	-	34	34	32
Other DfE Group grants	-	325	325	94
NCTL grants	-	1,261	1,261	919
	-	23,195	23,195	19,625
Other government grants				
SEN	-	414	414	268
Early Years Funding	-	382	382	178
Local Authority grants	-	117	117	3
Other Government grants	-	83	83	107
	-	996	996	556
Other funding				
Income from academies	54	-	54	66
Student Trips	615	-	615	552
Student Catering	1,035	-	1,035	915
	1,704	24,191	25,895	21,714
Total 2018	1,533	20,181	21,714	

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

5. Income from other trading activities

	Unrestricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Non student catering income	12	12	13
Hire of facilities	77	77	69
Receipts from supply teacher insurance claims	160	160	89
RPA claims	3	3	-
Other income	373	373	381
	<u>625</u>	<u>625</u>	<u>552</u>

6. Investment income

	Unrestricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Bank interest	<u>19</u>	<u>19</u>	<u>6</u>

Bank interest in 2018 was all attributable to unrestricted funds.

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

7. Expenditure

	Staff Costs 2019 £000	Premises 2019 £000	Other 2019 £000	Total 2019 £000	Total 2018 £000
Academy's educational operations:					
Direct costs	15,615	-	2,326	17,941	15,051
Allocated support costs	5,567	1,513	2,081	9,161	7,857
Teaching school	285	-	760	1,045	1,119
	<u>21,467</u>	<u>1,513</u>	<u>5,167</u>	<u>28,147</u>	<u>24,027</u>
Total 2018	<u>17,652</u>	<u>1,616</u>	<u>4,759</u>	<u>24,027</u>	

In 2019 of the total expenditure, £2,814,000 (2018: £2,428,000) was to unrestricted funds and £25,333,000 (2018: £21,599,000) was to restricted funds.

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

- Gifts made by the academy
- Fixed asset losses
- Stock losses
- Unrecoverable debts
- Cash losses

A payment of £5,000 was made in relation to a compensation claim for personal injury of a staff member.
There were unrecoverable debts of £1,465 in the year.
There were no ex-gratia payments in the year.

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

8. Analysis of expenditure by activities

	Direct costs 2019 £000	Support costs 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Academy's educational operations	17,941	9,161	27,102	22,908
Total 2018	15,051	7,857	22,908	

Analysis of direct costs

	Total funds 2019 £000	Total funds 2018 £000
Staff costs	15,615	12,902
Educational supplies	1,482	1,325
Examination fees	277	249
Staff development	112	107
Technology costs	11	1
Staff expenses	5	4
Supply insurance	159	166
Transport	280	297
	17,941	15,051

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

8. Analysis of expenditure by activities (continued)

Analysis of support costs

	Total funds 2019 £000	Total funds 2018 £000
Net interest cost on pension scheme	147	139
Staff costs	5,567	4,457
Depreciation	754	686
Technology costs	257	280
Staff expenses	55	52
Maintenance of premises	155	249
Cleaning	54	38
Other premises costs	227	179
Energy	381	309
Rent & rates	125	117
RPA fees	90	74
Catering	761	630
Other insurance premiums	13	21
Operating lease rentals	12	45
Security	15	16
Other costs	243	331
Governance costs	305	234
	<u>9,161</u>	<u>7,857</u>

9. Net (expenditure)/income

Net (expenditure)/income for the year includes:

	2019 £000	2018 £000
Operating lease rentals	3	5
Depreciation of tangible fixed assets	754	686
Fees paid to auditors for:		
- audit	18	19
- other services	10	9
	<u>775</u>	<u>719</u>

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

10. Staff costs

a. Staff costs

Staff costs during the year were as follows:

	2019 £000	2018 £000
Wages and salaries	15,972	13,158
Social security costs	1,557	1,298
Operating costs of defined benefit pension schemes	3,579	2,614
	<u>21,108</u>	<u>17,070</u>
Agency staff costs	351	568
Staff restructuring costs	8	14
	<u>21,467</u>	<u>17,652</u>

Included in operating costs of defined pension schemes is a debit of £968,000 (2018: £516,000) relating to the pension deficit actuarial adjustment. Also included is an adjustment of £29,000 (2018: £nil) relating to an error in the prior year actuarial valuation. Supply staff costs includes £nil (2018: £nil) for operating costs of defined benefit pension schemes.

Staff restructuring costs comprise:

	2019 £000	2018 £000
Severance payments	8	14
	<u>8</u>	<u>14</u>

b. Non-statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £8,000 (2018: £14,000). Individually, the payments were: £5,000, £2,000 and £1,000.

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

10. Staff costs (continued)

c. Staff numbers

The average number of persons employed by the Academy Trust during the year was as follows:

	2019 No.	2018 No.
Leadership	14	11
Teachers	298	241
Education and Administration Support, including premises, cleaning and catering	372	304
	<u>684</u>	<u>556</u>

d. Higher paid staff

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

	2019 No.	2018 No.
In the band £60,001 - £70,000	11	6
In the band £70,001 - £80,000	1	2
In the band £80,001 - £90,000	4	3
In the band £100,001 - £110,000	-	2
In the band £110,001 - £120,000	2	-
	<u>2</u>	<u>-</u>

e. Key management personnel

The key management personnel of the Academy Trust comprise the Directors and the Senior management team. The total amount of employee benefits (including employer national insurance and employer pension contributions) received by key management personnel for their services to the Academy Trust was £1,191,988 (2018: £971,000).

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

11. Directors' remuneration and expenses

One or more Directors has been paid remuneration or has received other benefits from an employment with the Academy Trust. The principal and other staff Directors only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment. The value of Directors' remuneration and other benefits was as follows:

		2019 £000	2018 £000
M Matthews	Remuneration	45 - 50	40 - 45
	Pension contributions paid	0 - 5	0 - 5
M B McCollom	Remuneration	-	60 - 65
	Pension contributions paid	-	10 - 15
A Ramsey	Remuneration	-	85 - 90
	Pension contributions paid	-	10 - 15
M Regan OBE,DL	Remuneration	110 - 115	100 - 105
	Pension contributions paid	0 - 5	0 - 5
B Rizzi-Atlan	Remuneration	-	55 - 60
	Pension contributions paid	-	5 - 10
M P Shorten	Remuneration	-	105 - 110
	Pension contributions paid	-	15 - 20

During the year, no Directors received any benefits in kind (2018: £NIL).

During the year ended 31 August 2019, expenses totalling £3,000 (2018: £3,000) were reimbursed to 4 Directors (2018: 3).

12. Directors' and Officers' Insurance

In accordance with normal commercial practice, the Academy Trust has purchased insurance to protect Directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £10,000,000. It is not possible to quantify the Directors and officers indemnity element from the overall cost of the RPA scheme.

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

13. Central services

The 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 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 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, HR & Payroll Manager, IT Manager, Catering Manager and Family Support and Attendance Lead who work across the MAT.

The actual amounts charged during the year were as follows:

	2019 £000	2018 £000
Carmel College	296	253
Holy Family	63	73
Our Lady & St Bede	267	229
St Augustine's	64	73
St Bede's	73	76
St Gregory's	79	85
St Michael's	271	229
St Bede's RC Primary	78	-
Our Lady of the Most Holy Rosary	12	-
St Joseph's	14	-
Total	1,217	1,018

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

14. Tangible fixed assets

	Leasehold improve- ments £000	Leasehold land £000	Assets under construction £000	Furniture and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation							
At 1 September 2018	5,865	2,162	-	900	1,968	80	10,975
Additions	585	-	1,070	96	172	-	1,923
Acquisition of academy	833	30	-	22	10	-	895
Transfer on conversion	-	165	-	23	5	-	193
At 31 August 2019	7,283	2,357	1,070	1,041	2,155	80	13,986
Depreciation							
At 1 September 2018	730	89	-	440	1,551	54	2,864
Charge for the year	325	18	-	140	258	13	754
At 31 August 2019	1,055	107	-	580	1,809	67	3,618
Net book value							
At 31 August 2019	6,228	2,250	1,070	461	346	13	10,368
At 31 August 2018	5,135	2,073	-	460	417	26	8,111

15. Debtors

	2019 £000	2018 £000
Due within one year		
Trade debtors	83	160
Other debtors	15	9
Prepayments and accrued income	563	511
VAT repayable	94	112
	<u>755</u>	<u>792</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

16. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	75	149
Other taxation and social security	376	-
Other creditors	377	121
Accruals and deferred income	719	603
	<u>1,547</u>	<u>873</u>
	<u>1,547</u>	<u>873</u>
	2019 £000	2018 £000
Deferred income at 1 September 2018	475	371
Resources deferred during the year	320	475
Amounts released from previous periods	(475)	(371)
	<u>320</u>	<u>475</u>
	<u>320</u>	<u>475</u>

Deferred income includes Universal Infant Free School Meals income and transport income received in advance, and school trips income which straddles the academic year end.

17. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Other creditors	53	69
	<u>53</u>	<u>69</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2019 £000	2018 £000
Repayable by instalments	-	7
	<u>-</u>	<u>7</u>
	<u>-</u>	<u>7</u>

Included within other creditors is a loan of £69,000 (2018:£84,000) from the ESFA which is provided on the following terms:

Interest free loan repayable over 7 years.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

18. Statement of funds

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2019 £000
Unrestricted funds						
Unrestricted general funds	3,895	2,456	(2,814)	-	-	3,537
Restricted general funds						
General Annual Grant (GAG)	-	20,078	(18,219)	(211)	-	1,648
Pupil Premium	-	1,076	(1,076)	-	-	-
National College for Teaching and Leadership	-	2,240	(2,240)	-	-	-
Other DfE/ESFA grants	-	780	(780)	-	-	-
SEN	-	414	(414)	-	-	-
Other Government grants	-	582	(582)	-	-	-
Transfer on conversion	-	41	(41)	-	-	-
CET University Bursary	22	-	-	-	-	22
Other grants	53	112	(112)	-	-	53
Pension reserve	(5,206)	(454)	(1,115)	-	(3,101)	(9,876)
	<u>(5,131)</u>	<u>24,869</u>	<u>(24,579)</u>	<u>(211)</u>	<u>(3,101)</u>	<u>(8,153)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

18. Statement of funds (continued)

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2019 £000
Restricted fixed asset funds						
Devolved Formula Capital	271	388	(81)	-	-	578
Academy Capital Maintenance Fund	1,287	304	(91)	-	-	1,500
Capital expenditure from GAG	1,161	31	(276)	211	-	1,127
Legacy assets	2,111	223	(51)	-	-	2,283
Donations	40	22	(9)	-	-	53
Condition Improvement Fund	1,184	64	(93)	-	-	1,155
Other Government grants	583	1,575	(66)	-	-	2,092
Other DfE/ESFA capital grants	422	-	(36)	-	-	386
SCA funding	1,014	405	(39)	-	-	1,380
Other capital funds	168	-	(6)	-	-	162
Carmel College Development Fund	141	-	(6)	-	-	135
	<u>8,382</u>	<u>3,012</u>	<u>(754)</u>	<u>211</u>	<u>-</u>	<u>10,851</u>
Total Restricted funds	<u>3,251</u>	<u>27,881</u>	<u>(25,333)</u>	<u>-</u>	<u>(3,101)</u>	<u>2,698</u>
Total funds	<u>7,146</u>	<u>30,337</u>	<u>(28,147)</u>	<u>-</u>	<u>(3,101)</u>	<u>6,235</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

18. Statement of funds (continued)

Pupil Premium is additional funding to be spent as the academy trust sees fit to support deprived students. Other DfE/ESFA grants also include National College for Teaching and Leadership, PE Teacher Grants, and Year 7 catch up grant. The National College monies are towards the running of a Teaching School.

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.

SEN Funding is towards improving behaviour and attendance.

Other Government Grants are 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 24.

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 £211,000 (2018: £151,000) has been made to Capital expenditure from GAG to reflect those items included within fixed assets which have been purchased using GAG monies.

Under the funding agreement with the Secretary of State, the Academy Trustt was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019.

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

18. Statement of funds (continued)

Total funds analysis by academy

Fund balances at 31 August 2019 were allocated as follows:

	2019 £000	2018 £000
Carmel College	4,240	3,914
Holy Family	78	17
Our Lady & St Bede	246	(56)
St Augustine's	31	17
St Bede's	32	13
St Gregory's	281	241
St Michael's	(127)	(176)
St Bede's RC Primary	128	-
Our Lady of the Most Holy Rosary	30	-
St Joseph's	109	-
Carmel Education Trust	212	-
	<hr/>	<hr/>
Total before fixed asset funds and pension reserve	5,260	3,970
Restricted fixed asset fund	10,851	8,382
Pension reserve	(9,876)	(5,206)
	<hr/>	<hr/>
Total	6,235	7,146
	<hr/> <hr/>	<hr/> <hr/>

The following academy is carrying a net deficit on its portion of the funds as follows:

	Deficit £000
St Michael's	127
	<hr/> <hr/>

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

18. Statement of funds (continued)

The deficit represents a deliberate attempt by the trust to make a rapid impact at the academy. The success of this strategy is shown by the results explained in more detail in the review of activities in the Directors' report.

The Academy Trust is taking the following action to return the academy to surplus:

Working with the school to manage the funding receivable from increasing pupil numbers, focusing on two key areas. The first priority is allocating sufficient resources to enable the need of pupils to continue to be met, enabling the excellent academic results to continue. The second priority is to use the increased funding, and other savings made through the Efficiency Programme, to repay the deficit.

Total cost analysis by academy

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 2019 £000	Total 2018 £000
Carmel College	5,276	1,356	700	1,896	9,228	8,815
Holy Family	383	251	32	120	786	843
Our Lady & St Bede	2,750	855	255	699	4,559	4,233
St Augustine's	429	278	37	112	856	882
St Bede's	535	364	68	117	1,084	1,059
St Gregory's	499	427	68	141	1,135	1,099
St Michael's	3,272	760	223	707	4,962	4,623
St Bede's RC	597	341	47	177	1,162	-
Our Lady of the Most Holy Rosary	317	191	21	80	609	-
St Joseph's	372	257	31	92	752	-
Carmel Education Trust	1,373	584	-	303	2,260	1,787
Academy Trust	15,803	5,664	1,482	4,444	27,393	23,341

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

18. Statement of funds (continued)

Comparative information in respect of the preceding year is as follows:

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Unrestricted funds						
Unrestricted general funds	3,247	3,076	(2,428)	-	-	3,895
Restricted general funds						
General Annual Grant (GAG)	-	17,377	(17,221)	(156)	-	-
Pupil Premium	-	897	(897)	-	-	-
National College for Teaching and Leadership	-	1,166	(1,166)	-	-	-
Other DfE/ESFA Grants	-	355	(355)	-	-	-
SEN	-	268	(268)	-	-	-
Other Government grants	-	288	(288)	-	-	-
CET University Bursary	30	-	(8)	-	-	22
Other grants	31	77	(55)	-	-	53
Pension reserve	(5,846)	-	(655)	-	1,295	(5,206)
	<u>(5,785)</u>	<u>20,428</u>	<u>(20,913)</u>	<u>(156)</u>	<u>1,295</u>	<u>(5,131)</u>

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

18. Statement of funds (continued)

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Restricted fixed asset funds						
Devolved Formula Capital	235	86	(50)	-	-	271
Academy Capital Maintenance Fund	1,365	-	(78)	-	-	1,287
Capital expenditure from GAG	1,297	-	(292)	156	-	1,161
Legacy assets	2,153	-	(42)	-	-	2,111
Donations	41	-	(1)	-	-	40
Uplift funding	72	-	(34)	-	-	38
Condition Improvement Fund	1,284	-	(100)	-	-	1,184
Other Government grants	279	337	(33)	-	-	583
Other DfE/ESFA capital grants	10	-	-	-	-	10
SCA funding	722	325	(33)	-	-	1,014
Other capital funds	130	-	(5)	-	-	125
Carmel College Development Fund	146	-	(5)	-	-	141
England Hockey Funding	45	-	(2)	-	-	43
Unrestricted funds	150	200	(11)	-	-	339
Healthy pupil capital fund	-	35	-	-	-	35
	<u>7,929</u>	<u>983</u>	<u>(686)</u>	<u>156</u>	<u>-</u>	<u>8,382</u>
Total Restricted funds	<u>2,144</u>	<u>21,411</u>	<u>(21,599)</u>	<u>-</u>	<u>1,295</u>	<u>3,251</u>

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

18. Statement of funds (continued)

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Total funds	5,391	24,487	(24,027)	-	1,295	7,146

19. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000
Tangible fixed assets	-	-	10,368	10,368
Current assets	3,537	3,323	483	7,343
Creditors due within one year	-	(1,547)	-	(1,547)
Creditors due in more than one year	-	(53)	-	(53)
Provisions for liabilities and charges	-	(9,876)	-	(9,876)
Total	3,537	(8,153)	10,851	6,235

Analysis of net assets between funds - prior year

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Tangible fixed assets	-	-	8,111	8,111
Current assets	4,837	75	271	5,183
Creditors due within one year	(873)	-	-	(873)
Creditors due in more than one year	(69)	-	-	(69)
Provisions for liabilities and charges	-	(5,206)	-	(5,206)
Total	3,895	(5,131)	8,382	7,146

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

20. Reconciliation of net income to net cash flow from operating activities

	2019 £000	2018 £000
Net income for the year (as per Statement of Financial Activities)	2,190	460
Adjustments for:		
Depreciation	754	686
Dividends, interest and rents from investments	(19)	(6)
Capital grants from DfE and other capital income	(731)	(983)
Defined benefit pension scheme obligation inherited on conversion	454	-
Defined benefit pension scheme finance cost	1,115	655
Decrease in debtors	37	10
Increase/(decrease) in creditors	658	(663)
Transfer from local authority on conversion	(193)	-
Acquisition of existing academy	(895)	-
Donation of fixed assets from Local Authority	(1,070)	-
Net cash provided by operating activities	2,300	159

21. Cash flows from Investing activities

	2019 £000	2018 £000
Dividends, interest and rents from investments	19	6
Purchase of tangible fixed assets	(1,923)	(944)
Capital grants from DfE Group	731	983
Capital funding received from sponsors and others	1,070	-
Net cash (used in)/provided by investing activities	(103)	45

22. Analysis of cash and cash equivalents

	2019 £000	2018 £000
Cash in hand	6,588	4,391
Total cash and cash equivalents	6,588	4,391

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

23. Conversion to an academy trust

On 1 January 2019 Our Lady of the Most Holy Rosary 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 as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate heading with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as Income from Donations and Capital Grants - transfer from local authority on conversion.

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

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Total funds £000
Tangible fixed assets				
Leasehold land and buildings	-	-	57	57
Other tangible fixed assets	-	-	5	5
Current assets				
Cash - representing budget surplus on LA funds	27	-	-	27
Defined benefit pension scheme surplus/(deficit)	-	(71)	-	(71)
Net assets/(liabilities)	<u>27</u>	<u>(71)</u>	<u>62</u>	<u>18</u>

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

23. Conversion to an academy trust (continued)

On 1 February 2019 St Joseph's 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 as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate heading with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as Income from Donations and Capital Grants - transfer from local authority on conversion.

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

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Total funds £000
Tangible fixed assets				
Leasehold land and buildings	-	-	108	108
Other tangible fixed assets	-	-	23	23
Current assets				
Cash - representing budget surplus on LA funds	81	-	-	81
Defined benefit pension scheme surplus/(deficit)	-	(13)	-	(13)
Net assets/(liabilities)	81	(13)	131	199

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

24. Pension commitments

The Academy Trust's employees belong to two principal pension schemes: the Teachers' 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 multi-employer defined benefit schemes.

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

Contributions amounting to £345,000 were payable to the schemes at 31 August 2019 (2018 - £ -) and are included within creditors.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (amended) published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (amended). The valuation report was prepared for the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return is 4.45%.

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**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments (continued)

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%).

The employer's pension costs paid to TPS in the year amounted to £1,798,000 (2018 - £1,451,000).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The Academy Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy Trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £1,116,000 (2018 - £869,000), of which employer's contributions totalled £803,000 (2018 - £642,000) and employees' contributions totalled £ 271,000 (2018 - £246,000). The agreed contribution rates for future years are 16.6% for employers and 5.5-12.5% for employees.

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

Durham County Council Pension Fund

Principal actuarial assumptions

	2019 %	2018 %
Rate of increase in salaries	3.50	3.00
Rate of increase for pensions in payment/inflation	3.00	2.00
Discount rate for scheme liabilities	1.90	2.80
Inflation assumption (CPI)	2.00	2.00
Commutation of pensions to lump sums	80.00	80.00

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

	2019 Years	2018 Years
<i>Retiring today</i>		
Males	22.3	23.3
Females	23.8	25.0
<i>Retiring in 20 years</i>		
Males	24.0	25.0
Females	25.7	27.3

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

24. Pension commitments (continued)

Teesside Pension Fund

Principal actuarial assumptions

	2019 %	2018 %
Rate of increase in salaries	3.10	3.00
Rate of increase for pensions in payment/inflation	2.10	2.00
Discount rate for scheme liabilities	1.90	2.80
Inflation assumption (CPI)	2.10	2.00
Commutation of pensions to lump sums	80.00	80.00

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

	2019 Years	2018 Years
<i>Retiring today</i>		
Males	21.9	22.9
Females	23.8	25.0
<i>Retiring in 20 years</i>		
Males	23.6	25.1
Females	25.7	27.3

Sensitivity analysis

	2019 £000	2018 £000
Discount rate +0.1%	24,442	15,646
Discount rate -0.1%	25,605	16,392
Mortality assumption - 1 year increase	24,175	15,556
Mortality assumption - 1 year decrease	25,870	16,476
CPI rate +0.1%	25,240	16,247
CPI rate -0.1%	24,797	15,787

The Academy Trust's share of the assets in the scheme was:

	At 31 August 2019 £000	At 31 August 2018 £000
Equities	9,773	6,692
Government bonds	1,774	1,223
Corporate bonds	808	641
Property	1,189	788
Cash and other liquid assets	1,391	1,388
Other	206	77
Total market value of assets	15,141	10,809

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**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments (continued)

The actual return on scheme assets was £1,022,000 (2018 - £479,000).

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

	2019 £000	2018 £000
Current service cost	(1,297)	(1,129)
Past service cost	(474)	-
Interest income	369	250
Interest cost	(516)	(389)
Total amount recognised in the Statement of Financial Activities	(1,918)	(1,268)

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

	2019 £000	2018 £000
At 1 September	16,015	15,468
Conversion of academy trusts	1,693	-
Transferred in on existing academies joining the trust	1,329	-
Past service cost	474	-
Current service cost	1,297	1,129
Interest cost	516	389
Employee contributions	271	220
Actuarial losses/(gains)	3,755	(1,066)
Benefits paid	(333)	(125)
At 31 August	25,017	16,015

Changes in the fair value of the Academy Trust's share of scheme assets were as follows:

	2019 £000	2018 £000
At 1 September	10,809	9,622
Transferred in on existing academies joining the trust	959	-
Transferred out on existing academies leaving the trust	1,609	-
Interest income	369	250
Actuarial gains	654	229
Employer contributions	803	613
Employee contributions	271	220
Benefits paid	(333)	(125)
At 31 August	15,141	10,809

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

25. Operating lease commitments

At 31 August 2019 the Academy Trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	Academy Trust 2019 £000	Academy Trust 2018 £000
Amounts payable:		
Within one year	1	3
Between one and five years	-	1
	<hr/> 1	<hr/> 4
	<hr/> <hr/>	<hr/> <hr/>

26. Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which a Directors has an interest. All transactions involving such organisations are conducted in accordance with the requirement of the AFH, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the Academy Trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The following related party transactions took place in the financial period.

Expenditure Related Party Transactions

Diocese of Hexham and Newcastle - appoints the members.

The Academy Trust purchased Catholic education support services of £44,000 (2018: £35,000) during the period. There were no amounts outstanding at 31 August 2019 (2018: £nil).

The Academy Trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, which representatives of the Diocese of Hexham and Newcastle neither participated in, nor influenced.

Youth Ministry Trust - a company in which M Matthews is also a director.

The Academy Trust purchased event services of £60,000 (2018: £48,000) during the period. There were no amounts outstanding at 31 August 2019 (2018: £1,000).

The Academy Trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, which M Matthews neither participated in, nor influenced.

St Thomas of Canterbury Catholic Multi Academy Trust - a school in which Rev J Butters is a trustee.

Teacher training was provided by St Thomas of Canterbury Catholic Multi Academy Trust to the value of £5,000 (2018: £5,000). There were no amounts outstanding at 31 August 2019 (2018: £nil).

The Academy Trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, which Rev J Butters neither participated in, nor influenced.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

27. Agency arrangements

The Academy Trust distributes Carmel Teacher Training Partnership bursary funds to trainee teachers as an agent for the National College for Teaching and Leadership. In the accounting period ending 31 August 2019 the Academy Trust received £809,000 (2018: £882,000) and disbursed £898,000 (2018: £919,000) from the fund. An amount of £13,000 (2018: £102,000) is included in other creditors relating to undistributed funds that is repayable to the National College for Teaching and Leadership.

The Academy Trust distributes 16-19 Bursary funds as an agent for the ESFA. In the accounting period ending 31 August 2019 the Academy Trust received £18,000 (2018: £20,000) and disbursed £15,000 (2018: £21,000) from the fund.

CARMEL EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

28. Transfer of existing academies into the academy trust

St Bede's RC Primary School

	Value reported by transferring trust £000	Fair value adjustments £000	Transfer in recognised £000
Tangible fixed assets			
Long-term leasehold property	863	-	863
Furniture and equipment	22	-	22
Computer equipment	10	-	10
Current assets			
Debtors due after one year	19	-	19
Cash at bank and in hand	93	-	93
Liabilities			
Creditors due within one year	(68)	-	(68)
Pensions			
Pensions - pension scheme assets	959	-	959
Pensions - pension scheme liabilities	(1,354)	22	(1,332)
Net assets	<u>544</u>	<u>22</u>	<u>566</u>

CARMEL EDUCATION TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

29. Teaching school trading account

	2019 £000	2019 £000	2018 £000	2018 £000
Income				
DIRECT INCOME				
Grant funding	109		248	
Other direct income	857		923	
	<hr/>		<hr/>	
Total direct income	966		1,171	
OTHER INCOME				
Other income	13		7	
Total Income		979		1,178
Expenditure				
Direct expenditure				
Direct staff costs	188		206	
Other direct costs	657		699	
	<hr/>		<hr/>	
Total direct expenditure	845		905	
Other expenditure				
Other staff costs	97		87	
Other support costs	103		127	
	<hr/>		<hr/>	
Total other expenditure	200		214	
Total expenditure		1,045		1,119
(Deficit)/surplus from all sources		(66)		59
Teaching school balances at 1 September 2018		66		7
	<hr/>	<hr/>	<hr/>	<hr/>
Teaching school balances at 31 August 2019		-		66

