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**TUDHOE LEARNING TRUST**  
**(A company limited by guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

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**1. ACCOUNTING POLICIES**

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

**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 historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their 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 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Tudhoe Learning Trust constitutes a public benefit entity as defined by FRS 102.

**1.2 Company status**

The Trust is a company limited by guarantee registered in England and Wales. The members of the company are the Directors named on page 1. In the event of the Trust being wound up, the liability in respect of the guarantee is limited to £1 per member of the Trust.

The registered address is:

Tudhoe Colliery Primary School  
Front Street  
Tudhoe  
Spennymoor  
Durham  
DL16 6TJ

**1.3 Fund accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the 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 and include grants from the Education Funding Agency.

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**1. ACCOUNTING POLICIES (continued)**

**1.4 Income**

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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

General Annual Grant is recognised in full in the statement of financial activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

**1.5 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.

Costs of raising funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred on the Trust's educational operations, including support costs and costs relating to the governance of the Trust apportioned to charitable activities.

**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 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.

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**1. ACCOUNTING POLICIES (continued)**

**1.7 Intangible fixed assets and amortisation**

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

Amortisation is provided at the following rates:

Computer software	-	5 years straight line
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**1.8 Tangible fixed assets and depreciation**

All assets costing more than £1,000 are capitalised. Assets below this limit are treated as expenditure when purchased.

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 incorporating income and expenditure account 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 incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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 incorporating income and expenditure account.

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

Long term leasehold property	-	125 years straight line
Furniture and equipment	-	10 years straight line
Computer equipment	-	5 years straight line
Leasehold improvements	-	10 -30 years straight line

**1.9 Stocks**

Stocks are valued at cost and are resources purchased in the summer term for use in the 2016-17 year.

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**1. ACCOUNTING POLICIES (continued)**

**1.10 Taxation**

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

**1.11 Interest receivable**

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

**1.12 Debtors**

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

**1.13 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.

**1.14 Liabilities and provisions**

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. 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.

**1.15 Pensions**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 26, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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**1. ACCOUNTING POLICIES (continued)**

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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 incorporating income and expenditure account 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

**1.16 Financial instruments**

The Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

**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 Dene House Primary School, Shield Row Primary School, and South Hetton Primary School to an 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 donations - transfer from local authority on conversion in the statement of financial activities incorporating income and expenditure account and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 25.

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**1. ACCOUNTING POLICIES (continued)**

**1.18 Critical accounting estimates and areas of judgement**

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

**1.19 Changes to accounting estimate**

The academy has reviewed the policy for depreciation of long term land. In the previous year the land was not depreciated. Upon review the academy has decided that a depreciation rate of 125 years for both land and buildings would be more accurate as this will match with the life of the lease. An amendment has therefore been made to the accounting policy in order to write off the balance on land over the remaining life of the lease.

Had this policy not been changed the depreciation in the current year would decrease by £6,624 and the net book value of land would increase by £6,624.

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**2. INCOME FROM DONATIONS AND CAPITAL GRANTS**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	<i>Total funds 2015 £</i>
Funds transferred from Local Authority on conversion	197,364	(1,277,000)	6,068,354	4,988,718	-
Donations	15,960	-	-	15,960	693,323
Capital grants	-	-	561,309	561,309	285,830
Subtotal	15,960	-	561,309	577,269	979,153
Total donations and capital grants	<u>213,324</u>	<u>(1,277,000)</u>	<u>6,629,663</u>	<u>5,565,987</u>	<u>979,153</u>

In 2015, of the total income from donations and capital grants, £33,323 was to unrestricted funds, £NIL was to restricted funds and £945,830 was to restricted fixed asset funds.

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

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	<i>Total funds 2015 £</i>
<b>DfE/EFA grants</b>				
General annual grant (GAG)	-	6,555,753	6,555,753	3,547,439
Start up grant	-	-	-	285,000
Pupil premium	-	985,370	985,370	618,113
Universal free school meals	-	95,173	95,173	50,037
	-	7,636,296	7,636,296	4,500,589
<b>Other government grants</b>				
Funding for higher educational needs	-	110,950	110,950	154,439
Early year's funding	-	248,430	248,430	180,244
Growth fund	-	45,080	45,080	27,239
	-	404,460	404,460	361,922
<b>Other funding</b>				
Other grant income	-	1,000	1,000	4,547
	-	1,000	1,000	4,547
	-	8,041,756	8,041,756	4,867,058

In 2015, of the total income from charitable activities, £NIL was to unrestricted funds, £4,867,058 was to restricted funds and £NIL was to restricted fixed asset funds.



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**4. OTHER TRADING ACTIVITIES**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
School fund - trips	98,312	-	98,312	36,788
Before and after school clubs	64,347	-	64,347	35,089
Other fundraising	94,024	-	94,024	42,421
Contributions towards family worker	-	9,070	9,070	9,521
Catering	110,015	-	110,015	61,138
Supply teacher insurance claims	33,489	-	33,489	21,478
Staff recharges	30,492	-	30,492	-
	<u>430,679</u>	<u>9,070</u>	<u>439,749</u>	<u>206,435</u>

In 2015, of the total income from trading activities, £196,914 was to unrestricted funds, £9,521 was to restricted funds and £NIL was to restricted fixed asset funds.

**5. INVESTMENT INCOME**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Bank interest received	1,659	-	1,659	1,320

In 2015, of the total investment income, £1,320 was to unrestricted funds, £NIL was to restricted funds and £NIL was to restricted fixed asset funds.

**6. EXPENDITURE**

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Expenditure on raising voluntary income	-	-	129,493	129,493	58,726
Activities:					
Direct costs	4,131,732	-	840,585	4,972,317	2,737,290
Support costs	2,765,617	410,338	802,617	3,978,572	2,267,513
	<u>6,897,349</u>	<u>410,338</u>	<u>1,772,695</u>	<u>9,080,382</u>	<u>5,063,529</u>

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**7. RAISING FUNDS**

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	<i>Total funds 2015 £</i>
Trips and activities	26,094	-	26,094	29,791
Residential trips	82,915	-	82,915	12,736
Other costs	9,113	-	9,113	8,962
Fundraising costs	11,371	-	11,371	7,237
	<u>129,493</u>	<u>-</u>	<u>129,493</u>	<u>58,726</u>

In 2015, of the total expenditure on raising funds, £58,726 was to unrestricted funds, £NIL was to restricted funds and £NIL was to restricted fixed asset funds.

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**8. CHARITABLE ACTIVITIES**

	<b>Total funds 2016 £</b>	<i>Total funds 2015 £</i>
<b>DIRECT COSTS - EDUCATIONAL OPERATIONS</b>		
Wages and salaries	3,278,702	1,824,354
National insurance	290,706	137,332
Pension cost	562,324	284,512
Educational supplies	746,518	401,639
Staff development	61,545	31,435
Staff absence insurance	32,522	36,307
Start up costs	-	29,711
	<b>4,972,317</b>	<b>2,745,290</b>
<b>SUPPORT COSTS - EDUCATIONAL OPERATIONS</b>		
Wages and salaries	2,315,711	1,206,217
National insurance	137,036	76,913
Pension cost	312,870	124,463
Depreciation	164,140	69,199
Catering	333,162	218,108
Maintenance of premises and equipment	165,055	155,224
Energy costs	107,649	70,608
Security & transport	36,009	17,895
Cleaning	16,868	18,661
Staff Absence Insurance	22,096	7,831
Rates	64,905	33,770
Insurance	56,641	62,542
Other support costs	13,303	14,265
Human resources, payroll & occupational health	36,455	26,133
Pension finance cost	95,000	47,000
ICT equipment	67,348	74,054
Governance costs (note 9)	26,440	60,746
Amortisation	7,884	7,884
	<b>3,978,572</b>	<b>2,291,513</b>
 Total Academy's educational operations	<b>8,950,889</b>	<b>5,036,803</b>

In 2015, of the total expenditure on charitable activities, £314,358 was to unrestricted funds, £4,613,363 was to restricted funds and £77,082 was to restricted fixed asset funds.

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**9. EXPENDITURE ON GOVERNANCE**

	2016	2015
	£	£
Accountancy fees	4,854	2,347
Auditors' remuneration	14,000	8,200
Legal and professional fees	2,552	21,368
Start up costs	5,034	28,831
	<hr/>	<hr/>
Total	<b>26,440</b>	<b>60,746</b>
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**10. NET INCOMING RESOURCES/(RESOURCES EXPENDED)**

This is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets:		
- owned by the charity	164,140	69,199
Amortisation of intangible fixed assets	7,884	-
Auditors' remuneration	14,000	8,200
Accountancy fees	4,854	2,347
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. STAFF COSTS**

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	5,493,624	2,957,957
Social security costs	427,742	214,245
Operating costs of defined benefit pension schemes	875,194	408,975
	<u>6,796,560</u>	<u>3,581,177</u>
Supply teacher costs	91,415	72,614
Staff restructuring costs	9,374	-
	<u><u>6,897,349</u></u>	<u><u>3,653,791</u></u>

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

	2016 No.	2015 No.
Teaching staff	89	50
Admin and support	169	68
Management	1	1
	<u>259</u>	<u>119</u>

Average headcount expressed as a full time equivalent:

	2016 No.	2015 No.
Teaching Staff	83	50
Admin and support	116	68
Management	1	1
	<u>200</u>	<u>119</u>

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

	2016 No.	2015 No.
In the band £60,001 - £70,000	4	2
In the band £70,001 - £80,000	2	0
In the band £90,001 - £100,000	1	1

Included in staff restructuring costs is one non-statutory/non-contractual severance payments totalling £9,374 (2015: £nil).

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**11. STAFF COSTS (continued)**

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £247,865 (2015: £237,397).

**12. CENTRAL SERVICES**

The Trust has provided the following central services to its academies during the year:

- Teaching staff (including the time spent by Chief executive officer on running the Trust)
- Finance and administrative staff

The Trust charges for these services on the following basis:

These services are paid for by each school in the Trust based on a recharge of 4.4% of budgeted income.

The actual amounts charged during the year were as follows:

	2016	2015
	£	£
Tudhoe Colliery Primary School	39,080	-
Acre Rigg Academy	56,603	-
Victoria Lane Academy	39,600	-
Stephenson Way Academy and Nursery	75,304	-
Dene House Primary School	62,292	-
Shield Row Primary School	45,024	-
South Hetton Primary School	49,824	-
	<u>367,727</u>	<u>-</u>
Total	<u><u>367,727</u></u>	<u><u>-</u></u>

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**13. DIRECTORS' REMUNERATION AND EXPENSES**

The Chief Executive Officer and other staff Directors only receive remuneration in respect of services they provide undertaking the roles of Chief Executive Officer and staff, and not in respect of their services as Directors. Other Directors did not receive any payments, other than expenses, from the Trust in respect of their role as Directors. The value of Directors' remuneration fell within the following bands:

J Smith (Chief Executive Officer and director)  
Remuneration £95,000 - £100,000 (2015: £90,000 - £95,000)  
Employer's Pension £15,000 - £20,000 (2015: £10,000 - £15,000)

A Boustead (staff director)  
Remuneration £45,000 - £50,000 (2015: £45,000 - £50,000)  
Employer's Pension £5,000 - £10,000 (2015: £5,000 - £10,000)

During the year, no Directors received any benefits in kind (2015 - £NIL).  
During the year, no Directors received any reimbursement of expenses (2015 - £3532).

**14. DIRECTORS' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2016 was £1,095 (2015 - £2,230).

**15. INTANGIBLE FIXED ASSETS**

	<b>Computer licences £</b>
<b>Cost</b>	
At 1 September 2015 and 31 August 2016	<b>39,422</b>
<b>Amortisation</b>	
At 1 September 2015	<b>21,681</b>
Charge for the year	<b>7,884</b>
At 31 August 2016	<b>29,565</b>
<b>Carrying amount</b>	
At 31 August 2016	<b>9,857</b>
<i>At 31 August 2015</i>	<b>17,741</b>

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**16. TANGIBLE FIXED ASSETS**

	Long term leasehold property £	Furniture and equipment £	Computer equipment £	Leasehold improvements £	Total £
<b>Cost</b>					
At 1 September 2015	6,484,000	126,224	126,012	4,538	6,740,774
Additions	20,000	28,131	30,944	294,500	373,575
Transfer on conversion	5,943,000	60,000	30,000	-	6,033,000
	<u>12,447,000</u>	<u>214,355</u>	<u>186,956</u>	<u>299,038</u>	<u>13,147,349</u>
<b>Depreciation</b>					
At 1 September 2015	113,432	27,255	30,421	227	171,335
Charge for the year	109,012	19,825	34,065	1,238	164,140
	<u>222,444</u>	<u>47,080</u>	<u>64,486</u>	<u>1,465</u>	<u>335,475</u>
<b>Net book value</b>					
At 31 August 2016	<u>12,224,556</u>	<u>167,275</u>	<u>122,470</u>	<u>297,573</u>	<u>12,811,874</u>
At 31 August 2015	<u>6,370,568</u>	<u>98,969</u>	<u>95,591</u>	<u>4,311</u>	<u>6,569,439</u>

The academy continues to occupy the land and buildings which were used by the predecessor school prior to conversion. These properties were gifted to the academy on conversion on a 125 year lease by Durham County Council. The council continue to own the freehold and the academy has the right to occupy the properties for a peppercorn rent. The property is shown above in longterm leasehold property and is written off over the life of the lease.

**17. STOCKS**

	2016 £	2015 £
School supplies	<u>20,959</u>	<u>20,150</u>

**18. DEBTORS**

	2016 £	2015 £
Trade debtors	23,365	565
VAT recoverable	74,911	34,664
Prepayments and accrued income	375,835	200,361
	<u>474,111</u>	<u>235,590</u>



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

	2016	2015
	£	£
Other loans	4,176	-
Trade creditors	11,953	1,841
Other taxation and social security	128,871	60,377
Other creditors	110,567	81,776
Accruals and deferred income	673,095	735,523
	<b>928,662</b>	<b>879,517</b>
	<b>928,662</b>	<b>879,517</b>
	2016	2015
	£	£
<b>Deferred income</b>		
Deferred income at 1 September 2015	331,618	220,876
Resources deferred during the year	102,654	331,618
Amounts released from previous years	(331,618)	(220,876)
	<b>102,654</b>	<b>331,618</b>
	<b>102,654</b>	<b>331,618</b>

At the balance sheet date the Trust was holding funds received in advance in relation to grant income intended for the following academic year.

**20. CREDITORS:**  
**Amounts falling due after more than one year**

	2016	2015
	£	£
Other loans	8,457	-
	<b>8,457</b>	<b>-</b>

Other loans represent a loan from Durham County Council inherited on conversion of Shield Row Primary School.

This is repayable in installments with an interest rate of 0.825%

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**21. STATEMENT OF FUNDS**

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
<b>Unrestricted funds</b>						
General funds	222,582	645,662	(754,996)	-	-	113,248
<b>Restricted funds</b>						
General annual grant (GAG)	128,920	6,555,753	(6,421,876)	(93,967)	-	168,830
Start up grant	237,233	-	(45,086)	-	-	192,147
Development grants	93,639	-	(12,796)	-	-	80,843
Pupil premium	-	985,370	(985,370)	-	-	-
Primary Care Trust family worker	-	9,070	(9,070)	-	-	-
Higher educational needs	-	110,950	(106,108)	-	-	4,842
Early years funding	-	248,430	(248,430)	-	-	-
Growth fund	-	45,080	(45,080)	-	-	-
Universal Free School Meals	-	95,173	(95,173)	-	-	-
Community Partnership Grant	-	1,000	(1,000)	-	-	-
Pension reserve	(1,400,000)	(1,277,000)	(137,000)	-	(2,611,000)	(5,425,000)
	<u>(940,208)</u>	<u>6,773,826</u>	<u>(8,106,989)</u>	<u>(93,967)</u>	<u>(2,611,000)</u>	<u>(4,978,338)</u>
<b>Restricted fixed asset funds</b>						
Capital funds on conversion	5,546,569	6,033,000	(129,632)	-	-	11,449,937
Other capital funds	1,038,572	596,663	(77,480)	-	-	1,557,755
Capital expenditure from GAG	48,218	-	(11,285)	93,967	-	130,900
	<u>6,633,359</u>	<u>6,629,663</u>	<u>(218,397)</u>	<u>93,967</u>	<u>-</u>	<u>13,138,592</u>
Total restricted funds	<u>5,693,151</u>	<u>13,403,489</u>	<u>(8,325,386)</u>	<u>-</u>	<u>(2,611,000)</u>	<u>8,160,254</u>
Total of funds	<u><u>5,915,733</u></u>	<u><u>14,049,151</u></u>	<u><u>(9,080,382)</u></u>	<u><u>-</u></u>	<u><u>(2,611,000)</u></u>	<u><u>8,273,502</u></u>

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

General annual grant - this is the money provided to the academy for normal school running costs and the carry forward amount is included within the 2016-2017 budget for expenditure in that year. The transfer to capital represents capital assets purchased with this funding.

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

The start up and development grants brought forward were additional funding supplied upon conversion for help with the costs of conversion and for the improvement of the schools.

Pupil premium is paid based upon the number of pupils with service parents or who are entitled to free school meals. This funding has paid for support assistants within classrooms and extra resources.

The Primary Care Trust provided funding towards the salary of a family worker.

The funding for Higher Educational Needs, Early Years and the Growth fund has been spent on additional staffing in these areas.

The funding for Free School Meals has been spent on providing these meals.

Other capital funds are central government and local authority funds received for the purchase of capital equipment and expenditure on repairs projects. The amount carried forward represents assets purchased in the period at their net book value and funding yet to be spent.

**ANALYSIS OF ACADEMIES BY FUND BALANCE**

Fund balances at 31 August 2016 were allocated as follows:

	<b>Total 2016 £</b>	<i>Total 2015 £</i>
Tudhoe Colliery Primary School	<b>38,186</b>	49,261
Acre Rigg Academy	<b>151,263</b>	229,207
Victoria Lane Academy	<b>(10,606)</b>	44,892
Stephenson Way Academy and Nursery	<b>151,490</b>	138,297
Dene House Primary School	<b>853</b>	-
Shield Row Primary School	<b>(42,534)</b>	-
South Hetton Primary School	<b>69,867</b>	-
Central Services	<b>201,391</b>	220,717
Total before fixed asset fund and pension reserve	<b>559,910</b>	682,374
Restricted fixed asset fund	<b>13,138,592</b>	6,633,359
Pension reserve	<b>(5,425,000)</b>	(1,400,000)
Total	<b>8,273,502</b>	5,915,733

The following academies are carrying net deficits on their portion of the funds as follows:

<b>Name of academy</b>	<b>Amount of deficit £</b>
Victoria Lane Academy	<b>10,606</b>
Shield Row Primary School	<b>42,534</b>

The deficit has arisen due to an overspend compared to budget. In both schools these were additional staffing costs. Although in part due to the sickness of employees these were not covered by the insurance held. Shield Row also hired a new deputy headteacher while the current deputy head was on

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

maternity leave.

The Trust is taking the following action to return the academies to surplus:

The Trust is holding money on a development grant for Shield Row and this will be used to offset the deficit. Victoria Lane will be funded from reserves and will have to repay the Trust in future years.

**ANALYSIS OF ACADEMIES BY COST**

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2016 £	Total 2015 £
Tudhoe Colliery Primary School	338,283	309,003	106,081	132,319	885,686	919,781
Acre Rigg Academy	652,342	271,943	151,016	234,327	1,309,628	1,214,422
Victoria Lane Academy	407,452	308,614	71,891	135,733	923,690	935,251
Stephenson Way Academy and Nursery	814,444	533,806	105,721	208,686	1,662,657	1,705,306
Dene House Primary School	721,337	498,665	101,055	123,750	1,444,807	-
Shield Row Primary School	494,858	292,964	86,218	137,486	1,011,526	-
South Hetton Primary School	547,722	362,292	94,895	143,060	1,147,969	-
Central	155,294	188,330	29,643	149,130	522,397	211,911
	<u>4,131,732</u>	<u>2,765,617</u>	<u>746,520</u>	<u>1,264,491</u>	<u>8,908,360</u>	<u>4,986,671</u>

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

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Total funds 2015 £
Intangible fixed assets	-	-	9,857	9,857	17,741
Tangible fixed assets	-	-	12,811,874	12,811,874	6,569,439
Current assets	125,881	1,371,148	316,861	1,813,890	1,608,070
Creditors due within one year	(4,176)	(924,486)	-	(928,662)	(879,517)
Creditors due in more than one year	(8,457)	-	-	(8,457)	-
Provisions for liabilities and charges	-	(5,425,000)	-	(5,425,000)	(1,400,000)
	<u>113,248</u>	<u>(4,978,338)</u>	<u>13,138,592</u>	<u>8,273,502</u>	<u>5,915,733</u>

**23. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2016 £	2015 £
Net income for the year (as per Statement of financial activities)	4,968,769	958,437
<b>Adjustment for:</b>		
Depreciation charges	172,024	77,083
Dividends, interest and rents from investments	(1,659)	(1,320)
Increase in stocks	(809)	-
(Increase)/decrease in debtors	(238,521)	81,086
Increase in creditors	53,322	145,545
Capital grants from DfE and other capital income	(561,309)	(945,830)
Defined benefit pension scheme obligation inherited	1,277,000	-
Defined benefit pension scheme finance cost	137,000	47,000
Net gain on assets and liabilities from local authority on conversion	(6,265,718)	-
<b>Net cash (used in)/provided by operating activities</b>	<u>(459,901)</u>	<u>362,001</u>

**24. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	2016 £	2015 £
Cash in hand	1,318,820	1,352,330
<b>Total</b>	<u>1,318,820</u>	<u>1,352,330</u>

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**25. NEWLY CONVERTED ACADAMIES**

On 1 September 2015 Dene House Primary School, South Hetton Primary School, and Shield Row Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Tudhoe Learning Trust from Durham County 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 headings with a corresponding net amount recognised as a net gain in the statement of financial activities incorporating income and expenditure account as Donations - 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 incorporating income and expenditure account.

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets				
Leasehold land and buildings	-	-	5,943,000	5,943,000
- Other tangible fixed assets	-	-	90,000	90,000
Budget surplus on LA funds	200,008	35,354	-	235,362
Budget surplus on other school funds	14,131	-	-	14,131
LGPS pension deficit	-	(1,277,000)	-	(1,277,000)
Borrowing obligations	(16,775)	-	-	(16,775)
Net assets/(liabilities)	<u>197,364</u>	<u>(1,241,646)</u>	<u>6,033,000</u>	<u>4,988,718</u>

The above net assets/liabilities include £249,493 that was transferred as cash.

**26. PENSION COMMITMENTS**

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £96,616 were payable to the schemes at 31 August 2016 (2015 - 49,272) and are included within creditors.

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

**Teachers' Pension Scheme**

**Introduction**

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

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

**Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £511,810 (2015 - £241,843).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website ([www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx](http://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx)).

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

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**26. PENSION COMMITMENTS (continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £431,000 (2015 - £148,400), of which employer's contributions totalled £318,000 (2015 - £104,400) and employees' contributions totalled £113,000 (2015 - £44,000). The agreed contribution rates for future years are 14% for employers and 5.5 to 12.5% for employees.

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

Principal actuarial assumptions:

	<b>2016</b>	<i>2015</i>
Discount rate for scheme liabilities	<b>2.00 %</b>	3.80 %
Rate of increase in salaries	<b>3.40 %</b>	3.60 %
Rate of increase for pensions in payment / inflation	<b>1.90 %</b>	2.10 %
Inflation assumption (CPI)	<b>1.90 %</b>	2.10 %

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

	<b>2016</b>	<i>2015</i>
Retiring today		
Males	<b>22.7</b>	22.6
Females	<b>25.2</b>	25.1
Retiring in 20 years		
Males	<b>24.9</b>	24.8
Females	<b>27.5</b>	27.4



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**26. PENSION COMMITMENTS (continued)**

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

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	1,393,156	834,700
Government bonds	1,032,912	481,100
Property	255,040	103,700
Corporate bonds	270,980	151,300
Cash	235,912	129,200
Total market value of assets	<u>3,188,000</u>	<u>1,700,000</u>

The amounts recognised in the statement of financial activities incorporating income and expenditure account are as follows:

	2016 £	As restated 2015 £
Current service cost (net of employee contributions)	(360,000)	(202,000)
Interest cost	(95,000)	(47,000)
Total	<u>(455,000)</u>	<u>(249,000)</u>
Actual return on scheme assets	<u>449,000</u>	<u>(1,000)</u>

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

	2016 £	As restated 2015 £
Opening defined benefit obligation	3,100,000	2,808,000
Upon conversion	2,030,000	-
Current service cost	360,000	202,000
Contributions by employees	113,000	63,000
Actuarial losses/(gains)	2,961,000	(71,000)
Interest cost	194,000	105,000
Benefits paid	(145,000)	(7,000)
Closing defined benefit obligation	<u>8,613,000</u>	<u>3,100,000</u>

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**26. PENSION COMMITMENTS (continued)**

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

	<b>2016</b>	<i>As restated</i>
	<b>£</b>	<b>2015</b>
		<b>£</b>
Opening fair value of scheme assets	<b>1,700,000</b>	1,443,000
Upon conversion	<b>753,000</b>	-
Interest income	<b>99,000</b>	58,000
Actuarial gains and (losses)	<b>350,000</b>	(59,000)
Contributions by employer	<b>318,000</b>	202,000
Contributions by employees	<b>113,000</b>	63,000
Benefits paid	<b>(145,000)</b>	(7,000)
	<hr/>	<hr/>
Closing fair value of scheme assets	<b>3,188,000</b>	1,700,000
	<hr/> <hr/>	<hr/> <hr/>

**27. RELATED PARTY TRANSACTIONS**

Owing to the nature of the 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 the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

There were no such transactions in the period of account.

**28. FIRST TIME ADOPTION OF FRS 102**

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

The policies applied under the Trust's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure.

However the software costs previously capitalised as tangible fixed assets have been transferred to intangible assets. This resulted in a decrease in fixed assets of £17,741 and an increase in intangible fixed assets of £17,741.

The associated depreciation of £7,884 has been recoded as amortisation. There was no overall impact on total reserves or surplus for the year.

There has also been a restatement of the prior period figures under the LGPS. There is no difference to the overall deficit at the end of 2015 however there has been an increase in the interest and cost charged to the SOFA of £32,000 and an increase in actuarial profit of £32,000.

