

**Tees Valley Education
(A Company Limited by Guarantee)**

**Annual Report and Financial Statements
Period ended 31 August 2016**

**Company Registration Number:
09630999 (England and Wales)**

Period of account: 9th June 2015 to 31st August 2016

Tees Valley Academy

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Tees Valley Education

Trustees' Report

Reference and Administrative Details

Members	R Hodges N Newell A Smith
Trustees	R Hodges (Chair from 1 st September 2016) A Preston (Chair to 31 st August 2016) N Newell (resigned April 2016) A Griffiths K Morley, (Co-CEO, Accounting Officer from 1 st Sept 2016) A Taylor, Performance Management Lead W Twibill (Resigned May 2016) J Vickers (appointed Oct 2015) A Williams J Wilson, (Co-CEO and Accounting Officer until 31 st Aug 2016) P Scott (Appointed 1 st Sept 2016)
Company Secretary	P Curtis (Resigned 1 st September 2016) S Grant (Appointed 28 th November 2016)
Senior Management Team:	
<ul style="list-style-type: none">• Co-CEO and Executive Principal	J Wilson
<ul style="list-style-type: none">• Co-CEO and Executive Head Teacher	K Morley
<ul style="list-style-type: none">• Head of Academy	K Barkley
<ul style="list-style-type: none">• Head of Academy	K Gleave
<ul style="list-style-type: none">• Head of Academy	K Newton
<ul style="list-style-type: none">• Director of Finance and Corporate Services	P Curtis (from 13 th July 2015 to 1 st September 2016) J Christian (Interim appointment from 5 th September 2016) S Grant (permanent appointment from 28 th November 2016)
Company Name	Tees Valley Education
Principal and Registered Office	Kedward Avenue, Middlesborough, TS3 9DB
Company Registration Number	09630999 (England and Wales)
Independent Auditor	Mazars LLP Mazars House, Gelderd Road, Gildersome Leeds LS27 7JN
Bankers	Lloyds Bank plc, 102 Grey Street, Newcastle Upon Tyne, NE1 6AG
Solicitors	Winckworth Sherwood, Minerva House, 5 Montague Close, London SE1 9BB

Tees Valley Education

Trustees' Report

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period starting with incorporation on June 9th 2015 to 31st August 2016. The annual report serves the purposes of both a Trustees' report, and a directors' report under company law.

The trust operates three primary academies (two of which have substantial sized designated SEND units for a range of significant and complex medical, learning, physical and communication needs) for pupils aged 3 to 11. All academies serve communities in the North East of England (Middlesbrough and Redcar & Cleveland). It has a pupil capacity of 1,147 and had a roll of 1,077 in the school census on May 2016.

Structure, Governance and Management

Constitution

Tees Valley Education is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Trust. The Trustees of Tees Valley Education are also the directors of the charitable company for the purposes of company law. The charitable company is known as Tees Valley Education.

Details of the Trustees who served during the year 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.

Trustees' Indemnities

Subject to the provisions of the Companies Act 2006 and Article 6.3 every Trustee or other officer or auditor of the Academy Trust shall be indemnified out of the assets of the Academy Trust against any liability incurred by him in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability from negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy Trust.

Method of Recruitment and Appointment or Election of Trustees

The members entitled to appoint the Trustees are: Sister A Smith, R Hodges and N Newell. The strategic skill set of any potential new Trustee is determined and then Academy Ambassadors refer a selection of candidates for interview. The members undertake this process and elect the most suitable candidate(s) to the trust Board. Each appointment is for a period of up to four years. However, should a Trustee wish to remain, subject to them remaining eligible, any Trustee may be re-elected.

The establishment, terms of reference, constitution and membership of any committee of the directors is reviewed annually, as is the Chair person. Trustees can re-nominate themselves but the period of office for Chair, is for one year.

The Trustees appoint separate committees known as local academy committees for each academy, which operate according to the Trust's scheme of delegation. Currently, a trustee chairs each local academy committee.

The Trustees listed on page 1 appoint local academy committee members to each local academy committee according to the scheme of delegation.

Tees Valley Education

Trustees' Report (continued)

The term of office for any local academy committee member will be up to two academic years, except that limit does not apply to the Head of Academy. Subject to remaining eligible to be a particular type of governor, any governor can apply to be re-appointed or re-elected.

Policies and Procedures Adopted for the Induction and Training of Trustees

Induction is undertaken as and when required and tailored specifically to the individual. Although, given the establishment of the Trust this year, an additional half day training session was offered to all Trustees and members in the first half term. Other training is conducted as necessary and planned dependent upon the Trust priorities.

Organisational Structure

The Trustees are responsible for setting general policy, making major decisions about the strategic direction of the Trust, capital expenditure, the appointment of the Chief Executive to the Trust, Executive Headteachers and Headteachers of academies.

There are different layers of leadership and management within Tees Valley Education. There are clear divisions of accountability and responsibility.

- Trust Board: The Trust Board retain ultimate accountability and responsibility for the operation of the Trust.
- Local Academy Committees: Each academy has its own committee which is accountable to the Trust Board through the Chair and Head of Academy. Each local academy committee discharges duties on behalf of the Trust Board and works within an agreed scheme of delegation.
- Co - Chief Executive Officers: have delegated operational responsibility for the leadership and management of the Trust (including as Directors of the Teaching School).
- Heads of Academy: have delegated responsibility for the operational leadership and management of the individual academies

All Trustees and members are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they need to undertake their role as governors. They are also part of operational processes as part of their due diligence, reporting back to the Trust Board.

Arrangements for setting pay and remuneration of key management personnel

Tees Valley Education has a pay policy which details the arrangements for setting all employees pay and remuneration. Individual academy staff are on a recognised support staff pay spine or standard teacher's pay and conditions. This includes the Headteachers who are paid in accordance with the group size of the school following the national formulae. This calculation also applies to the Co-Chief Executive Officers who then also have their pay assessed by an independent recruitment specialist, as directed by the Trustees.

Related Parties and other Connected Charities and Organisations

There are currently two wholly owned subsidiary companies, Tees Valley Education Trading Limited and Tees Valley Education Teaching School Alliance Limited. Both companies are dormant.

Tees Valley Education

Trustees' Report (continued)

Objectives and Activities

Objects and Aims

The principle aim of Tees Valley Education is to provide an outstanding education for all of its pupils and thus improve their life chances. Each academy provides education for pupils of different abilities. The cohorts are mainly comprised of children drawn from the area in which the academy is situated but those children attending the designated SEND units, are from across the local authority or even neighbouring boroughs.

The Trust's motto and commitment to providing outstanding, inclusive education is: 'We are what we repeatedly do. Excellence, therefore, is not an act, but a habit.' *Aristotle*

Tees Valley Education has ongoing strategic objectives of:

- Establishing outstanding academies for local communities.
- Sharing accountability to ensure all of groups of children make progress which is at least comparable to their peers nationally.
- Creating and developing a Trust which has a strong network of academies, which are each inclusive centres of excellence for teaching, learning, curriculum, pastoral and assessments.
- Attracting, retaining and actively developing staff from all areas of the Trust to build the capacity for excellence, innovation and optimisation into the Trust.
- Ensuring good value for money.
- Proactively managing the Trusts future, whilst supporting and challenging as National Support Schools.

Public Benefit

The Trustees confirm that they have complied with the duty in section 4 of the 2006 Charity Act to have due regard to guidance published by the commission regarding public benefit.

The Trustees and committee members of each academy recognise that equal opportunities should be an integral part of practice within the workplace. The Trust actively aims to ensure equal opportunities in all areas of its work, including creating a working environment and culture in which the contribution and needs of all, are fully valued.

The Trust already supports the recruitment and retention of pupils and employees with disabilities. The Trust does this by adapting the physical environment, making reasonable adjustments and facilitating health/personal care needs.

Tees Valley Education

Trustees' Report (continued)

Strategic Report

Achievements and Performance

The figures for each of the academies listed in the table below are correct as of May 2016 census return.

Academy	Children on roll / capacity	Teachers (FTE)	Support Staff (FTE)	Date of Conversion	Most recent Ofsted grade / date
Brambles	329 / 367	19.6	18.5	September 2016	Outstanding June 2014
Dormanstown	300 / 324	20	20.2	September 2016	Good July 2015
Pennyman	448 / 456	27.6	24.1	September 2016	Outstanding July 2014
Total	1,077 / 1,147	67.2	62.8		

Attendance (Pupils and Staff) 2015/16

Academy	Pupils	Teaching Staff	Support Staff
Brambles Primary	94.8%	98.0%	98.7%
Dormanstown Primary	95.6%	97.3%	97.3%
Pennyman Primary	94.9%	99.5%	98.2%

Pupil Exclusions – fixed term

Academy	2015/16
Brambles Primary	1 pupil / 6 days
Dormanstown Primary	4 pupils / 13 days
Pennyman Primary	1 pupil / 4 days

Pupil Exclusions – permanent

Academy	2015/16
Brambles Primary	-
Dormanstown Primary	-
Pennyman Primary	-

Tees Valley Education Trustees' Report (continued)

Key Performance Indicators

KS2 data analysis 2016

		READING	GPS	MATHS	Combined
NATIONAL	NSS				
	NO. WITH 100+	66%	72%	70%	53%
	Scaled Score	103	104	103	
REDCAR	NSS				
	NO. WITH 100+	72%	77%	78%	
	Scaled Score				
MIDDLESBROUGH	NSS				
	NO. WITH 100+	61%	69%	70%	
	Scaled Score	101	103	103	
TRUST M	NSS	109	109	109	109
	NO. WITH 100+	52%	68%	72%	47%
	Scaled Score	100	102	103	
TRUST D	NSS	16	16	16	16
	NO. WITH 100+	0%	6%	6%	0%
	Scaled Score	90	93	95	
BPA	NSS	34	34	34	
	NO. WITH 100+	50%	56%	56%	50%
	Scaled Score	98	100	101	
DPA M	NSS	28	28	28	28
	NO. WITH 100+	57%	82%	89%	50%
	Scaled Score	101	103	105	
DPA D	NSS	9	9	9	9
	NO. WITH 100+	0%	11%	11%	0%
	Scaled Score	90	93	95	
PPA M	NSS	47	47	47	47
	NO. WITH 100+	51%	68%	74%	47%
	Scaled Score	100	103	103	
PPA D	NSS	7	7	7	7
	NO. WITH 100+	0%	0%	0%	0%
	Scaled Score	94	97	0	

WRITING			
	ABOVE 'ARE'	AT 'ARE'	
NATIONAL			74%
MIDDLESBROUGH			68%
REDCAR			59%
TRUST M	66%	9%	75%
TRUST D	0%	0%	0%
BPA	73%	3%	76%
DPA M	79%	0%	79%
DPA D	0%	0%	0%
PPA M	51%	21%	72%
PPA D	0%	0%	0%

UNVALIDATED PROGRESS MEASURES (ALL)		
	WRITING	MATHS
BPA	1.2	+0.6
DPA	-1.5	+2.7
PPA	+0.9	+0.3

BPA - Brambles Primary Academy
DPA - Dormanstown Primary Academy
PPA - Pennyman Primary Academy

M - Mainstream taught children
D - Designated Unit taught children
ARE - age related expectations

The data table for the end of KS2, 2015-16 is based upon 109 mainstream taught children (M) and 16 designated unit taught children (D).

Unit placement taught children are assessed using PIVATS and progress compared using CASPA to peers nationally. All mainstream measures were assessed following National SATs and moderated using portfolios.

The children made positive progress in mathematics in the individual academies and across the Trust and scaled scores of above 100 also show this. This demonstrates the effective impact of both a question level tracking system, the provision, monitoring and moderation in mathematics in each academy. It also represents value for money in the effective CPD shared across the Trust and the investment in curriculum development. Writing is a positive progress figure in two out of three academies and demonstrates their outstanding provision and core offer as judged in their Ofsted. The remaining academy was above national floor expectations and is continuing to learn from and share in the good practice and development, elsewhere the scaled score in GPS is at or above 100 in all academies demonstrating real added value in 2 of 3 academies too. Reading whilst a disappointing progress measure, was still above floor in all 3 academies, with 2 having scaled scores at or above 100. However, it is the Trust development priority for 2016/17.

Tees Valley Education

Trustees' Report (continued)

Achievement against objectives for the accounting period 2015/16

Sharing accountability to ensure all of groups of children make progress which is at least comparable to their peers nationally.

Heads of Academy were appointed in all academies to be responsible for the day to day operational running, monitoring, moderation and scrutiny of teaching and learning and pupil outcomes. An independent review of each academy was undertaken in March and shared moderation events across the Trust quality assured individual academies judgements.

A tracking system for mathematics was developed in a cross-academy working party and optimised throughout the year to monitor outcomes but most importantly progress. Age related expectations were monitored in all core subjects and Inset given across the Trust in the new assessment and accountability frameworks (especially Year 2 and Year 6). Trust staff were also involved in local authority and regional moderations as well as actually undertaking them on behalf of LA's. For the children in designated SEND units PIVATS and CASPA were used to compare attainment and progress with peers nationally. These outcomes were moderated between special academies in Middlesbrough LA and regionally.

The ongoing aim is to ensure that all of the Trust's assessment and reporting arrangements identify all significant groups of children and ensure that they make progress which is at least comparable with their peers nationally.

Creating and developing a Trust which has a strong network of academies, which are each inclusive centres of excellence for teaching, learning, curriculum, pastoral and assessments.

The academies begun the process of working more closely together and sharing good practice, resources, policies and procedures. There were maths, reading, writing and pastoral working parties established that co-created an assessment system for Curriculum 2014. The long term plan is to develop a bespoke and targeted CPD system, across the Trust from the Teaching School, which addresses both Trust and individual academy development needs as part of the 2016/17 action plan. It will also allow a pipeline of 'talent' to be nurtured thus adding further capacity to both the Trust and its offer regionally.

Attracting, retaining and actively developing staff from all areas of the Trust to build the capacity for excellence, innovation and optimisation into the Trust.

The Trust has, in its first year, ensured that all key strategic positions are filled and have appointed a growing leadership team to ensure all academies and the Trust have a robust succession plan in place. Most CPD was still undertaken at an academy level throughout 2015/16 and facilitates the individual academy's development needs. Opportunities to work across the Trust or as part of cross-academy working parties are developing and maturing. Staff are also actively encouraged to participate in local training or as moderators and SLE's with the two local authorities and Teaching School Alliances in order to share and facilitate good practice. This also underpins innovation and the Trust is now able to build further capacity and sustain excellence.

Ensuring good value for money.

Attendance KPI's demonstrate the level of intervention child and family support that each academy offers its pupils and families in its attempt to raise attainment. Overall the Trust has ensured that pupil premium spending, sports funding, SEND commissioning fees and top ups, along with the general annual grant have been spent in a manner which shows good progress overall, with pockets of outstanding progress, which represents good value for money.

Proactively managing the Trusts future, whilst supporting and challenging as National Support Schools.

Throughout the first year of being Tees Valley Education, the two 'Outstanding' academies applied for and were granted Teaching School designation with a particular remit around 'inclusion' and SEND entitlement/ provision: in mainstream, mainstream with designated units and special education. Tees Valley Education link with and support

Tees Valley Education

Trustees' Report (continued)

the development of initial teacher training (ITT) with Redcar & Cleveland SCITT. They link with other teaching alliances in Middlesbrough to produce a coherent, shared CPD offer for Middlesbrough. This also includes leadership development and research projects.

As National Support Schools, our SLE's have been deployed in Middlesbrough and Redcar & Cleveland as well as in other multi-academy trusts. This includes mainstream and special settings involving a range of projects over leadership, mathematics, teaching and learning, literacy, curriculum and being school improvement champions. The NLE's have supported a school in Redcar & Cleveland to get to 'Good' and a range of those schools and academies with designated SEND unit provisions to analyse their schools performance and therefore write their SEF. The NLE's also undertake school improvement reviews and strategic planning with Middlesbrough LA and when invited to do so by Redcar & Cleveland.

Going Concern

After making appropriate enquiries, the Board of Trustees 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.

Financial Review

The principal sources of funding for the academies are the recurrent grants from the EFA (General Annual Grant), the use of which is restricted to particular purposes. In addition to this is the receipt of Pupil Premium and SEND top up fees to fulfil the Unit Placement children's EHCP entitlement.

The three academy buildings, along with the Sure Start section in the Brambles building, are leased from local authorities for peppercorn rents over 125 years. The buildings are recognised in the financial statements as tangible fixed assets in accordance with the Academies Accounts Direction 2015-16.

During the year ended 31st August 2016, total expenditure of £6.7m was entirely covered by recurrent grant funding from the EFA together with other incoming resources. Excluding restricted fixed assets, income and expenditure and before actuarial losses there was an in year surplus of £1.4m

At 31st August 2016, the net book value of tangible fixed assets was £14m. Movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively to provide education and associated support services to the pupils of Tees Valley Education.

The deficit in Local Government Pension Scheme (LGPS) is recognised in the balance sheet in accordance with FRS 102.

Reserves Policy

Tees Valley Education is conscious of balancing holding adequate amounts of reserves to deal with the growth of the Trust and any unexpected costs arising, with the entitlement that funding is used to benefit each pupil in an academic year. The Trust has therefore decided to define a set of rules in order to manage reserves in an intelligent, consistent but proactive manner in each academy and therefore across the Trust.

The reserve fund had a balance of £1.09m at 31st August 2016. The budget reserves have been factored in to a special Free School application in Wave 12 as well as supporting the growth in centralised teaching and learning staff to support the journey for excellence in the academic year 2016/17. Due to a prudent but purposeful spend the Trustees feel that the Trust is in a 'healthy' position and in line with the policy of Academies within Tees Valley Education holding between 8-15% of normal operating costs. Moving forward, contingency will be calculated on the GAG funding only and will exclude Pupil Premium, SEND funding and top up fees as well as any capital funding.

Tees Valley Education

Trustees' Report (continued)

Investment Policy

Due to the nature of the funding cycle, the academies may at times hold large cash balances which may not be required for immediate use. The Trustees have authorised the opening of an additional investment accounts administered by the Trust to take advantage of higher interest rates. As yet no other form of investment is authorised. Surplus cash balances are placed on deposit at the Trust's bankers Lloyds Banking Group.

Principal Risks and Uncertainties

The major risks to which the Trust is exposed (as identified by the Trustees) have been reviewed and the Trust has an up to date Risk Register. This is reviewed annually and external health and safety and risk management companies advise on this. The biggest uncertainty momentarily is the outcome of the National Funding Agreement as this is the single biggest financial contributor to the Trust. The second biggest uncertainty currently being faced is the funding review around SEND designated unit placements and the locally sourced top up fees. As this income stream affects up to 105 children (approximately 10% of the Trust's population), the potential impact to staffing and provision has to be carefully managed in order to fulfil both the expectations of current EHCPs and the desire to provide outstanding provision but to also be mindful of employment law and the impact on ongoing provision mapping.

Plans for Future Periods

The Trust has planned the following for 2016-17:

- Restructure the central team with a single CEO
- Apply for a special Free School (if granted, to open in September 2018)
- Establish an internal and external Teaching School
- Add to the number of SLEs and senior leaders across the Trust to add capacity in teaching and learning
- Raise the rates of progress in reading across the Trust
- Partake in at least one educational research project to improve the literacy of children in deprived areas
- Review the Schemes of Delegation and governance controls (in readiness for growth)

Auditor

Insofar as the Trustees are aware:

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

Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 15th December 2016 and signed on the Board's behalf by:



Richard Hodges (Chair of the Trust Board, Member and Trustee)

15th December 2016

Tees Valley Education

Governance Statement

Scope of Responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that Tees Valley Education 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 Trustees has delegated the day-to-day responsibility to the Chief Executive 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 Tees Valley Education and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 4 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
A Preston (Chair)	4	4
R Hodges	3	4
N Newell (resigned April 2016)	4	4
A Griffiths	3	4
K Morley (Co-CEO)	4	4
A Taylor	2	4
W Twibill (Resigned May 2016)	1	3
J Vickers	2	2
A Williams	3	4
J Wilson (Co-CEO)	4	4

The Board was constituted for September 2015 and in that month an initial training day was held. This looked at the strategic role Trustees and Members had, key data from individual academies along with the constitution of the Trust Board and governance at Local Academy Committees. A skills audit (undertaken throughout the appointment of the Board) was shared and consequently a Vice Chair elected.

The biggest challenge for the Board was establishing itself, familiarising themselves with the Articles of Association and EFA financial handbook, along with deciding on the mechanisms through which they hold the academies and Trust to account.

Governance Reviews

The governance review commenced in June 2016, with a restructure of the central team including moving to a single CEO. This took until July, and in September a new Trustee was appointed, along with a single CEO and the FD post was vacant. That was filled on 28th November 2016 and the full review is scheduled to be completed by February 2017. There is a training day for Trustees and Members to attend and the outcomes will be shared at this point.

Governance is being assessed against the governance sections in the 'Characteristics of a Successful MAT' document published by the NSL in association with recognised tools from NGA.

The Audit and Risk Committee is a sub-committee of the main Board of Trustees. Its purpose is to, monitor the financial performance of the Trust, approve budgets and agree the scope of internal audit work and review reports issued by auditors. It also deals with the Estate management, insurance, pensions, risk register and financial planning across the Trust.

Tees Valley Education

Governance Statement (continued)

Attendance at meetings in the year 2015/16 was as follows:

Trustee	Meetings attended	Out of a possible
R Hodges	2	2
A Preston	1	2
K Morley	1	1
J Wilson	2	2

Review of Value for Money

As accounting officer the Chief Executive 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 for the academy trust has delivered improved value for money during the year in 3 main areas:

- Children making good progress especially in Maths (refer to page 6 of the Trustees Report);
- Excellence and enjoyment so all children have access to all learning situations (inclusion);
- Saving money on utility bills, staff insurances, photocopying contracts etc through Trust wide procurement procedures.

It can be improved the following year in:

- Sharing more CPD from the Teaching School (to emulate impact in Maths).
- The restructure of the central team to a single CEO and with a certified accountant.
- Securing a much improved Broadband package both in terms of download speeds and bandwidth in order to allow the Trust to use more iPads and improve STEM/technology teaching provision.

The accounting officer for the Trust has improved the use of resources to deliver better value for money during the year as follows:

- Effective impact of both a question level tracking system in Maths as well as the provision, monitoring and moderation in this subject in each academy.
- Effective CPD shared across the Trust and the investment in curriculum development.
- Sports and Pupil Premium – residentials, sports clubs, competitions, holiday clubs, breakfast clubs ensuring entitlement, health and wellbeing for all.
- Use of a Trust appointed Counsellor and Educational Psychologist, dealing with mental health, long CAHMS referral time, having an impact on families, attendance as more children are seen in school, reduction in travel time, increase in face to face therapy, parental support and 'Triple P' training etc.

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 Tees Valley Education for the period 1st September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees 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 Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1st September 2015 to 31 August 2016 and up to the date of

Tees Valley Education

Governance Statement (continued)

approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees and the Audit and Risk Committee.

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 Trustees
- regular reviews by the Audit and Risk 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 Trustees has considered the need for a specific internal audit function and has decided to appoint Mazars as internal auditor.

The Internal Auditor's 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 income streams
- testing of payroll systems
- testing of purchase systems
- testing of accounting systems

On an annual basis, the auditor reports to the Board of Trustees, through the Audit and Risk Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

Mazars carried out the Internal Audit in March 2016 and the Key Findings indicated one area where significant improvement was required, the recommendations relating to this observation were implemented immediately. There were also two recommendations in the area of housekeeping and, again, these have been addressed.

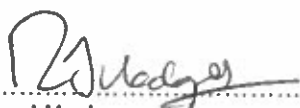
Review of Effectiveness

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

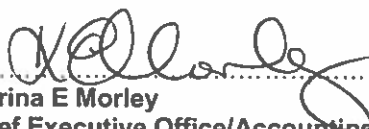
- the work of the internal auditor;
- the work of the external auditor;
- feedback from visits to academies and testing of internal controls;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the 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 and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 15th December 2016 and signed on its behalf by:



Richard Hodges
Member/Trustee and Chair of the Trust Board



Katrina E Morley
Chief Executive Office/Accounting Officer

Tees Valley Education Governance Statement (continued)

Statement of Regularity, Propriety and Compliance

As accounting officer of Tees Valley Education I have considered my responsibility to notify the academy trust Board of Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the academy trust Board of Trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

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 Trustees and EFA.

As reported in the Independent Reporting Accountant's Assurance Report on Regularity to the Governing Body of Tees Valley Education and the Education Funding Agency, Tees Valley Education has not met the requirement in paragraph 4.3.1. of the Academies Financial Handbook to complete a short financial management and governance self-assessment within four months of opening. This is now in hand and will be regularised as soon as possible.



**Katrina E Morley, Chief Executive
Accounting Officer**

Date: 15th December 2016

Tees Valley Education

Statement of Trustees' Responsibilities

The Trustees of Tees Valley Education are also the directors of the charitable company (for the purposes of company law) and are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

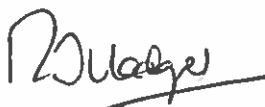
- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards [FRS 102] 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 Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by order of the members of the Board of Trustees on 15th December 2016 and signed on its behalf by:



Richard Hodges
Trustee

Tees Valley Education

Independent auditor's report to the governors of Tees Valley Education

We have audited the financial statements of Tees Valley Education for the period ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of governors and auditors

As explained more fully in the Governors' Responsibilities Statement set out on page 10, the governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the governors as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and the members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governor's Annual Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Shaun Mullins (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Mazars LLP
Mazars House,
Gelderd Road,
Gildersome
Leeds LS27 7JN

21st December 2016

Tees Valley Education

Independent Reporting Accountant's Assurance Report on Regularity to the Governing Body of Tees Valley Education and the Education Funding Agency

In accordance with the terms of our engagement letter dated 20 January 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Tees Valley Education during the period 1 September 2015 to 31 August 2016 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 Tees Valley Education and the EFA in accordance with the terms of our engagement letter dated January 2016. Our work has been undertaken so that we might state to Tees Valley Education and the EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Tees Valley Education and the EFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of Tees Valley Education's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Tees Valley Education's funding agreement with the Secretary of State for Education dated 21 August 2015 and the Academies Financial Handbook, extant from 1 September 2015, 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 2015 to 2016. 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 period 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

A summary of the work we have undertaken is as follows:

- Planned our assurance procedures including identifying key risks;
- Carried out sample testing on controls;
- Carried out substantive testing including analytical review; and
- Concluded on procedures carried out.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

- Tees Valley Education has not met the requirement in paragraph 4.3.1 of the Academies Financial Handbook to complete a short financial management and governance self-assessment within four months of opening.

Mazars LLP

Reporting Accountant

Shaun Mullins (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Mazars LLP
Mazars House,
Gelderd Road,
Gildersome
Leeds LS27 7JN

21st December 2016

Tees Valley Education

Statement of Financial Activities for the period ended 31 August 2016 (including Income and Expenditure Account)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2016 £000
Income and endowments from:					
Donations and capital grants	3	6	-	729	735
Transfer from local authority on conversion		328	(470)	13,608	13,466
Charitable activities:					
Funding for the academy trust's educational operations	4	97	6,433	-	6,530
Other trading activities	5	49	-	-	49
Investments	6	1	-	-	1
Total		481	5,963	14,337	20,781
Expenditure on:					
Raising funds	7	-	-	-	-
Charitable activities:					
Academy trust educational operations	8	409	5,838	481	6,728
Other		-	-	-	-
Total		409	5,838	481	6,728
Net income / (expenditure)		73	125	13,857	14,054
Transfers between funds	18	-	(48)	48	-
Other recognised gains / (losses):					
Actuarial (losses) / gains on defined benefit pension schemes	18,29	-	(1,500)	-	(1,500)
Net movement in funds		73	(1,423)	13,905	12,554
Reconciliation of funds					
Total funds brought forward		-	-	-	-
Total funds carried forward		73	(1,423)	13,905	12,554


Tees Valley Education

Balance Sheet as at 31 August 2016

Company Number 09630999

	Notes	2016 £000	2016 £000
Fixed assets			
Intangible assets	13		12
Tangible assets	14		13,988
Current assets			
Debtors	15	216	
Cash at bank and in hand		1,498	
		<u>1,715</u>	
Liabilities			
Creditors: Amounts falling due within one year	16	(721)	
Net current assets			994
Total assets less current liabilities			14,994
Net assets excluding pension liability			<u>14,994</u>
Defined benefit pension scheme liability	29	(2,440)	
Total assets			<u>12,554</u>
Funds of the academy trust:			
Restricted funds			
. Fixed asset fund	18	13,905	
. Restricted income fund	18	1,017	
. Pension reserve	18	(2,440)	
Total restricted funds			12,481
Unrestricted income funds	18		73
Total funds			<u>12,554</u>

The financial statements on pages 22 to 40 were approved by the Trustees, and authorised for issue on 15th December 2016 and are signed on their behalf by:



 R Hodges
 Trustee

Tees Valley Education

Statement of Cash Flows for the period ended 31 August 2016

	Notes	2016 £000
Cash flows from operating activities		
Net cash provided by (used in) operating activities	22	1,561
Cash flows from investing activities	24	(63)
Change in cash and cash equivalents in the reporting period		<u>1,498</u>
Cash and cash equivalents at 1 September 2015		-
Cash and cash equivalents at the 31 August 2016	25	<u>1,498</u>

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016

1 Statement of 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.

Basis of Preparation

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 (FRS102), 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 (FRS102)), the Academies Accounts Direction 2014 to 2015 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Tees Valley Education meets the definition of a public benefit entity under FRS 102.

Going Concern

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

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 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.

- **Sponsorship Income**

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

- **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 period it is receivable and to the extent the academy trust has provided the goods or services.

- **Donated goods, facilities and services**

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

- **Conversion to an Academy Trust**

The conversion to a new academy trust involves the transfer of identifiable assets and liabilities and the operation of the academies for £nil consideration.

The current assets and liabilities transferred on conversion from one trust to another have been valued at their fair value being a reasonable estimate of their current market value that the Trustees would expect to pay in an open market for an equivalent item.

The fixed assets have been valued on the basis of "current value", which reflects the economic environment prevailing for the service the asset is supporting at the reporting date. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of Financial Activities and analysed under restricted funds and restricted fixed asset funds.

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 Raising Funds**

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable Activities**

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

All resources expended are inclusive of irrecoverable VAT

Intangible Fixed Assets

Intangible assets costing £500 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 on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

- Purchased computer software 4 years

Tangible Fixed Assets

Assets costing £500 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.

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016

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

- Long leasehold buildings between 30 and 50 years
- Fixtures, fittings and equipment 10 years
- ICT hardware 4 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

Liabilities

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 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

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

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.

Leased Assets

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

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.

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016

Pensions Benefits

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 and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 28, 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.

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 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.

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 trustees.

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

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

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 academy 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 29, will impact the carrying amount of the pensions 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.

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

2 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State the academy trust was not subject to limits at 31 August 2016 on the amount of GAG that could be carried forward from one year to the next.

3 Donations and capital grants

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000
Capital grants	-	729	729
Donated fixed assets	-	13,608	13,608
Donations	6	-	6
	<u>6</u>	<u>14,337</u>	<u>14,343</u>

4 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000
DfE / EFA grants			
. General Annual Grant (GAG)	-	4,668	4,668
. Start Up Grants	-	73	73
. Other DfE/EFA grants	-	906	906
	<u>-</u>	<u>5,646</u>	<u>5,646</u>
Other Government grants			
. Local authority grants	-	787	787
	<u>-</u>	<u>787</u>	<u>787</u>
Other income from the academy trust's educational operations	97	-	97
	<u>97</u>	<u>6,433</u>	<u>6,530</u>

5 Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000
Miscellaneous income	29	-	29
Consultancy income	20	-	20
	<u>49</u>	<u>-</u>	<u>49</u>

6 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000
Short term deposits	1	-	1
	<u>1</u>	<u>-</u>	<u>1</u>

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

7 Expenditure

	Staff Costs £000	Non Pay Expenditure Premises £000	Other £000	Total 2016 £000
Academy's educational operations:				
. Direct costs	3,981	360	475	4,815
. Allocated support costs	710	432	771	1,912
	<u>4,690</u>	<u>792</u>	<u>1,245</u>	<u>6,728</u>

Net income/(expenditure) for the period includes:

	2016 £000
Operating lease rentals	£000
Depreciation	398
Amortisation of intangible fixed assets (included within Charitable Activities – Academy trust educational operations)	4
Fees payable to auditor for: - audit	<u>8</u>

8 Charitable Activities

	Total 2016 £000
Direct costs – educational operations	4,815
Support costs – educational operations	<u>1,912</u>
	<u>6,728</u>

Analysis of support costs

	Educational operations £000	Total 2016 £000
Support staff costs	710	710
Depreciation	42	42
Technology costs	73	73
Premises costs	155	155
Other support costs	875	875
Governance costs	58	58
Total support costs	<u>1,912</u>	<u>1,912</u>

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

9 Staff

a. Staff costs

Staff costs during the period were:

	Total
	2016
	£000
Wages and salaries	3,676
Social security costs	278
Operating costs of defined benefit pension schemes	616
	<u>4,571</u>
Supply staff costs	110
Staff restructuring costs	9
	<u>4,690</u>
Staff restructuring costs comprise:	
Severance payments	9
	<u>9</u>

b. Non statutory/non contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £9,251 (2015: nil). Individually, the payments were: £4,662 and £4,589.

c. Staff numbers

The average number of persons employed by the academy during the period was as follows:

	2016
	No.
Teachers	67
Administration and support	99
Management	6
	<u>172</u>

d Higher paid staff

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

	2016
	No.
£60,001 - £70,000	1
£90,001-£100,000	1
£110,001 - £120,000	1
	<u>1</u>

e Key management personnel

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 £451,168.

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

10 Related Party Transactions - Trustees' Remuneration and Expenses

The Co-Chief Executives only received remuneration in respect of services provided in undertaking the roles of Co-Chief Executive and not in respect of services as a trustee.

Other trustees did not receive any payments for services of expenses

Other related party transactions involving the Trustees are set out in note 30

W Wilson (Co-CEO and Trustee):

Remuneration £115,000 - £120,000

Employer's pension contributions paid £15,000 - £20,000

K Morley (Co-CEO and Trustee):

Remuneration £90,000 - £95,000

Employer's pension contributions paid £15,000 - £20,000

A Taylor (Trustee) is an employee of Fft Education Ltd who provide services at cost to the trust (£5682 in the period).

11 Trustees' 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. This insurance is provided under the Risk Protection Arrangement provided by the Department for Education and the breakdown for the specific cost for the Trustees is not disclosed. The insurance provides cover up to £10,000,000 on any one claim. The cost of this insurance is included in the total insurance cost.

12 Central Services

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

- Payroll and HR services
- Financial and legal services
- Budgeting support and advice
- Educational support services

The trust's policy is to charge the constituent academies a percentage of their General Annual Grant funding but excluding the Pupil Premium, SEND or other similar funding.

This percentage varies according to the most recent Ofsted Grade as below

Ofsted Grade	Central Rate
Outstanding	7%
Good	8%

The actual amounts charged during the year were as follows:

	2016
	£000
Brambles Primary Academy	93
Dormanstown Primary Academy	89
Pennyman Primary Academy	145
	<u>327</u>

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

13 Intangible Fixed Assets

	Computer Software £000	Total £000
Cost		
On incorporation		-
Additions	16	16
At 31 August 2016	<u>16</u>	<u>16</u>
Amortisation		
On incorporation		-
Charged in year	4	4
At 31 August 2016	<u>4</u>	<u>4</u>
Carrying amount		
On incorporation	-	-
At 31 August 2016	<u>12</u>	<u>12</u>

14 Tangible Fixed Assets

	Leasehold Land and Buildings £000	Furniture and Equipment £000	Computer Hardware £000	Total £000
Cost				
Transferred on conversion	13,223	327	58	13,608
Additions	620	64	93	778
At 31 August 2016	<u>13,843</u>	<u>391</u>	<u>151</u>	<u>14,386</u>
Depreciation				
Charged in year	319	41	38	398
At 31 August 2016	<u>319</u>	<u>41</u>	<u>38</u>	<u>398</u>
Net book values				
Transferred on conversion	13,223	327	58	13,608
At 31 August 2016	<u>13,524</u>	<u>350</u>	<u>113</u>	<u>13,988</u>

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

15 Debtors

	2016
	£000
Trade debtors	7
VAT recoverable	38
Other debtors	19
Prepayments and accrued income	153
	<u>216</u>

16 Creditors: Amounts Falling due within one year

	2016
	£000
Trade creditors	298
Other taxation and social security	150
Other creditors	170
Accruals and deferred income	102
	<u>721</u>

Deferred income

	2016
	£000
Deferred income at 1 September 2015	-
Released from previous years	-
Resources deferred in the year	95
Deferred income at 31 August 2016	<u>95</u>

Deferred income held at 31st August 2016 consists of

Universal Infant Free School Meals	48
Trajectory Income (2 Year old Places)	11
IPS16-17	2
Grant income	35
	<u>95</u>

17 Creditors: Amounts Falling due in greater than one year

The Trust has no Creditors falling due in greater than one year

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

18 Funds

	Balance at 1 September 2015 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2016 £000
Restricted general funds					
General Annual Grant (GAG)	-	4,668	(3,964)	(102)	602
Start Up Grant	-	73	(73)	-	-
Other DfE/EFA grants	-	906	(960)	54	-
Other grants	-	1,174	(759)	-	414
Pension reserve	-	(857)	(83)	(1,500)	(2,440)
	-	5,963	(5,838)	(1,548)	(1,423)
Restricted fixed asset funds					
Transfer on conversion	-	13,608	297	-	13,905
DfE/EFA capital grants	-	729	(778)	-	(48)
Capital expenditure from GAG	-	-	-	48	48
	-	14,337	(481)	48	13,905
Total restricted funds		20,300	(6,319)	(1,500)	12,481
Total unrestricted funds		481	(409)	-	73
Total funds		20,781	(6,727)	(1,500)	12,554

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

Restricted General Funds

The fund has arisen from revenue funding provided by government and the local authority and is used for educational purposes in accordance with the Trust's objects and its master funding agreement with the Secretary of State

Restricted Fixed Asset Funds

This fund has arisen from capital funding provided by government and assets donated by the local authority and is used for improvements to the facilities used for educational purposes in accordance with the Trust's objects and its masterfunding agreement with the Secretary of State

Unrestricted Restricted Funds

The fund has arisen from revenue generated by the Trust and is used to supplement income from other sources in the education and improvement of life chances for all the Trust's pupils

Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £000
Brambles Primary Academy	443
Dormanstown Primary Academy	340
Pennyman Primary Academy	282
Central services	24
Total before fixed assets and pension reserve	<u>1,089</u>
Restricted fixed asset fund	13,905
Pension reserve	(2,440)
Total	<u>12,554</u>

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

18 Funds (cont.)

Analysis of academies by cost

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

	Teaching and Educational Support Staff	Other Support Staff Costs	Educational Supplies	Other Costs (excluding Depreciation)	Total 2016
	£000	£000	£000	£000	£000
Brambles Primary Academy	1,026	148	41	454	1,669
Dormanstown Primary Academy	1,195	191	17	311	1,714
Pennyman Primary Academy	1,633	246	58	586	2,522
Central services	43	207	-	169	420
Academy Trust	3,898	793	115	1,520	6,326
Depreciation					402
Total Expenditure (note 7)					6,728

19 Analysis of Net Assets between Funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£000	£000	£000	£000
Intangible fixed assets			12	12
Tangible fixed assets			13,988	13,988
Current assets	106	1,608		1,715
Current liabilities	(34)	(592)	(95)	(721)
Non-current liabilities				-
Pension scheme liability		(2,440)		(2,440)
Total net assets/(liabilities)	73	(1,423)	13,905	12,554

20 Capital Commitments

The Trust has no Capital Commitments

21 Commitments under operating leases

Operating Leases

The Trust has no material operating leases

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

22 Reconciliation of Net Income/(expenditure) to Net Cash Flow from Operating Activities	2016
	£000
Net income for the reporting period (as per the statement of financial activities)	14,054
Adjusted for:	
Amortisation (note 13)	4
Depreciation charges (note 14)	398
Capital grants from DfE and other capital income	(14,337)
Interest receivable (note 6)	(1)
Defined benefit pension scheme obligation inherited	857
Defined benefit pension scheme cost less contributions payable (note 29)	83
(Increase)/decrease in debtors	(216)
Increase/(decrease) in creditors	721
Net cash provided by / (used in) Operating Activities	1,561
23 Cash Flows from Financing Activities	2016
	£000
Repayments of borrowing	-
Cash inflows from new borrowing	-
Net cash provided by / (used in) financing activities	-
24 Cash Flows from Investing Activities	2016
	£000
Dividends, interest and rents from investments	1
Purchase of intangible fixed assets	(16)
Purchase of tangible fixed assets	(778)
Capital grants from DfE/EFA	729
Capital funding received from sponsors and others	-
Net cash provided by / (used in) investing activities	(63)
25 Analysis cash and cash equivalents	At 31 August
	2016
	£000
Cash in hand and at bank	1,498
Total cash and cash equivalents	1,498

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

26 Guarantees, Letters of Comfort and Indemnities

The Trust provided no guarantees / letters of comfort or indemnities during the year ended 31 August 2016

27 Contingent Liabilities

The Trust does not envisage any contingent liabilities incurred during the year ended 31 August 2016

28 Members' Liability

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

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

29 Pension and Similar Obligations

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Middlesbrough Borough 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 £31,162 were payable to the schemes at 31 August 2016 and are included within creditors.

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

The pension costs paid to TPS in the period amounted to £377,401.

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 a multi-employer pension scheme. The academy has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

29 Pension and Similar Obligations (continued)

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 2016 was £237,031, of which employer's contributions totalled £167,421 and employees' contributions totalled £69,610. The agreed contribution rates for future years are 14.6 per cent for employers and varied percentage rates for employees dependant upon salary.

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	At 31 August 2016
Discount rate for scheme liabilities	2.00%
Rate of increase for pensions in payment/inflation	1.90%
Discount rate for scheme liabilities	2.00%
Inflation assumption (CPI)	1.90%
Commutation of pensions to lump sums	50.00%

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

	At 31 August 2016
<i>Retiring today</i>	
Males	23.1
Females	25.6
<i>Retiring in 20 years</i>	
Males	25.3
Females	28.0

The academy's share of the assets in the scheme were:

	Fair value at 31 August 2016 £000
Equity instruments	2,803
Total market value of assets	2,803

The actual return on scheme assets was £100,000.

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

Amounts recognised in the statement of financial activities

	2016
Current service cost (net of employee contributions)	(219)
Net interest cost	(30)
Total operating charge	<u>(249)</u>

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

	2016
On incorporation	-
Upon conversion	3,077
Current service cost	219
Interest cost	118
Employee contributions	69
Actuarial (gain)/loss	1,786
Benefits paid	(26)
At 31 August	<u>5,243</u>

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

	2016
On incorporation	-
Upon conversion	2,220
Interest income	88
Actuarial gain/(loss)	286
Employer contributions	166
Employee contributions	69
Benefits paid	(26)
At 31 August	<u>2,803</u>

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

30 Related Party Transactions

Owing to the nature of the academy trust and the composition of the board of trustees 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. The following related party transaction took place in the period of account.

Sound Training for Reading Limited – a company in which Mr A Preston (a trustee of the trust) is a Director, has a non-controlling interest:

- The trust purchased services from Sound Training for Reading Limited totalling £10,238 during the period. There were no amounts outstanding at 31 August 2016.
- The trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, prior to Mr. Preston becoming a Trustee and in which Mr Preston neither participated, nor influenced.
- In entering into the transaction the trust has complied with the requirements of EFA's Academies Financial Handbook 2015

31 Events after the end of the reporting period

There were no significant events occurring after the end of the reporting period.

32 Agency arrangements

The Trust has no agency arrangements in place

33 Academy Boarding Trading Account

The Trust has no Boarding facilities

Tees Valley Education

Notes to the Financial Statements for the period ended 31 August 2016 (continued)

34 Conversion to an Academy Trust

On 24th August 2015 Brambles Primary Academy, Dormanstown Primary Academy and Pennyman Primary Academy transferred to Tees Valley Education Trust Ltd from the Navigate Academy Trust 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 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 SOFA.

Brambles Primary Academy

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total £000
Tangible fixed assets				
Freehold land and buildings	-	-	-	-
Leasehold land and buildings	-	-	2,653	2,653
Other tangible fixed assets	-	-	107	107
Budget surplus / (deficit) on LA funds	-	-	-	-
Budget surplus / (deficit) on other school funds	130	157	-	287
LGPS pension surplus / (deficit)	-	(139)	-	(139)
Borrowing obligations	-	-	-	-
Net [assets / liabilities]	130	18	2,760	2,908

Dormanstown Primary Academy

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total £000
Tangible fixed assets				
Freehold land and buildings	-	-	-	-
Leasehold land and buildings	-	-	6,651	6,651
Other tangible fixed assets	-	-	96	96
Budget surplus / (deficit) on LA funds	-	-	-	-
Budget surplus / (deficit) on other school funds	117	141	-	258
LGPS pension surplus / (deficit)	-	(333)	-	(333)
Borrowing obligations	-	-	-	-
Net [assets / liabilities]	117	(192)	6,747	6,672

Pennyman Primary Academy

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total £000
Tangible fixed assets				
Freehold land and buildings	-	-	-	-
Leasehold land and buildings	-	-	3,919	3,919
Other tangible fixed assets	-	-	182	182
Budget surplus / (deficit) on LA funds	-	-	-	-
Budget surplus / (deficit) on other school funds	81	89	-	170
LGPS pension surplus / (deficit)	-	(385)	-	(385)
Borrowing obligations	-	-	-	-
Net [assets / liabilities]	81	(296)	4,101	3,886