

**Company Registration No. 09630999 (England and Wales)**

**TEES VALLEY EDUCATION**  
**(A COMPANY LIMITED BY GUARANTEE)**

**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

# TEES VALLEY EDUCATION

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# TEES VALLEY EDUCATION

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Members

R Hodges  
N Newell  
A Smith

### Trustees

J A Brine (Chairman)  
K E Morley (CEO, Accounting Officer and staff trustee)  
H D Dudiak (Appointed 26 September 2019)  
R J Hodges  
P R D Scott  
P J Swalwell (Appointed 1 September 2018)  
A T Taylor  
J E Vickers  
N Harrison (Appointed 15 November 2018 and resigned 11 July 2019)  
M A Sanderson (Resigned 11 July 2019)

### Senior management team

- CEO and Executive Head Teacher	K Morley
- Head of Academy (Pennyman Primary)	K Barkley
- Head Teacher (Discovery Special Academy)	J Duncan
- Head Teacher (Brambles Primary)	K Gleave
- Executive Head Teacher (Wilton and Dormanstown Primary)	A Hill
- Trust Business and Resource Manager	E Chawner

### Company secretary

E Chawner

### Company registration number

09630999 (England and Wales)

### Registered office

Fulbeck Road  
Netherfields  
Middlesbrough  
TS3 0QS

### Academies operated

Brambles Primary Academy  
Discovery Special Academy  
Dormanstown Primary Academy  
Pennyman Primary Academy  
Wilton Primary Academy

### Location

Middlesbrough  
Middlesbrough  
Redcar  
Middlesbrough  
Middlesbrough

### Principal

K Gleave  
J Duncan  
A Hill  
K Barkley  
A Hill

### Independent auditor

Baldwins Audit Services  
Wynyard Park House  
Wynyard Avenue  
Wynyard  
TS22 5TB

# TEES VALLEY EDUCATION

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Bankers

Lloyds Bank plc  
5th Floor  
102 Grey Street  
Newcastle upon Tyne  
NE1 6AG

### Solicitors

Muckle LLP  
Time Central  
32 Gallowgate  
Newcastle upon Tyne  
NE1 4BF

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2019

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The trustees present their annual report together with the accounts and auditor's report of the charitable company for the year 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The Trust operates five primary academies: Brambles, Discovery Special Academy, Dormanstown, Pennyman and Wilton (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. Discovery Special Academy was one of only four special free schools that opened in September 2018. All academies serve communities in the North East of England (Middlesbrough and Redcar & Cleveland). In the May 2019 school census, the Trust had a pupil capacity of 1158 and on roll 1035.

#### **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 and up to the date the accounts are approved are included in the Reference and Administrative Details on page 1.

##### Members' liability

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

##### Trustees' indemnities

Subject to the provisions of the Companies Act 2006 and Article 6.3 every Trustee or other officer or auditor of the Trust shall be indemnified out of the assets of the 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 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. Academy Ambassadors and other suitable routes 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 Trustees 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. During 2018 Pennyman Primary Academy has had a Local Academy Chair vacancy since Easter 2019. Efforts with the Trust's partners are being made to work with the Trustees to appoint a suitable chair with the head teacher. Trustees chair Wilton Primary Academy and Brambles Primary Academy local academy committees and a Member chairs Dormanstown Primary Academy.

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 Executive Head Teacher, Head Teacher or Head of Academy. Subject to remaining eligible to be a particular type of committee member, any member can then apply to be re-appointed or re-elected.

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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#### Policies and procedures adopted for the induction and training of trustees

Induction is undertaken as and when required and tailored specifically to the individual. An additional full day training session is held with all Trustees, Members and local academy committee chairs annually. Other training is conducted as necessary and planned dependent upon the Trustees role and legislative changes.

#### 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 Head Teachers and Head Teachers of academies.

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

- Trust Board: The Trust Board retains ultimate accountability and responsibility for the operation of the Trust. Trust Board may delegate decision making to subcommittees inline with the Trust's scheme of delegation
- Chief Executive Officer: has delegated operational responsibility for the leadership and management of the Trust.
- Executive Head Teacher/Head Teacher/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 risk register, policies, procedures, minutes, accounts, budgets, plans and other documents that they need to undertake their role. 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 Head Teachers who are paid in accordance with the group size of the school following the national formulae. Chief Executive Officer pay has been independently benchmarked and is aligned to the Trust's strategic objectives. The CEO pay is independently evaluated by the Pay and Review Committee, which includes co-opted expertise. The Trust does not operate a bonus related pay scheme for executives.

#### Trade union facility time

Each academy within the Trust pays into a local agreement for trade union facility time despite the fact, that none of its current employees undertake this role personally. This is paid in agreement with the Local Authorities the academies are situated.

#### Related parties and other connected charities and organisations

The Directors of the subsidiary company, Tees Valley Education Teaching School Alliance Limited dissolved the company in May 2019 and no longer have any related parties, other connected charities and organisations to report.

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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#### **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 Discovery Special Academy and 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

This is demonstrated through behaviours which are celebrated and recognised through Tees Valley Education Diamond Standards, of 'we are all diamonds: none of us start off polished, but with the right environment, time, support and development we become brilliant'. The standards are:

- Commitment: To achieve, succeed and create the best life and future.
- Curiosity: Be inquisitive, be brave and learn.
- Courage: To face our challenges and the unknown.
- Care: For ourselves, each other and our communities.

These standards are more inclusive and apply to the the whole community including children, parents, carers, staff and colleagues that have demonstrated one if not all of these standards. In 2018-2019 55 diamond standard awards were awarded, with an overall celebration event at the end of the year where Trustee's met and presented the overall awards for each category for: commitment, curiosity, courage and care.

Tees Valley Education has ongoing strategic objectives of:

- Establishing outstanding academies for local communities
- Sharing accountability to maximise the progress which all groups of children make.
- Creating and developing a Trust which has a strong network of academies, all of which are inclusive centres of excellence for teaching, learning, curriculum, pastoral and wellbeing.
- Attracting, retaining and actively developing staff from all areas of the Trust to build the capacity for excellence, innovation and optimisation across the Trust.
- Ensuring excellent value for money.
- Delivering Discovery Special Academy, the special free school on a purpose built site, from reception to year 6.

The Trust delivers on its strategic objectives through its internal governance arrangements, as it holds half termly Challenge Board meetings, which are independently chaired with educationalist expertise to focus on areas of development, promote good practice and to continually strive for all the trusts academies to be judged outstanding by Ofsted.

The Trust are working in partnership with Teesside University and Apple Education to further develop the professional development of its workforce, which ultimately benefits both children and staff and to prepare the Trust's children for tomorrow's world of innovative technologies, including broadening their horizons of future career choices.

The academies within the Trust play a significant role within their community and work with community safety partnerships and other local groups. These partnerships raise awareness of keeping ourselves and each other safe, and to support the most vulnerable families with food, clothing, access to unclaimed benefits. During 2018/2019 we sadly lost a child following a long term illness, the academy and the local community came together to raise funds towards the child's wish of having a horse and carriage for her funeral. Furthermore, the same academy also lost a much loved teacher unexpectedly, again, the community and the academy worked together to support each other, raise funds and developed a memorial garden for both the child and teacher as their legacy of the good they brought to everyone they met.

Trustees and Members receive updates as part of the Trust's governance arrangements throughout the year on the progress against its objectives.

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

#### Public benefit

The Trustees confirm that they have complied with the duty in section 4 of the 2011 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 and medical care needs.

#### Strategic report

##### Achievements and performance

##### Key Academy Statistics 2018-2019

The figures for each of the academies listed in the table below are correct as of July 2019.

Academy	Children on roll/capacity*	Teachers (FTE)	Support Staff** (FTE)	Date of Conversion	Ofsted Rating/ Date
Brambles	301/315	20.6	14.3	September 2016	Outstanding February 2019
Discovery	30/30	5.0	12.2	September 2018	N/A
Dormanstown	230/289	17.0	20.0	September 2016	Good July 2015
Pennyman	420/440	19.8	16.7	September 2016	Good June 2017
Wilton	54/84	3.6	3.5	August 2018	Good January 2013
Trust	1035/1158	66.0	66.7	N/A	N/A

\*excluding nursery

\*\* excluding dinner supervisors

#### Attendance 2018-2019

Academy	Pupils (%)	Teaching Staff (%)	Support Staff (%)
Brambles	93.7	97.3	91.7
Discovery	91.6	99.5	97.4
Dormanstown	95.4	98.0	96.0
Pennyman	94.4	98.2	94.2
Wilton	94.9	85.7	98.5



# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

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### Pupil Exclusions

Academy	Fixed Term	Permanent
Brambles	9	0
Discovery	0	0
Dormanstown	33	0
Pennyman	10	0
Wilton	0	0

### SEND

Academy	EHCPs	SEN Support	Total
Brambles	3	55	58
Discovery	30	0	30
Dormanstown	22	44	66
Pennyman	45	42	87
Wilton	4	5	9

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Key performance indicators for those children in mainstream taught provision

Key Performance Indicators (mainstream taught) – Attainment 2017-2019

2017 - TA				2018 - TA			2019 - TA		
EYFS Good level of development	Boys	Girls	All	Boys	Girls	All	Boys	Girls	All
	65-1.5%	63-1.6%	128-0.8%	69-1.4%	58-1.7%	127-0.8%	69-1.4%	61-1.6%	130-0.8%
	52.3	68.3	60.2	53.6	62.1	57.5	56.5	67.2	61.5
PHONICS									
	68-1.5%	65-1.5%	133-0.8%	62-1.6%	63-1.6%	125-0.8%	67-1.5%	56-1.8%	123-0.8%
Y1 Phonics									
	72.1	89.2	80.5	69.4	85.7	77.6	80.6	89.3	84.6

2017 - TA					2018 - TA			2019 - TA		
KS1		Boys 72-1.4%	Girls 60-1.7%	All 132-0.8%	Boys 67-1.5%	Girls 67-1.5%	All 134-0.7%	Boys 57-1.8%	Girls 64-1.6%	All 121-0.8%
Reading TA	EXS	65.3	68.3	66.7	68.7	79.1	73.9	61.4	73.4	67.8
	GDS	16.7	20.0	18.2	13.4	22.4	17.9	7.0	28.1	18.2
Writing TA	EXS	59.7	68.3	63.6	61.2	77.6	69.4	56.1	71.9	64.5
	GDS	12.5	16.7	14.4	10.4	17.9	14.2	3.5	17.2	10.7
Maths TA	EXS	75.0	80.0	77.3	68.7	79.1	73.9	70.2	71.9	71.1
	GDS	16.7	15.0	15.9	23.9	17.9	20.9	10.5	23.4	17.4

2017 - TEST					2018 - TEST			2019 - TEST		
KS2		Boys 66-1.5%	Girls 68-1.5%	All 134-0.7%	Boys 49-2%	Girls 58-1.7%	All 107-0.9%	Boys 56-1.8%	Girls 65-1.5%	All 121-0.8%
Reading Test	EXS	62.1	66.2	64.2	71.4	70.7	71.0	75.0	69.2	71.9
	HS	12.1	8.8	10.4	8.2	27.6	18.7	14.3	21.5	18.2
	Scaled	101.7	102.8	102.2	101.2	103.9	102.6	103.1	103.2	103.2
Writing TA	EXS	65.2	76.5	70.9	83.7	93.1	88.8	82.1	73.8	77.7
	GDS	9.1	22.1	15.7	6.1	20.7	14.0	14.3	20.0	17.4
	WTS	24.2	16.2	20.1	14.3	3.4	8.4	17.9	24.6	21.5
SPaG Test	EXS	71.2	76.5	73.9	73.5	75.9	74.8	85.7	64.6	74.4
	HS	21.2	17.6	19.4	14.3	27.6	21.5	19.6	27.7	24.0
	Scaled	104.0	104.6	104.2	102.3	105.7	104.2	104.6	103.7	104.1
Maths Test	EXS	75.8	63.2	69.4	77.6	77.6	77.6	85.7	69.2	76.9
	HS	16.7	13.2	14.9	14.3	17.2	15.9	23.2	20.0	21.5
	Scaled	103.6	102.5	103.1	104.0	103.5	103.7	104.6	102.7	103.7
RWM Combined	EXS	47.0	52.9	50.0	65.3	67.2	66.4	67.9	60.0	63.6
	HS	6.1	2.9	4.5	6.1	8.6	7.5	5.4	6.2	5.8
No of Disadvantaged		45	52	97	33	38	71	40	42	82
RWM Comb Disadvantaged	EXS	42.2	48.1	45.4	66.7	65.8	66.2	65.0	57.1	61.0
	HS	4.4	1.9	3.1	3.0	10.5	7.0	2.5	2.4	2.4

# TEES VALLEY EDUCATION

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

### Key Performance Indicators (mainstream taught) – Progress 2017-2019

<b>Progress Score</b>	<b>2013 - 2017</b>			<b>2014 - 2018</b>			<b>2015 - 2019</b>		
	<b>Boys</b>	<b>Girls</b>	<b>All</b>	<b>Boys</b>	<b>Girls</b>	<b>All</b>	<b>Boys</b>	<b>Girls</b>	<b>All</b>
<b>Reading All</b>	-0.49	-1.49	-0.99	-0.98	-0.65	-0.80	0.69	0.71	0.70
<b>Reading disadvantaged</b>	-0.70	-2.23	-1.52	-1.00	-1.11	-1.06	1.05	1.00	1.02
<b>Writing All</b>	-1.03	0.93	-0.04	1.74	2.27	2.03	1.71	1.27	1.48
<b>Writing disadvantaged</b>	-1.36	0.74	-0.24	0.86	2.31	1.63	1.67	1.84	1.76
<b>no. ds pupils</b>	45	52	97	33	38	71	39	41	80
<b>Colour key:</b> <b>Dark red fill &lt;-5</b> <b>Light red fill &lt;-2</b> <b>Light green fill &gt;0</b> <b>Dark green fill &gt;2</b>									
<b>Maths All</b>	1.04	-1.69	-0.34	2.46	0.25	1.26	1.85	-0.42	0.64
<b>Maths disadvantaged</b>	1.06	-2.54	-0.87	2.09	-0.20	0.86	1.45	-0.73	0.33

The data tables shows the 3 year trend of the children whom are taught in a mainstream context and access the full national curriculum, at appropriate age relations.

All children in specialist unit provision and special schools are measured using both Pivats and CASPA.

The Trust has worked with its data and IT suppliers to map this into a cohesive format for the Trust following the Rochford review's identification of semi-formal and informal.

These results will therefore be published alongside the mainstream results, in this report in 2019/2020. It will also inform the Trust's integrated curriculum financial planning benchmarks and calculations.

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2019**

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### Attainment and Progress Outcomes

Combined measures for 2019 KS2 expected standard attainment is 63.6% which whilst it is a 2.8% decrease from 2018, it is still in line with National average (65%). For the 67.8% of our disadvantaged children, 61% achieved combined expected standards which is 10% greater than the National average for this group (51%). This demonstrates outstanding value for money for pupil premium funding. The three most significant variables in contributing to this significant achievement for disadvantaged has been the investment in leadership, the developments in teaching and learning documentation and CPD around the assessment frameworks in mathematics and English, as well as the governance mechanism of the challenge board. This impact of challenge boards was also identified in Brambles Ofsted 2019: 'The governors' searching questions to leaders ensure that no stone is left unturned in enabling all pupils to reach their potential and be well prepared for the next stage of their education'.

Progress measures for 2019 were, for the first time as a Trust, all positive for reading, writing and mathematics. (0.70, 1.48 and 0.64 respectively). This puts the Trust in the top 40% nationally in every subject area. The positive progress measures are particularly notable for our disadvantaged children (1.02, 1.76, 0.33) based on their KS1 outcomes. Particular progress has been seen in reading. This demonstrates the impact of the investment in the underperforming academy as identified in the 2018 Annual report, including: interim management board, a new executive leader who worked closely with the Trust to implement the Trust reading scheme adopted by the other academies, a revised reading framework adopted and Trust wide training delivered across 2018/2019 to implement this and further develop teacher knowledge and provide CPD that impacts in a way that the writing did.

At combined GDS attainment, there has been a 1.7% decrease in the percentage of pupils at 5.8% and this is 5.2% below the National average (11%). As a result, the Trust continue to identify this as a Review and Development Priority One for 2018-2020 and is a Trust KPI.

At KS1 there has been a slight decline in attainment outcomes from 2018 across all three subjects and are below the National average. National averages are 75% (reading), 70% (writing) and 76% (mathematics). However, the attainment of our disadvantaged children exceeds their national disadvantaged peers by between 5 and 10% in all areas. This, demonstrates again the impact of the spending of pupil premium funding.

Phonics scores increased by 7% to 84.6% which is above national average (83%). This demonstrates the impact of the Trust priority 2018-2019 and the investment in training, resources and targeted reading development.

At early years foundation stage the good level of development in 2019 was 61.5%, an increase of 4% based on last year. This reflects the increased consistency in leadership and management right across the early years over the Trust. This is below national average (72%). Our disadvantaged children attained 51%, this was 3% below their nationally disadvantaged peers (54%). This demonstrates the impact of the pupil premium spending across the child's time in the Trust for our disadvantaged pupils, whereby by the time they leave at KS2 they have not only surpasses the attainment of their national peers who are disadvantaged, but they have caught up with and in some cases exceeded all of their national peers.

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

#### School to School Support 2018-2019

In addition to the work across the Trust, there has been considerable outreach and school to school support undertaken throughout 2018/2019.

This support provides opportunities for all of the Trust leaders to impact on wider educational developments: locally, regionally, and nationally.

Organisation	Focus	No. of schools/ settings supported	Impact
Apple Education	CEO and Trust Training	More than 10 regional CEOs and all of TVEd senior leaders including business leaders.	North East bespoke leadership development for local CEOs.
SSAT	NPQML Training for middle leaders	60 delegates from across Special, Primary and Secondary settings across Middlesbrough, Redcar and Cleveland, North Yorkshire.	60 middle leaders trained to deliver a school improvement project within their setting impacting on the team they lead and the outcomes of their pupils. 100% positive feedback. 95% pass rate to date.
SSAT	Leadership Legacy Programme	Range of mentoring leaders from across the region	Bespoke mentoring for regional leaders.
Middlesbrough Council	SEND Coordination Review	52 mainstream primary and secondary settings across Middlesbrough	100% good or better feedback 80% Middlesbrough SENDCOs completed self-reviews 15 SLEs lead the reviews 13 Trained Lead Reviewers have had the opportunity to shadow up to 5 experienced SEND SLEs 6 SENDCOs requested shadowing opportunities. 14 settings requested bespoke support from the SEND and Inclusion Hub.
Middlesbrough Council	SEND and Inclusion Hub: Early Communication Training	48 delegates, from 28 settings including primary schools, PVI's and alternative provision	Evaluation of support identified in SEND reviews followed up and supported. 100% good or better feedback Follow up bespoke school requests facilitated.
Middlesbrough Council	SEND and Inclusion Hub: Developing Accessibility Plans	22 delegates, from 11 settings including primary and secondary schools	Evaluation of support identified in SEND reviews followed up and supported. 100% good or better feedback
Tees Valley Creative Learning Partnership	Arts – Paul Hamlyn Foundation	10 primary schools across the region	Upskilling of teachers and children (lead learners) in the arts by local artists. Networking opportunities with local creative partners.
Linthorpe Primary	Curriculum deployment SLE	1 school	Excellent feedback received to support the development of external school's curriculum

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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#### Going concern

After making appropriate enquiries the Board of Trustees has assurance that there is a reasonable expectation that the 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 DfE (General Annual Grant), the use of which is restricted for particular purposes. In addition to this is the receipt of Pupil Premium and SEND top up fees for children with an EHCP entitlement, which are primarily within Specialist or Unit Placement Provision.

Three of the four academy buildings, are leased from local authorities for peppercorn rents over 125 years. Wilton Primary Academy building upon conversion to the Trust is freehold. The buildings are recognised in the financial statements as tangible fixed assets in accordance with the Academies Accounts Direction 2018-2019.

During the year ending 31st August 2019, total expenditure of £7.4m was entirely covered by recurrent grant funding from the DfE together with other income sources. Excluding fixed assets and before actuarial losses there was an in year surplus of £450,000.

At 31st August 2019, the net book value of tangible fixed assets was £14.4m. 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 Trusts reserves as at 31st August 2019 was £1,529,526.

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

The Trust has maintained a healthy reserve during 2018/2019 – however there have been financial challenges during the year that will continue. Middlesbrough and Redcar and Cleveland local authorities reduced all their high need top ups by 5% and in addition are further reengineering the high need top up criteria, which has resulted in reduced funding per place. The Trust honored the nationally agreed cost of living increase for teachers of 3.5% for class room teachers, 2% upper pay range and 1.5% for leadership pay and ranges. The nationally agreed pay award, was higher than the Trust profiled and albeit central government is funding part of the award, this has not covered the whole cost to the Trust. Furthermore support staff received the nationally agreed 2% pay award.

#### Reserves policy

Tees Valley Education is conscious of balancing adequate amounts of reserves to deal with the growth of the Trust and any unexpected costs arising, with the expectation that funding is used to benefit each pupil within their 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 £1.5m at 31st August 2019. The budget reserves during 2018/2019 have been factored in to continue to support Discovery Special Academy during its initial year of opening, on its temporary site (Brambles Primary Academy). This will continue until Discovery Special Academy has relocated to its permanent site (Flatts Lane) in 2022. Reserves have also been used in the financial year to support investment into teaching and learning capacity, this has directly improved children's outcomes across the Trust. This was noted in the achievements and performance section of this report. All such investments are with the fundamental aim to support the journey for excellence in the academic year 2018/2019. In addition, some budget reserves have been utilised to cover expenditure associated to building costs, health and safety and accessibility where modifications have been necessary.

The total unrestricted and restricted income funds had a balance of £1.5m at 31st August 2019.

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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Tees Valley Education have an expectation that between 8-15% reserves should be retained/maintained as a contingency. The contingency is calculated on the GAG funding only and excludes Pupil Premium, ring-fenced grants, SEND funding and top up fees as well as any capital funding.

#### 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 maintenance of additional investment account 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

Trustees have identified strategic risks and uncertainties, which are appropriately managed through the strategic risk register. The risk register is reviewed at every Audit, Risk and Finance Committee, and any exceptions or amendments to the register is further reported to Trust Board for their consideration and input. The major risks to which the Trust is exposed are:

- Sustainability and resilience of key personnel
- National policy changes, which may impact on education delivery
- Reputational risk as a result of growth and partnership agreements in place
- Financial sustainability, whilst in a period of economic changes
- Safeguarding in its entirety
- GDPR and data protection and ensuring all data is processed inline with GDPR to prevent data breaches
- Discovery Special Academy whilst on temporary accommodation and the transition to its permanent site (Sandy Flatts Lane (formally Natures World site))

In addition, the Trust recognised under-performance within the finance team in terms of not following Trust policies, this was addressed and the finance team restructured. Following the quality assurance and audits that were undertaken during 2018/19, some immaterial transactions were not correctly reconciled and this has resulted in a difference of £1366 in the 18/19 opening balances. Trust reported the error at the beginning of the audit and as a result, procedures have since been reviewed and updated.

The risks are reviewed at least termly including commissioning expertise such as external health and safety and risk management companies advise the Trust as appropriate.

The main risk to the Trust is the Discovery Special Academy permanent build project, due to the number of stakeholders involved and the political sensitives around it. In addition, SEND funding is the other major risk, which may impact on what the Trust can deliver with the means it is provided. Positively, these risks are understood by Trustees and are very much within Trustees line of sight.

For the risks the Trustees have identified, there are controls and assurances in place, including approaches on how to mitigate the risks.

#### **Fundraising**

The Trust does not use any external fundraising. All fund raising undertaken during the year was monitored by the Trustees.

The academies via their local academy committee's may raise funds for local causes that matter to the local academy and its community.

# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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#### Summary of progress against 2018/2019 objectives

- Discovery Special Academy officially opened in September 2018 and having the reception, year 1, 2 and 3 children on roll.
- Additional leadership capacity has been added to the Trust in order to add capacity and further improve children progress and attainment measures and to implement the Trust's growth strategy.
- All areas of KS2 for the Trust as a whole made positive progress in all areas.
- Trust disadvantaged children performed 10% higher than their peers nationally.
- Children's reading progress across the Trust is now within the top 40% nationally.
- Brambles Primary Academy retained their outstanding judgement from Ofsted.
- A new finance and data management systems have been implemented and is fully integrated, which has improved reporting to Trustees and senior managers, including the development of Chief Accounting Officer surgeries with academy senior leadership team and the Chief Finance Officer to ensure academy resources are appropriately allocated.
- Completed an external governance review which has further strengthened the Trusts governance arrangements.
- Members appointed new auditors in 18/19 to undertake the Trusts annual audit for three years including auditing 2018/19 financial accounts.
- Senior leadership and Academy Business Managers completed Health and Safety training for executives to support them in their role and the Health and Safety responsibilities as delegated by Trust Board and the CEO.

#### Plans for future periods

The Trust has planned the following for 2019-20:

- To develop Trust KPI's for trustees to monitor and challenge Trust officers, which will drive further improvement and outcomes for children across the Trust's academies
- To review the Trusts methodology for accounting and consider aligning to pure accounting principles, which will support with internal and external reporting
- Continue to develop the Teaching and Outreach centre as a hub of excellence for educationalists' professional development
- To refine, reflect and optimise practice across Tees Valley Education by working in partnership with Teesside University, Apple Education and Ambition Institute
- To continue working with the DfE and the RSC in order to ensure that Discovery Special Academy has sufficient accommodation arrangements to ensure delivery of excellent education for its pupils, pending the permanent building being built in 2022. In addition, ensure the permanent building stays in the delivery time of 2022 (after being moved back a year already) and due diligence is done to provide the right environment, to deliver the quality and scope of education identified in the successful application.
- To continue to invest in leadership development across all tiers of the Trust
- To recruit chairs for all Local Academy Committees
- To recruitment Trustees to the Trust Board in a timely manner
- To undertake a skills audit following the appointment of new trustees and the governance review completed in 2018/2019



# TEES VALLEY EDUCATION

## TRUSTEES' REPORT (CONTINUED)

***FOR THE YEAR ENDED 31 AUGUST 2019***

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### **Auditor**

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- 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.

A resolution proposing that Baldwins Audit Services be reappointed as auditor of the charitable company will be put to the members.

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 12 December 2019 and signed on its behalf by:



J A Brine  
Chairman

# TEES VALLEY EDUCATION

## GOVERNANCE STATEMENT

**FOR THE YEAR ENDED 31 AUGUST 2019**

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### 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. The Accounting Officer is 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:

Trustees	Meetings attended	Out of possible
J A Brine (Chairman)	3	4
K E Morley (CEO, Accounting Officer and staff trustee)	4	4
H D Dudiak (Appointed 26 September 2019)	0	0
R J Hodges	3	4
P R D Scott	3	4
P J Swalwell (Appointed 1 September 2018)	2	4
A T Taylor	2	4
J E Vickers	4	4
N Harrison (Appointed 15 November 2018 and resigned 11 July 2019)	0	2
M A Sanderson (Resigned 11 July 2019)	1	3

### Governance Reviews

The Trust Board undertook an external governance review during 2018/2019, where it assessed the Trust's current arrangements against the governance sections in the 'Characteristics of a Successful MAT' document published by the DfE in association with recognised tools from NGA. This tool has been used since the Trust's conception in 2015 and the Trust Board are looking at further optimisation and ensuring 'excellence' across all areas.

The governance review identified a number of actions and these actions have all been approved by Trustees and as a result the following has been put in place for 2019/2020:

- updated terms of reference and workplans for all the committees including Local Academy Committees
- Standard agenda template for all Local Academy Committees
- Improved communication and improved reporting between Trust Board, Committees and Local Academy Committees
- Agreed reporting timetable for all committees including Challenge Board to aid clarity and consistency for Trustees and senior leadership team
- Appointment of an additional Trustee, who has since resigned – however, further recruitment of Trustees has continued into 2019/2020.

The Trust may undertake a further review and or evaluation of its governance arrangements within 5 years of the review undertaken in 2018/2019.

# TEES VALLEY EDUCATION

## GOVERNANCE STATEMENT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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The Audit, Risk and Finance 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.

During the year James Christian, who is a qualified accountant attended all the Audit, Risk and Finance Committee meetings in 2018/19. Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of possible
J A Brine (Chairman)	2	2
K E Morley (CEO, Accounting Officer and staff trustee)	3	3
R J Hodges	3	3
P J Swalwell (Appointed 1 September 2018)	3	3
N Harrison (Appointed 15 November 2018 and resigned 11 July 2019)	1	1
M A Sanderson (Resigned 11 July 2019)	0	1

The Standards Committee's purpose is to look at key performance indicators across the Trust. For academy and school improvement and internal and external audits, progress data and attainment outcomes of all year groups and to debate education provision curriculum and assessment across the Trust.

Attendance at Standards Committee meetings in the year 2018/19 was as follows:

Trustees	Meetings attended	Out of possible
K E Morley (CEO, Accounting Officer and staff trustee)	3	3
P R D Scott	3	3
A T Taylor	3	3
J E Vickers	3	3

#### 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.

# TEES VALLEY EDUCATION

## GOVERNANCE STATEMENT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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

- Investing in a financial management information system and training to ensure clear, transparent and up to date data is reported to Trustees and senior leadership team.
- By the end of KS2, children have made progress in the top 40% nationally in every subject
- Disadvantaged children in KS1 and KS2 outperform their peers nationally by between 5 and 10%
- Trust SLT established to drive school improvement both internally and externally including the review and rewrite of the curriculum.
- A variety of learning opportunities to engender both excellent and enjoyment e.g. residential, singing at various venues, sports and holiday clubs as well as music performance and community support.
- Sports and Pupil Premium: residential, sports clubs, competitions, holiday clubs and 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 times, increase in face to face therapy, parental support.
- All significant posts are now fully appointed to with developing succession planning for all.

It can be improved the following year in:

- Increase in opportunities and outcomes for children achieving GDS
- Continued review and development of curriculum intent, implementation and impact.
- Estates management strategy to enable academies to manage the Trusts sites and allocate resources proactively
- Communication and marketing strategy to ensure clear communication across and around the Trust including with both internal and external stakeholders. That proactively promotes the work of the Trust and the impact it is making to children and young people the Trust serves.

#### **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 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

The Board of Trustees has reviewed the key risks to which the 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 Trust's significant risks that has been in place for the period 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees and Audit, Risk and Finance Sub-committee.

# TEES VALLEY EDUCATION

## GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2019**

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### **The risk and control framework**

The 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, Risk and Finance 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 and has decided not to appoint an internal auditor. However the Trustees have appointed Baldwins, the external auditor, to perform additional checks.

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

- Accounts and reconciliation
- Risk management
- Income
- Payroll and expenses
- Bank and cash
- Management of data

An end of year audit was undertaken, the auditor reported to the Board of Trustees, through the Audit, Risk and Finance Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

# TEES VALLEY EDUCATION

## GOVERNANCE STATEMENT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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The schedule of work has been delivered on time by the auditor and an action plan has been developed to respond to the recommendations:

- Bank reconciliations are signed on a monthly basis and are annotated to show evidence of review
- Bank reconciliations are evidenced as agreed to the trial balance as part of month end processes
- Finance Handbook is updated to include the procedures relating to the Balance Sheet reconciliations which should be occurring, along with how this should be documented and authorised
- Correcting entries, in relation to the items transferred to the new system, are processed to ensure the correct bank balance is reported.
- Payroll control accounts are reconciled to the trial balance and authorised as part of month end processes.
- Payroll control accounts are reviewed and amended for Central, Dormanstown Primary and Discovery Special Academy
- Finance Handbook is updated for the procedures and documentation of the receipt and banking of income, including the consideration of any risks and how these can be mitigated i.e. segregation of duties.
- Banking spreadsheets prepared at Wilton Primary include a signature and date of who prepares them along with the authorisation currently occurring to ensure an audit trail is visible.
- Dormanstown Primary implement a new way of recording breakfast club income to ensure an audit trail is available for weekly monies received in.
- Pennyman Primary implement a system to enable holiday club monies to agree to the banking's.
- All petty cash expenditure is entered onto PSF on a timely basis and the opening balances posting within PSF are updated to correct the split between the individual academies
- Pennyman Primary should produce petty cash expense claim forms which are to be authorised prior to expenditure.
- Finance Handbook is updated for the use of petty cash and the procedures that should be followed including authorisation and limits
- Date cash is paid out is noted on the forms to ensure an audit trail is visible to confirm amounts are authorised prior to payment.

#### 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 appointed by the Trustees
- the work of the external auditor appointed by the Members;
- the financial management and governance self-assessment process;
- the work of the executive managers within the 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, Risk and Finance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of trustees on 12 December 2019 and signed on its behalf by:



J A Brine  
Chairman



K E Morley  
CEO, Accounting Officer and staff trustee

# TEES VALLEY EDUCATION

## STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2019

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As accounting officer of Tees Valley Education I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the academy trust's 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 2018.

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



K E Morley  
**Accounting Officer**

12 December 2019

# TEES VALLEY EDUCATION

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

**FOR THE YEAR ENDED 31 AUGUST 2019**

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The trustees (who are also the directors of Tees Valley Education for the purposes of company law) are responsible for preparing the trustees' report and the accounts in accordance with the Academies Accounts Direction 2018 to 2019 published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare accounts for each financial year. Under company law, the trustees must not approve the accounts 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 accounts, the trustees are required to:

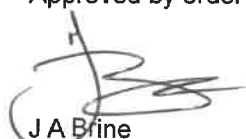
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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 that grants received from ESFA/DfE 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 accounts may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 12 December 2019 and signed on its behalf by:

  
J A Brine  
Chairman



# TEES VALLEY EDUCATION

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEES VALLEY EDUCATION

**FOR THE YEAR ENDED 31 AUGUST 2019**

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### Opinion

We have audited the accounts of Tees Valley Education for the year ended 31 August 2019 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the accounts' section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other information

The trustees are responsible for the other information, which comprises the information included in the annual report other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

# TEES VALLEY EDUCATION

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEES VALLEY EDUCATION (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2019**

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### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, including the incorporated strategic report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.

### **Responsibilities of trustees**

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the trustees are responsible for assessing the academy trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the accounts**

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# TEES VALLEY EDUCATION

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEES VALLEY EDUCATION (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2019**

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### Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Baldwins Audit Service*

**Graham Fitzgerald BA FCA DChA (Senior Statutory Auditor)**  
**for and on behalf of Baldwins Audit Services**

16/12/19

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**Statutory Auditor**

Wynyard Park House  
Wynyard Avenue  
Wynyard  
TS22 5TB

# TEES VALLEY EDUCATION

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO TEES VALLEY EDUCATION AND THE EDUCATION & SKILLS FUNDING AGENCY

**FOR THE YEAR ENDED 31 AUGUST 2019**

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In accordance with the terms of our engagement letter dated 2 October 2019 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Tees Valley Education during the period 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Tees Valley Education and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Tees Valley Education and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Tees Valley Education and ESFA, for our work, for this report, or for the conclusion 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 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

## TEES VALLEY EDUCATION

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO TEES VALLEY EDUCATION AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2019**

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The work undertaken to draw to our conclusion includes:

- completion of self assessment questionnaire by Accounting Officer
- discussions with the Accounting Officer and finance team
- review of internal assurance reports
- review of trustee and committee meeting minutes
- review of finance and other relevant policies
- review of purchases, expenses and expense claims on a sample basis including the application of controls and tendering processes where applicable
- review of gifts and hospitality transactions including the application of controls
- review of credit and debit card transactions including the application of controls
- review of payroll transactions on a sample bases including the application of controls
- review of potential special payments to staff
- review of leases and consideration of areas where borrowing may have been incurred
- consideration of transactions with related and connected parties
- review of register of business interests for completeness and compliance with regulations
- enquiries into transactions that may require disclosure under ESFA delegated authority rules
- consideration of value for money and appropriateness of transactions

#### **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 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Baldwins Audit Services*

**Reporting Accountant**

Baldwins Audit Services

Dated: 16/12/19

# TEES VALLEY EDUCATION

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	Unrestricted Funds £	Restricted funds: General Fixed asset £ £		Total 2019 £	Total 2018 £
<b>Income and endowments from:</b>						
Donations and capital grants	3	4,735	150,000	444,088	598,823	158,390
Donations - transfer from local authority on conversion		-	-	-	-	1,079,555
Charitable activities:						
- Funding for educational operations	4	152,710	7,571,665	-	7,724,375	6,869,020
Other trading activities	5	195,846	-	-	195,846	144,718
Investments	6	5,965	-	-	5,965	414
<b>Total</b>		359,256	7,721,665	444,088	8,525,009	8,252,097
<b>Expenditure on:</b>						
Raising funds	7	17,095	44,395	-	61,490	49,680
Charitable activities:						
- Educational operations	9	247,295	7,549,928	499,317	8,296,540	7,329,334
- Teaching school		-	-	-	-	32,592
<b>Total</b>	7	264,390	7,594,323	499,317	8,358,030	7,411,606
<b>Net income/(expenditure)</b>		94,866	127,342	(55,229)	166,979	840,491
Transfers between funds	18	-	(232,815)	232,815	-	-
<b>Other recognised gains/(losses)</b>						
Actuarial (losses)/gains on defined benefit pension schemes	20	-	(949,000)	-	(949,000)	439,000
<b>Net movement in funds</b>		94,866	(1,054,473)	177,586	(782,021)	1,279,491
<b>Reconciliation of funds</b>						
Total funds brought forward		4,271	3,872	14,226,328	14,234,471	12,954,980
Total funds carried forward		99,137	(1,050,601)	14,403,914	13,452,450	14,234,471

# TEES VALLEY EDUCATION

## STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2019

Comparative year information Year ended 31 August 2018	Notes	Unrestricted Funds £	Restricted funds: General Fixed asset £ £		Total 2018 £
<b>Income and endowments from:</b>					
Donations and capital grants	3	9,579	-	148,811	158,390
Donations - transfer from local authority on conversion		3,637	136,648	939,270	1,079,555
Charitable activities:					
- Funding for educational operations	4	228,783	6,640,237	-	6,869,020
- Funding for teaching school	25	-	35,170	-	35,170
Other trading activities	5	109,548	-	-	109,548
Investments	6	414	-	-	414
<b>Total</b>		<b>351,961</b>	<b>6,812,055</b>	<b>1,088,081</b>	<b>8,252,097</b>
<b>Expenditure on:</b>					
Raising funds	7	49,680	-	-	49,680
Charitable activities:					
- Educational operations	9	330,285	6,582,696	416,353	7,329,334
- Teaching school		-	32,592	-	32,592
<b>Total</b>	<b>7</b>	<b>379,965</b>	<b>6,615,288</b>	<b>416,353</b>	<b>7,411,606</b>
<b>Net income/(expenditure)</b>		<b>(28,004)</b>	<b>196,767</b>	<b>671,728</b>	<b>840,491</b>
<b>Other recognised gains/(losses)</b>					
Actuarial gains on defined benefit pension schemes	20	-	439,000	-	439,000
<b>Net movement in funds</b>		<b>(28,004)</b>	<b>635,767</b>	<b>671,728</b>	<b>1,279,491</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		32,275	(631,895)	13,554,600	12,954,980
Total funds carried forward		4,271	3,872	14,226,328	14,234,471

# TEES VALLEY EDUCATION

## BALANCE SHEET

AS AT 31 AUGUST 2019

	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	13	-	4,002
Tangible assets	14	14,403,914	14,384,589
		<u>14,403,914</u>	<u>14,388,591</u>
<b>Current assets</b>			
Debtors	15	373,580	282,211
Cash at bank and in hand		1,741,802	1,750,397
		<u>2,115,382</u>	<u>2,032,608</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	16	(585,846)	(882,728)
<b>Net current assets</b>		<u>1,529,536</u>	<u>1,149,880</u>
<b>Net assets excluding pension liability</b>		<u>15,933,450</u>	<u>15,538,471</u>
Defined benefit pension scheme liability	20	(2,481,000)	(1,304,000)
<b>Total net assets</b>		<u>13,452,450</u>	<u>14,234,471</u>
<b>Funds of the academy trust:</b>			
<b>Restricted funds</b>	18		
- Fixed asset funds		14,403,914	14,226,328
- Restricted income funds		1,430,399	1,307,872
- Pension reserve		(2,481,000)	(1,304,000)
<b>Total restricted funds</b>		<u>13,353,313</u>	<u>14,230,200</u>
<b>Unrestricted income funds</b>	18	<u>99,137</u>	<u>4,271</u>
<b>Total funds</b>		<u>13,452,450</u>	<u>14,234,471</u>

The accounts on pages 28 to 53 were approved by the trustees and authorised for issue on 12 December 2019 and are signed on their behalf by:

  
 J A Brine  
 Chairman

Company Number 09630999



# TEES VALLEY EDUCATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Net cash provided by operating activities	21		55,992		666,581
Cash funds transferred on conversion			-		146,555
			<u>55,992</u>		<u>813,136</u>
<b>Cash flows from investing activities</b>					
Dividends, interest and rents from investments		5,965		414	
Capital grants from DfE Group		444,088		148,811	
Purchase of tangible fixed assets		<u>(514,640)</u>		<u>(173,964)</u>	
Net cash used in investing activities			<u>(64,587)</u>		<u>(24,739)</u>
Net (decrease)/increase in cash and cash equivalents in the reporting period			(8,595)		788,397
Cash and cash equivalents at beginning of the year			<u>1,750,397</u>		<u>962,000</u>
Cash and cash equivalents at end of the year			<u><u>1,741,802</u></u>		<u><u>1,750,397</u></u>

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 AUGUST 2019

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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

The accounts 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 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

##### 1.2 Going concern

The trustees 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 charitable 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 accounts 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 accounts.

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

###### 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.

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

---

#### 1 Accounting policies

(Continued)

##### 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 accounts until they are sold. This income is recognised within 'Income from other trading activities'.

##### Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is 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.

#### 1.4 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 are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

##### 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.

#### 1.5 Intangible fixed assets and amortisation

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

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

---

### 1 Accounting policies

(Continued)

#### 1.6 Tangible fixed assets and depreciation

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 that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Freehold land and buildings	30 and 50 years
Leasehold land and buildings	30 and 50 years
Leasehold improvements	30 and 50 years
Computer equipment	4 years
Fixtures, fittings & equipment	10 years

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

#### 1.7 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.

#### 1.8 Leased assets

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

#### 1.9 Financial instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows.

##### Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

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

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

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### 1 Accounting policies

(Continued)

#### Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

#### 1.10 Taxation

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

#### 1.11 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. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

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

#### 1.12 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 Department for Education Group.

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

### 2 Critical accounting estimates and areas of judgement

Accounting 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 or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

#### McCloud

In 2015 the government introduced reforms to public sector pensions resulting in most public sector workers being transferred to a new scheme. In December 2018, the Court of Appeal ruled that the 'transitional protections' offered to some members of the judges and firefighter schemes as part of the reforms amounted to unlawful discrimination. While the judgement was not in relation to the LGPS it is reasonable to expect that it will need to be applied to this scheme by the government. Actuaries have estimated that the additional liabilities associated with this to be around 3-4% of active liabilities. As this has been considered to be potentially material to the financial statements the year end valuation performed by the actuary has included an approximate calculation of the McCloud valuation. This has increased the LGPS liability by £94,000 as at 31 August 2019.

#### GMP

This case related to the equalisation for men and women of guaranteed minimum pension (GMP) for those who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997. In October 2018 the High Court ruled that equalisation of GMP was required. This case was in relation to Lloyds Bank and HM Treasury have since gone on record to state public sector schemes have a method to equalise GMP already. Although there is some judgement in how this equalisation works and is reflected in the LGPS valuations, actuaries have estimated that the impact of GMP indexation to be around 0.3% of total liabilities and they have included an approximate calculation of the GMP valuation. This has increased the LGPS liability by £6,000 as at 31 August 2019.

### 3 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Capital grants	-	444,088	444,088	148,811
Other donations	4,735	150,000	154,735	9,579
	<u>4,735</u>	<u>594,088</u>	<u>598,823</u>	<u>158,390</u>

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 4 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<b>DfE / ESFA grants</b>				
General annual grant (GAG)	-	5,328,116	5,328,116	4,612,695
Start up grants	-	-	-	220,000
Other DfE group grants	-	1,136,563	1,136,563	929,240
	-	6,464,679	6,464,679	5,761,935
<b>Other government grants</b>				
Local authority grants	-	1,106,986	1,106,986	878,302
<b>Other funding</b>				
Catering income	57,954	-	57,954	-
Other incoming resources	94,756	-	94,756	228,783
	152,710	-	152,710	228,783
<b>Total funding</b>	152,710	7,571,665	7,724,375	6,869,020

### 5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Catering income	830	-	830	-
Consultancy income	-	-	-	26,405
Trips	15,862	-	15,862	-
Teaching school	-	-	-	35,170
Other income	179,154	-	179,154	83,143
	195,846	-	195,846	144,718

### 6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Short term deposits	5,965	-	5,965	414

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 7 Expenditure

	Staff costs £	Non Pay Expenditure Premises £	Other £	Total 2019 £	Total 2018 £
Expenditure on raising funds					
- Direct costs	-	-	61,490	61,490	49,680
Academy's educational operations					
- Direct costs	4,643,548	-	328,869	4,972,417	5,289,600
- Allocated support costs	1,100,257	1,156,453	1,067,413	3,324,123	2,039,734
Teaching school					
- Direct costs	-	-	-	-	19,295
- Allocated support costs	-	-	-	-	13,297
	<u>5,743,805</u>	<u>1,156,453</u>	<u>1,457,772</u>	<u>8,358,030</u>	<u>7,411,606</u>

Net income/(expenditure) for the year includes:

	2019 £	2018 £
Fees payable to auditor for audit services	9,100	10,700
Operating lease rentals	11,692	17,616
Depreciation of tangible fixed assets	495,315	412,351
Amortisation of intangible fixed assets	4,002	4,002
Net interest on defined benefit pension liability	33,000	38,000

### 8 Central services

The academy 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 GAG funding but excluding the Pupil Premium, SEN or other similar funding. The percentage is fixed at 8% (2018: 8%)

The amounts charged during the year were as follows:

	2019 £	2018 £
Brambles Primary Academy	125,502	106,000
Discovery Special Academy	29,000	-
Dormanstown Primary Academy	116,160	100,000
Pennyman Primary Academy	174,517	161,000
Wilton Primary Academy	30,243	-
	<u>475,422</u>	<u>366,000</u>



# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 9 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<b>Direct costs</b>				
Educational operations	132,324	4,840,093	4,972,417	5,289,600
Teaching school	-	-	-	19,295
<b>Support costs</b>				
Educational operations	114,971	3,209,152	3,324,123	2,039,734
Teaching school	-	-	-	13,297
	<u>247,295</u>	<u>8,049,245</u>	<u>8,296,540</u>	<u>7,361,926</u>
			<b>2019 £</b>	<b>2018 £</b>
<b>Analysis of support costs</b>				
Support staff costs			1,100,257	716,297
Depreciation and amortisation			499,317	47,353
Technology costs			60,042	5,070
Premises costs			657,136	502,810
Other support costs			527,234	520,385
Governance costs			480,137	261,116
			<u>3,324,123</u>	<u>2,053,031</u>

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

### 10 Staff

#### Staff costs

Staff costs during the year were:

	2019 £	2018 £
Wages and salaries	4,382,889	4,046,403
Social security costs	350,689	319,138
Pension costs	852,041	716,824
Amounts paid to employees	5,585,619	5,082,365
Agency staff costs	139,051	136,555
Staff restructuring costs	19,135	93,701
Amounts paid to staff	5,743,805	5,312,621
Staff development and other staff costs	49,522	38,545
Total staff expenditure	5,793,327	5,351,166

Staff restructuring costs comprise:

Redundancy payments	19,135	84,085
Severance payments	-	9,616
	19,135	93,701

#### Staff numbers

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

	2019 Number	2018 Number
Teachers	71	72
Administration and support	111	107
Management	5	2
	187	181

#### Higher paid staff

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

	2019 Number	2018 Number
£60,001 - £70,000	4	1
£70,001 - £80,000	-	2
£100,001 - £110,000	1	1

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 10 Staff

(Continued)

#### 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 and employer national insurance contributions) received by key management personnel for their services to the academy trust was £504,975 (2018: £375,786).

### 11 Trustees' remuneration and expenses

One or more of the trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their services as trustees.

The value of trustees' remuneration and other benefits was as follows:

#### K Morley (Trustee and CEO)

Remuneration £100,001 - £110,000 (2018: £100,001 - £110,000)

Employer's pension contribution £15,001 - £20,000 (2018: £15,000 - £20,000)

During the year, travel and subsistence payments totalling £1,508 (2018: £383) were reimbursed or paid directly to two trustees (2018: one trustee).

Other related party transactions involving the trustees are set out within the related parties note.

### 12 Trustees and officers insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides cover up to £10,000,000 on any one claim and is provided by RPA on a per pupil basis so no breakdown for the cost element related to Trustees' and Officers' Insurance can be provided. The cost of this insurance is included in the total insurance cost.

### 13 Intangible fixed assets

	Computer software £
<b>Cost</b>	
At 1 September 2018 and at 31 August 2019	16,007
<b>Amortisation</b>	
At 1 September 2018	12,005
Charge for year	4,002
At 31 August 2019	16,007
<b>Carrying amount</b>	
At 31 August 2019	-
At 31 August 2018	4,002

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 14 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Leasehold improvements £	Computer equipment £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>						
At 1 September 2018	899,000	13,223,000	812,915	171,094	498,104	15,604,113
Additions	-	-	396,128	109,727	8,785	514,640
At 31 August 2019	899,000	13,223,000	1,209,043	280,821	506,889	16,118,753
<b>Depreciation</b>						
At 1 September 2018	-	894,400	67,223	122,015	135,886	1,219,524
Charge for the year	28,467	298,133	40,917	69,193	58,605	495,315
At 31 August 2019	28,467	1,192,533	108,140	191,208	194,491	1,714,839
<b>Net book value</b>						
At 31 August 2019	870,533	12,030,467	1,100,903	89,613	312,398	14,403,914
At 31 August 2018	899,000	12,328,600	745,692	49,079	362,218	14,384,589

### 15 Debtors

	2019 £	2018 £
Trade debtors	29,138	62,955
VAT recoverable	65,437	50
Other debtors	-	17,792
Prepayments and accrued income	279,005	201,414
	373,580	282,211

### 16 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	174,756	293,504
Other taxation and social security	153,281	92,751
Other creditors	85,361	125,233
Accruals and deferred income	172,448	371,240
	585,846	882,728

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

17	Deferred income	2019 £	2018 £
	Deferred income is included within:		
	Creditors due within one year	77,075	213,841
	Deferred income at 1 September 2018	213,841	76,000
	Released from previous years	(213,841)	(76,000)
	Resources deferred in the year	77,075	213,841
	<b>Deferred income at 31 August 2019</b>	<b>77,075</b>	<b>213,841</b>

Deferred income includes devolved formula capital, universal infant free school meals and other income relating to 2019/20.

18	Funds	Balance at 1 September 2018 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2019 £
	<b>Restricted general funds</b>					
	General Annual Grant (GAG)	870,318	5,328,116	(4,819,235)	(261,773)	1,117,426
	Start up grants	87,100	-	(86,990)	-	110
	Other DfE / ESFA grants	-	1,136,563	(1,037,929)	-	98,634
	Other government grants	217,806	1,106,986	(1,353,750)	28,958	-
	Other restricted funds	132,648	150,000	(68,419)	-	214,229
	Pension reserve	(1,304,000)	-	(228,000)	(949,000)	(2,481,000)
		<u>3,872</u>	<u>7,721,665</u>	<u>(7,594,323)</u>	<u>(1,181,815)</u>	<u>(1,050,601)</u>
	<b>Restricted fixed asset funds</b>					
	Inherited on conversion	14,029,517	-	(404,990)	-	13,624,527
	DfE group capital grants	148,811	444,088	(24,651)	(16,762)	551,486
	Capital expenditure from GAG	48,000	-	(69,676)	249,577	227,901
		<u>14,226,328</u>	<u>444,088</u>	<u>(499,317)</u>	<u>232,815</u>	<u>14,403,914</u>
	<b>Total restricted funds</b>	<u>14,230,200</u>	<u>8,165,753</u>	<u>(8,093,640)</u>	<u>(949,000)</u>	<u>13,353,313</u>
	<b>Unrestricted funds</b>					
	General funds	<u>4,271</u>	<u>359,256</u>	<u>(264,390)</u>	<u>-</u>	<u>99,137</u>
	<b>Total funds</b>	<u>14,234,471</u>	<u>8,525,009</u>	<u>(8,358,030)</u>	<u>(949,000)</u>	<u>13,452,450</u>

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2019**

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### 18 Funds

(Continued)

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

General Annual Grant must be used for the normal running costs of the academy. Under the funding agreement with the Secretary of State, the academy trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2019.

Other DfE/ESFA grants include teachers' pay grant, universal free school meals income, PE grant and pupil premium grants received.

Other government grants include income for pupils with special educational needs and early years funding received from the local authority.

Other restricted funds include a restricted donation from Paul Hamlyn Foundation for Teacher Development Fund.

DfE/ESFA Capital Grants consist of the devolved capital grant and capital improvement fund. The capital improvement fund has been fully spent on leasehold improvements and the devolved capital has been partly spent on capital additions and partly on non capitalised items.

The Inherited Fixed Asset Fund reflects the fixed assets acquired from Local Authorities on conversion. Depreciation on these assets is charged against this fund.

At 31 August 2019 the academy had restricted general and unrestricted funds of £1,529,536.

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

### 18 Funds

(Continued)

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

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	543,536	4,612,695	(4,199,897)	(86,016)	870,318
Start up grants	-	220,000	(132,900)	-	87,100
Other DfE / ESFA grants	-	795,572	(881,588)	86,016	-
Other government grants	411,569	1,047,140	(1,240,903)	-	217,806
Other restricted funds	-	132,648	-	-	132,648
Pension reserve	(1,587,000)	4,000	(160,000)	439,000	(1,304,000)
	<u>(631,895)</u>	<u>6,812,055</u>	<u>(6,615,288)</u>	<u>439,000</u>	<u>3,872</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	13,506,600	939,270	(416,353)	-	14,029,517
DfE group capital grants	-	148,811	-	-	148,811
Capital expenditure from GAG	48,000	-	-	-	48,000
	<u>13,554,600</u>	<u>1,088,081</u>	<u>(416,353)</u>	<u>-</u>	<u>14,226,328</u>
<b>Total restricted funds</b>	<u>12,922,705</u>	<u>7,900,136</u>	<u>(7,031,641)</u>	<u>439,000</u>	<u>14,230,200</u>
<b>Unrestricted funds</b>					
General funds	32,275	351,961	(379,965)	-	4,271
<b>Total funds</b>	<u>12,954,980</u>	<u>8,252,097</u>	<u>(7,411,606)</u>	<u>439,000</u>	<u>14,234,471</u>

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

### 18 Funds

(Continued)

#### Total funds analysis by academy

	2019 £	2018 £
Fund balances at 31 August 2019 were allocated as follows:		
Brambles Primary Academy	444,451	527,143
Discovery Special Academy	96,044	-
Dormanstown Primary Academy	461,424	395,000
Pennyman Primary Academy	360,325	289,000
Wilton Primary Academy	105,757	141,000
Teaching school/Outreach	-	23,000
Central services	61,536	(63,000)
Total before fixed assets fund and pension reserve	1,529,536	1,312,143
Restricted fixed asset fund	14,403,914	14,226,328
Pension reserve	(2,481,000)	(1,304,000)
Total funds	13,452,450	14,234,471

#### Total cost analysis by academy

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 2019 £	Total 2018 £
Brambles Primary Academy	1,089,889	139,229	81,176	382,087	1,692,381	1,687,000
Discovery Special Academy	374,529	134,323	54,820	130,880	694,552	-
Dormanstown Primary Academy	1,056,533	185,779	50,848	290,847	1,584,007	1,646,000
Pennyman Primary Academy	1,652,596	255,393	120,545	499,018	2,527,552	2,597,000
Wilton Primary Academy	309,927	57,752	17,544	125,987	511,210	35,000
Teaching school	-	-	-	-	-	33,000
Central services	160,074	132,781	15,075	313,082	307,930	838,000
	4,643,548	905,257	340,007	1,741,901	7,630,713	6,835,000



# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

### 19 Analysis of net assets between funds

	Unrestricted Funds £	General £	Restricted funds: Fixed asset £	Total Funds £
<b>Fund balances at 31 August 2019 are represented by:</b>				
Tangible fixed assets	-	-	14,403,914	14,403,914
Current assets	160,845	1,938,743	15,794	2,115,382
Creditors falling due within one year	(61,708)	(508,344)	(15,794)	(585,846)
Defined benefit pension liability	-	(2,481,000)	-	(2,481,000)
<b>Total net assets</b>	<b>99,137</b>	<b>(1,050,601)</b>	<b>14,403,914</b>	<b>13,452,450</b>

	Unrestricted Funds £	General £	Restricted funds: Fixed asset £	Total Funds £
<b>Fund balances at 31 August 2018 are represented by:</b>				
Intangible fixed assets	-	-	4,002	4,002
Tangible fixed assets	-	-	14,384,589	14,384,589
Current assets	63,271	1,969,872	-	2,032,608
Creditors falling due within one year	(59,000)	(662,000)	(162,263)	(882,728)
Defined benefit pension liability	-	(1,304,000)	-	(1,304,000)
<b>Total net assets</b>	<b>4,271</b>	<b>3,872</b>	<b>14,226,328</b>	<b>14,234,471</b>

### 20 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 schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012, and that of the LGPS related to the period ended 31 March 2016.

Contributions amounting to £82,346 were payable to the schemes at 31 August 2019 (2018: £77,776) and are included within creditors.

#### Teachers' Pension Scheme

##### Introduction

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2019

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#### 20 Pension and similar obligations

(Continued)

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

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

##### **Valuation of the Teachers' Pension Scheme**

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website.

##### **Scheme Changes**

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The employer's pension costs paid to the TPS in the period amounted to £427,178 (2018: £408,242).

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

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

### 20 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 contributions are as noted below. The agreed contribution rates for future years are 14.6% for employers and 5.5% - 12.5% for employees.

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

Total contributions made	2019 £	2018 £
Employer's contributions	241,000	184,000
Employees' contributions	78,000	68,000
Total contributions	319,000	252,000

Principal actuarial assumptions	2019 %	2018 %
Rate of increase in salaries	3.0	3.0
Rate of increase for pensions in payment/inflation	2.0	2.0
Discount rate for scheme liabilities	1.9	2.8
Inflation assumption (CPI)	2.0	2.0

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

	2019 Years	2018 Years
Retiring today		
- Males	21.9	22.9
- Females	23.8	25.0
Retiring in 20 years		
- Males	23.6	25.1
- Females	25.7	27.3

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 20 Pension and similar obligations

(Continued)

Scheme liabilities would have been affected by changes in assumptions as follows:

	2019 £	2018 £
Discount rate + 0.1%	6,354,000	121,000,000
Discount rate - 0.1%	6,680,000	124,000,000
Mortality assumption + 1 year	6,297,000	140,000,000
Mortality assumption - 1 year	6,736,000	141,000,000
CPI rate + 0.1%	6,626,000	40,000,000
CPI rate - 0.1%	6,406,000	39,000,000

#### The academy trust's share of the assets in the scheme

	2019 Fair value £	2018 Fair value £
Equities	3,081,976	2,619,240
Cash	512,318	645,840
Property	338,856	276,276
Other assets	100,850	46,644
Total market value of assets	4,034,000	3,588,000

The actual return on scheme assets was £144,000 (2018: £174,000).

#### Amount recognised in the Statement of Financial Activities

	2019 £	2018 £
Current service cost	317,000	306,000
Past service cost	119,000	-
Interest income	(105,000)	(80,000)
Interest cost	138,000	118,000
Total operating charge	469,000	344,000

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 20 Pension and similar obligations

(Continued)

Changes in the present value of defined benefit obligations	2019 £	2018 £
At 1 September 2018	4,892,000	4,673,000
Obligations acquired on conversion	-	96,000
Current service cost	317,000	306,000
Interest cost	138,000	118,000
Employee contributions	78,000	68,000
Actuarial loss/(gain)	988,000	(345,000)
Benefits paid	(17,000)	(24,000)
Past service cost	119,000	-
At 31 August 2019	6,515,000	4,892,000

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

	2019 £	2018 £
At 1 September 2018	3,588,000	3,086,000
Assets acquired on conversion	-	100,000
Interest income	105,000	80,000
Actuarial gain	39,000	94,000
Employer contributions	241,000	184,000
Employee contributions	78,000	68,000
Benefits paid	(17,000)	(24,000)
At 31 August 2019	4,034,000	3,588,000

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 21 Reconciliation of net income to net cash flow from operating activities

	2019 £	2018 £
Net income for the reporting period (as per the statement of financial activities)	166,979	840,491
Adjusted for:		
Net surplus on conversion to academy	-	(1,079,555)
Capital grants from DfE and other capital income	(444,088)	(148,811)
Investment income receivable	(5,965)	(414)
Defined benefit pension costs less contributions payable	195,000	122,000
Defined benefit pension scheme finance cost	33,000	38,000
Depreciation of tangible fixed assets	495,315	416,353
Amortisation of intangible fixed assets	4,002	-
(Increase)/decrease in debtors	(91,369)	85,789
(Decrease)/increase in creditors	(296,882)	392,728
<b>Net cash provided by operating activities</b>	<b>55,992</b>	<b>666,581</b>

### 22 Commitments under operating leases

At 31 August 2019 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2019 £	2018 £
Amounts due within one year	12,340	11,000
Amounts due in two and five years	8,818	17,000
	<b>21,158</b>	<b>28,000</b>

### 23 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 trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The following related party transactions took place in the financial period.

No related party transactions took place in the period of account, other than certain trustees' remuneration and expenses already disclosed in note 11.

# TEES VALLEY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

### 24 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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

25 Teaching school trading account	2019		2018	
	£	£	£	£
<b>Other income</b>				
Fundraising and other trading activities		-		35,170
<b>Direct costs</b>				
Direct staff costs	-		17,700	
Staff development	-		636	
Other direct costs	-		959	
	-		19,295	
<b>Other costs</b>				
Support staff costs	-		6,468	
Technology costs	-		2,066	
Other support costs	-		4,263	
Share of governance costs	-		500	
	-		13,297	
<b>Total expenditure</b>		-		(32,592)
<b>Surplus from all sources</b>		-		2,578
Teaching school balances at 1 September 2018		-		-
<b>Teaching school balances at 31 August 2019</b>		-		2,578