

Registered number: 06277270

RED HOUSE ACADEMY
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2015

RED HOUSE ACADEMY
(A company limited by guarantee)

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RED HOUSE ACADEMY
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS/ TRUSTEES AND
ADVISERS
FOR THE PERIOD ENDED 30 JUNE 2015**

Members

Leighton Group Limited
Sunderland City Council
Sunderland University

Governors

P M Callaghan CBE DL, Chair^{1,2}
C Smith, Vice Chair²
R Bell (resigned 1 October 2014)
Prof P M Fidler MBE¹
I Lane (appointed 1 October 2014)
D MacKnight
V Preston, Staff Governor
Dr T Quincey, Principal and Accounting Officer
N Rodgers, Staff Governor
A Thompson

¹ Appointed as Director at Companies House

² Members of the Finance and General Purposes Committee

Company registered number

06277270

Principal and registered office

c/o The Leighton Group
Chase House, 4 Mandarin Road
Houghton le Spring
Sunderland
Tyne and Wear
DH4 5RA

Company secretary

V C Smith

Senior leadership team

Dr T Quincey, Principal
M Cooney, Vice Principal
N Rodgers, Vice Principal
V C Smith, Finance and Operations Director

Independent auditors

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

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS/ TRUSTEES AND
ADVISERS
FOR THE PERIOD ENDED 30 JUNE 2015**

Bankers

National Westminster plc
52 Fawcett Street
Sunderland
Tyne and Wear
SR1 1SB

Solicitors

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

RED HOUSE ACADEMY
(A company limited by guarantee)

GOVERNORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2015

The Governors (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of Red House Academy (the academy) for the period ended 30 June 2015. The activities of Red House Academy were transferred to Northern Education Trust on 1 October 2014. These financial statements therefore only reflect transactions for the month of September 2014.

The trust operates an academy for pupils aged 11 to 16 serving a catchment area in Sunderland. It has a pupil capacity of 600 and had a roll of 553 in the school census on 2 October 2014.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy 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 academy.

The Governors that are listed as directors at Companies House act as the trustees for the charitable activities of Red House Academy and are also the directors of the charitable company for the purposes of company law.

Details of the Governors who served throughout the period except as noted 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.

Governors' indemnities

The academy has purchased insurance to protect Governors from claims arising from negligent acts, errors or omissions occurring whilst on academy business. Further details are provided in note 13.

Method of recruitment and appointment or election of Governors

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

Policies and procedures adopted for the induction and training of Governors

The training and induction provided for new Governors will depend on their existing experience. Where necessary induction and training will be provided on charity, educational, legal and financial matters. All new Governors will be given a tour of the academy site and will be given the chance to meet with staff and students. All Governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Governors. As there are normally only one or two new Governors a year, induction will be done informally and will be tailored specifically to the individual.

RED HOUSE ACADEMY
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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 30 JUNE 2015

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure

During the period to 30 September 2014 the academy continued to operate a unified management structure. The structure consists of four levels: the Governors, the Executive Group, the Senior Leadership Team and the Middle Management Team. The aim of the management structure is to devolve responsibility and encourage decision making at all levels.

The Executive Group consists of the Principal and two Vice Principals who control the academy at an executive level implementing the policies laid down by the Governors and reporting it back to them. The Principal is responsible for the authorisation of spending within agreed budgets and the appointment of staff for posts in the Senior Leadership Team, through appointment boards which sometimes contain a Governor. Some spending control is devolved to members of the Senior Leadership Team, with limits above which the Principal must countersign.

The Senior Leadership Team includes the Executive Group and seven other members. The Middle Management of the academy is centred around the Group of Curriculum Leaders. These managers are responsible for the day to day operation of the academy, in particular organising the teaching staff, facilities and students.

On 1 October 2014 Red House Academy became part of Northern Education Trust.

Connected organisations, including related party relationships

Leighton Group, Sunderland City Council and Sunderland University were the sponsors of Red House Academy to 30 September 2014. On 1 October 2014 sponsorship of the academy transferred to Northern Education Trust.

Further details are stated in Note 24 to the financial statements.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of the charitable company is the operation of Red House Academy to provide education for students of different abilities between the ages of 11 and 16, with an emphasis on engineering.

In accordance with the Articles of Association the charitable company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the academy, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum with an emphasis on engineering.

The main objectives of the academy during the period until transfer on 1 October 2014 are summarised below:

- Shift rates of progress in English and Maths to national norms
- Ensure all teaching staff are graded as "Good or Outstanding"
- Move attendance from 94% to 95%
- Developing oral confidence
- Achieve Excellence in Leadership and Management

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 30 JUNE 2015

OBJECTIVES AND ACTIVITIES (continued)

Objectives, strategies and activities

The academy's main objectives are encompassed in its mission statement which is 'to create a culture of innovation and creativity that encourages high aspiration and ambition in an enterprising environment in which all students, their families and local community find their learning challenging, engaging and motivating.' To this end the strategies used to achieve them include:

- To reach Floor Targets
- To make an incremental shift to 'Excellence' in all areas of the academy's work
- To have a coordinated strategic focus on developing the skill set and knowledge base of Curriculum Leaders to drive Red House Academy to 'Outstanding' as defined by Ofsted
- To evidence outstanding student behaviour
- To develop basic skills to facilitate curriculum engagement and the life skills of students
- To develop CEIAG to influence aspirations and achievement
- To bring attendance in line with national norms
- To bring 4 Levels of Progress in line with national averages in all subjects
- To improve the quality of teaching to outstanding overall

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between the ages of 11 and 16.

Public benefit

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

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

Review of activities

Red House Academy transferred sponsorship to Northern Education Trust on 1 October 2014. P Callaghan, Chief Executive of the previous Lead Sponsor (The Leighton Group) has remained as Chair of Governors and has joined Northern Education Trust's Board. The academy is now part of a wider family of academies, and benefits will be derived from this. The academy is striving towards achieving national floor targets for Key Stage 4 students in the 2014/15 academic year. The full focus of the academy is to ensure that our students achieve the outcomes they can achieve. The Achievement for All programme is being used to support and mentor Year 11 students. Mentors will work with students and their parents during the academic year to help them to achieve their maximum potential.

2014-15 saw students represent Red House Academy in New York in September, two members of staff visited the academy's partner school in Harbin during October 2014, and a further trip to New York is planned for 2015-16.

The school continued with the 'Achievement for All' programme which should continue to impact upon parental engagement and attendance. Amidst curriculum changes all schools experienced during the academic year, all students who achieved English and Maths GCSE at C or above, achieved at least 3 other C grades. Ofsted, January 2014, recognised good leadership in the school, its outstanding safeguarding arrangements and behaviour of our students.

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 30 JUNE 2015

Key financial performance indicators

- The academy should prepare and work towards a balanced budget for each financial year – a balanced budget has been produced for the 2014/15 and 2015/16 financial years.
- The GAG carry forward limit has not been breached during the 2014/15 financial year.
- Staff attendance should be the same as or greater than student attendance – staff attendance was greater than student attendance during the 2014/15 financial year.

Going concern

The Governors transferred all operations, assets and liabilities of the academy to Northern Education Trust with effect from 1 October 2014. All assets and liabilities were transferred at their book value at the date of transfer. Accordingly, the company is no longer considered a going concern.

FINANCIAL REVIEW

Financial report for the year

Most of the academy's income is obtained from the Department for Education (DfE) via the Education Funding Agency (EFA), in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/EFA during the period ended 30 June 2015 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy also receives grants for fixed assets from the DfE/EFA. In accordance with the Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Prior to the transfer of operations on 1 October 2014, total expenditure of £361,000 was exceeded by recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of income over expenditure for that period (before transfers and actuarial losses, and excluding restricted fixed asset funds) was £40,000.

The balance sheet as at the date of transfer of undertakings is detailed on page 41.

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

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 30 JUNE 2015

FINANCIAL REVIEW (continued)

Reserves policy

The academy holds endowment, restricted and unrestricted funds (the attached financial statements detail these funds). Unrestricted funds are held to provide funds which can be designated to specific areas such as supporting educational attainment.

The level of reserves is reviewed by the Governors regularly throughout the period. The minimum level of reserves for the ongoing needs of the academy is reviewed by the Governors on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Governors therefore consider it prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of £690,000 being around two-twelfths of gross expenditure.

This is considered sufficient to cover the running costs of the academy for a two month period.

The academy's level of free reserves at the time of the transfer were in surplus by £712,000 and therefore are considered to be an adequate level of reserves required for the ongoing needs of the academy. The Governors continue to consider additional activities related to the academy's objectives to which the excess reserves may be applied including:

- a) improving the educational attainment and achievement of our students
- b) investing in the infrastructure of the site to ensure facilities continue to meet the needs of our students.

Investment policy

The academy invests surplus funds through money market accounts. Interest rates are reviewed prior to each investment. This policy maximises investment return whilst minimising risks to the principal sum.

Principal risks and uncertainties

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

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

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

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

Funds held as custodian trustee on behalf of others

The role of Trustee for the Endowment Fund has transferred to Northern Education Trust with effect from 1 October 2014. The endowment fund can only be accessed with Secretary of State permission to improve the educational attainment / achievement of the academy's students.

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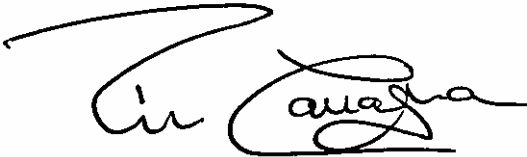
GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 30 JUNE 2015

Disclosure of information to auditors

Insofar as the Governors are aware:

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

This report, incorporating the Strategic report, was approved by order of the Board of Governors,, as the company directors, on 2 November 2015 and signed on the board's behalf by:

A handwritten signature in black ink, appearing to read 'P M Callaghan', with a large, sweeping flourish above the first name.

P M Callaghan CBE DL
Chair

RED HOUSE ACADEMY
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Governors, we acknowledge we have overall responsibility for ensuring that Red House Academy 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 Governors, has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Red House Academy and the Secretary of State for Education. They are also responsible for reporting to the Board of Governors, any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Governors' report and in the Governors' responsibilities statement. As the Trust transferred on 1 October 2014, there were no governing body meetings of the Trust.

Sponsorship of Red House Academy transferred to Northern Education Trust on 1 October 2014. Prior to the transfer a due diligence process was undertaken which included a review of all management and governance areas within the academy.

The academy is working with Northern Education Trust to ensure that the systems and processes adhere to those required by the Trust.

The Finance and General Purposes Committee is a sub-committee of the main governing body. Its purpose is to monitor the income and expenditure of the academy, review external audit and responsible officer reports, and determine the requirements for internal control tests, the committee also makes recommendations to the main board for expenditure items if required.

This committee did not meet prior to the transfer to Northern Education Trust.

REVIEW OF VALUE FOR MONEY

As accounting officer the Principal has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the 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 available. The accounting officer for the academy trust has delivered improved value for money during the period by:

- The academy has a dedicated Intervention Suite onsite to provide targeted interventions for Key Stage 3 students in maths and English. We also have an alternative education provision on site, ensuring that those students who require alternative education receive a curriculum bespoke to their needs, whilst also guaranteeing they receive teaching in core subject areas. A retired Head Teacher of a Special School was appointed to work in this unit to provide the best education possible for these students, and to provide behaviour support and training to other members of staff.
- Contracts and services are regularly appraised and re-negotiated when appropriate to ensure value for money, for example the grounds maintenance contract.
- The academy complies with its financial regulations and obtains 3 quotations for purchases exceeding £1,000. In exceptional circumstances when it is not possible to get three quotations the reason is recorded.

RED HOUSE ACADEMY
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GOVERNANCE STATEMENT (continued)

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy 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 Red House Academy for the period 1 September 2014 to 30 June 2015 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Board of Governors, has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors, is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks, that has been in place for the period 1 September 2014 to 30 June 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Governors,.

THE RISK AND CONTROL FRAMEWORK

The academy'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 Governors,;
- regular reviews by the Finance and General Purposes 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 Governors, has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Governors have appointed W Pattison, the Finance Director of Framwellgate School, to perform peer review.

The reviewer's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems.

On a semi-annual basis, the reviewer reports to the Board of Governors, on the operation of the systems of control and on the discharge of the Board of Governors, ' financial responsibilities.

No visits to the academy took place in the period. Northern Education Trust have appointed an internal auditor, Beavers and Struthers, who will carry out an annual internal audit in July 2015. This agreement is in place post transfer.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

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

- the work of the peer review;
- the work of the external auditors;
- the work of the executive managers within the academy 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 Finance and General Purposes Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Governors, on 2 November 2015 and signed on its behalf, by:



P M Callaghan CBE DL
Chair



Dr T Quincey, Principal
Accounting Officer

RED HOUSE ACADEMY
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Red House Academy I have considered my responsibility to notify the academy Board of Governors, and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook (2014).

I confirm that I and the academy Board of Governors, are able to identify any material, irregular or improper use of funds by the academy, or material non-compliance with the terms and conditions of funding under the academy's funding agreement and the Academies Financial Handbook (2014).

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 Governors, and EFA.



**Dr T Quincey, Principal
Accounting Officer**

Date: 2 November 2015

RED HOUSE ACADEMY
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GOVERNORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015

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

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


- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2005;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the governing body on 2 November 2015 and signed on its behalf by:



P M Callaghan CBE DL
Chair

RED HOUSE ACADEMY
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RED HOUSE ACADEMY

We have audited the financial statements of Red House Academy for the period ended 30 June 2015 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

This report is made solely to the academy'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 academy's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

As explained more fully in the Governors' responsibilities statement, the Governors (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the academy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 30 June 2015 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Governors' report, incorporating the Strategic report, for the financial period for which the financial statements are prepared is consistent with the financial statements.

RED HOUSE ACADEMY
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RED HOUSE ACADEMY

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Christopher Beaumont BA (Hons) FCA DChA (Senior statutory auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants
Statutory Auditors

140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT
2 November 2015

RED HOUSE ACADEMY
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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO RED HOUSE
ACADEMY AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 11 September 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Red House Academy during the period 1 September 2014 to 30 June 2015 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 Red House Academy and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Red House Academy and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Red House Academy and EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF RED HOUSE ACADEMY'S ACCOUNTING OFFICER AND THE
REPORTING ACCOUNTANT**

The accounting officer is responsible, under the requirements of Red House Academy's funding agreement with the Secretary of State for Education dated 10 August 2007, and the Academies Financial Handbook extant from 1 September 2014, 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 2014 to 2015. 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 2014 to 30 June 2015 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 2014 to 2015 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

RED HOUSE ACADEMY
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO RED HOUSE
ACADEMY AND THE EDUCATION FUNDING AGENCY (continued)**

APPROACH (continued)

The work undertaken to draw to our conclusion includes:

- Review of governing body and committee minutes;
- Review of semi-annual peer review reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Governors and Accounting Officer setting out responsibilities;
- Obtained formal letter of representation detailing the responsibilities of Governors;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of registers of interests;
- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with policy.

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2014 to 30 June 2015 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Christopher Beaumont BA (Hons) FCA DChA

Clive Owen LLP

Reporting Accountant

140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT

2 November 2015

RED HOUSE ACADEMY
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE PERIOD ENDED 30 JUNE 2015**

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Restricted fixed asset funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Note						
INCOMING RESOURCES						
Incoming resources from generated funds:						
Activities for generating funds	3	47	-	-	-	47
Investment income	4	-	-	-	-	-
Incoming resources from charitable activities	5	-	319	1	-	320
		47	319	1	-	367
TOTAL INCOMING RESOURCES						
		47	319	1	-	367
		47	319	1	-	367
Continuing operations	-	-	-	-	-	4,394
Discontinued operations	47	319	1	-	367	-
RESOURCES EXPENDED						
Charitable activities	8	298	35	-	341	4,373
Governance costs	6	-	20	-	20	146
Other resources expended	7	711	97	13,397	1,000	15,205
		711	97	13,397	1,000	15,205
TOTAL RESOURCES EXPENDED						
		719	415	13,432	1,000	15,566
		719	415	13,432	1,000	15,566
NET RESOURCES EXPENDED BEFORE REVALUATIONS						
		(672)	(96)	(13,431)	(1,000)	(15,199)
		(672)	(96)	(13,431)	(1,000)	(15,199)

RED HOUSE ACADEMY
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (continued)
FOR THE PERIOD ENDED 30 JUNE 2015

Note	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Restricted fixed asset funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Continuing operations	-	-	-	-	-	(125)
Discontinued operations	(672)	(96)	(13,431)	(1,000)	(15,199)	-
Actuarial gains and losses on defined benefit pension schemes	-	40	-	-	40	250
NET MOVEMENT IN FUNDS FOR THE PERIOD	(672)	(56)	(13,431)	(1,000)	(15,159)	125
Total funds at 1 September 2014	672	56	13,431	1,000	15,159	15,034
TOTAL FUNDS AT 30 JUNE 2015	-	-	-	-	-	15,159

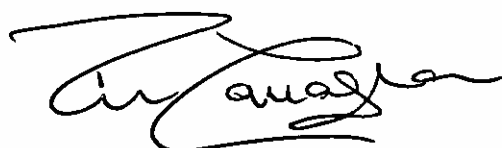
The notes on pages 22 to 41 form part of these financial statements.

RED HOUSE ACADEMY
(A company limited by guarantee)
REGISTERED NUMBER: 06277270

BALANCE SHEET
AS AT 30 JUNE 2015

	Note	£000	30 June 2015 £000	£000	31 August 2014 £000
FIXED ASSETS					
Tangible assets	14		-		13,328
CURRENT ASSETS					
Debtors	15	-		224	
Cash at bank		-		3,116	
		-		<u>3,340</u>	
CREDITORS: amounts falling due within one year	16	-		<u>(939)</u>	
NET CURRENT ASSETS			-		<u>2,401</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
Defined benefit pension scheme liability	22		-		<u>(570)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			-		<u><u>15,159</u></u>
FUNDS OF THE ACADEMY					
Endowment funds	17		-		1,000
Restricted funds:					
Restricted funds	17	-		626	
Restricted fixed asset funds	17	-		13,431	
		-		<u>14,057</u>	
Restricted funds excluding pension liability		-		14,057	
Pension reserve		-		<u>(570)</u>	
Total restricted funds			-		13,487
Unrestricted funds	17		-		<u>672</u>
TOTAL FUNDS			-		<u><u>15,159</u></u>

The financial statements were approved by the Governors, and authorised for issue, on 2 November 2015 and are signed on their behalf, by:



P M Callaghan CBE DL
Chair

The notes on pages 22 to 41 form part of these financial statements.

RED HOUSE ACADEMY
(A company limited by guarantee)

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015

	Note	2015 £000	2014 £000
Net cash flow from operating activities	19	(818)	809
Returns on investments and servicing of finance	20	-	2
Capital expenditure and financial investment	20	1	(145)
Cash transferred on joining multi-academy trust		(2,299)	-
(DECREASE)/INCREASE IN CASH IN THE PERIOD		<u><u>(3,116)</u></u>	<u><u>666</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE PERIOD ENDED 30 JUNE 2015

	2015 £000	2014 £000
(Decrease)/Increase in cash in the period	<u>(3,116)</u>	<u>666</u>
MOVEMENT IN NET FUNDS IN THE PERIOD	(3,116)	666
Net funds at 1 September 2014	<u>3,116</u>	<u>2,450</u>
NET FUNDS AT 30 JUNE 2015	<u><u>-</u></u>	<u><u>3,116</u></u>

RED HOUSE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2014 to 2015 issued by EFA, applicable accounting standards and the Companies Act 2006. On 1 October 2014 the sponsorship of Red House Academy was transferred to Northern Education Trust. As a result all of the assets and liabilities of the academy were also transferred to Northern Education Trust on the same date.

1.2 Going concern

The financial statements have not been prepared on a going concern basis. The Governors have taken the decision to transfer the activities and operations of the academy to Northern Education Trust (company number 07189647) with effect from 1 October 2014. The assets and liabilities of the academy have been transferred at their net book value and it is not expected that there will be any significant costs associated with the transfer of activities. Consequently, there are no significant accounting adjustments resulting from the company not being a going concern.

1.3 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education.

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

1.4 Incoming resources

All incoming resources are included in the Statement of financial activities when the academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

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

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

RED HOUSE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

1.5 Resources expended

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

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

Governance costs include the costs attributable to the academy's compliance with constitutional and statutory requirements, including audit, strategic management and Governors' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

1.6 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of financial activities and are carried forward in the Balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy's depreciation policy.

The premises are held on a 125 year lease from Sunderland City Council. As the risks and rewards have transferred to the Academy the assets, including contents and ICT equipment have been recognised within tangible fixed assets. The initial acquisition was recognised at insurance valuation. This valuation was not materially different to the original cost of the building and the Governors considered that the cost of obtaining an additional valuation would outweigh the benefit.

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

Long term leasehold property	-	over 50 years
Long term leasehold land	-	over 125 years
Fixtures and fittings	-	over 6.67 years
Computer equipment	-	over 4 years

1.7 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

RED HOUSE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

1.8 Taxation

The academy 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 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.

1.9 Pensions

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the academy.

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 in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 22, the TPS is a multi-employer scheme and the academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

2. GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the academy was subject to limits at 30 June 2015 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The academy has not exceeded these limits during the period ended 30 June 2015.

RED HOUSE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

3. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Sundry income	16	-	-	16	84
Lettings	-	-	-	-	7
Uniform	7	-	-	7	4
School trips	6	-	-	6	22
Catering	18	-	-	18	141
	<u>47</u>	<u>-</u>	<u>-</u>	<u>47</u>	<u>258</u>

4. INVESTMENT INCOME

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Bank interest	-	-	-	-	2
Net finance income on pension scheme	-	-	-	-	10
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>

5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
DfE/EFA revenue grants					
Devolved Formula Capital General Annual Grant (GAG)	-	1	-	1	14
	-	292	-	292	3,770
Pupil Premium	-	25	-	25	331
	<u>-</u>	<u>318</u>	<u>-</u>	<u>318</u>	<u>4,115</u>
Other Government grants					
SEN	-	1	-	1	6
Other Government grants	-	1	-	1	3
	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>9</u>
	<u>-</u>	<u>320</u>	<u>-</u>	<u>320</u>	<u>4,124</u>

RED HOUSE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

6. GOVERNANCE COSTS

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Auditors' remuneration - audit fees	-	5	-	5	10
Auditors' remuneration - non audit fees	-	-	-	-	2
Legal and professional	-	6	-	6	25
Governor clerking fees	-	-	-	-	3
Wages and salaries	-	7	-	7	85
National insurance	-	1	-	1	9
Pension costs	-	1	-	1	12
	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>	<u>146</u>

7. OTHER RESOURCES EXPENDED

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Transfer to Multi Academy Trust	711	13,494	1,000	15,205	-
	<u>711</u>	<u>13,494</u>	<u>1,000</u>	<u>15,205</u>	<u>-</u>

RED HOUSE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

8. CHARITABLE ACTIVITIES

	Total funds 2015 £000	Total funds 2014 £000
DIRECT COSTS - EDUCATIONAL OPERATIONS		
Wages and salaries	173	2,214
National insurance	13	166
Pension cost	20	261
Educational supplies	-	75
Examination fees	-	44
Staff development	-	8
Educational consultancy	-	25
Other direct costs	27	58
	233	2,851
SUPPORT COSTS - EDUCATIONAL OPERATIONS		
Wages and salaries	27	320
National insurance	1	14
Pension cost	8	89
Depreciation	35	387
Staff development	-	4
Technology costs	4	165
Travel and subsistence	1	12
Maintenance of premises and equipment	7	84
Cleaning	-	12
Rates	3	65
Energy	-	89
Insurance	2	31
Security	-	10
Catering	14	125
Occupancy costs	-	8
Bank interest and charges	-	1
Other support costs	6	106
	108	1,522
	341	4,373

RED HOUSE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

9. RESOURCES EXPENDED

	Staff costs	Non Pay Expenditure		Total	Total
	2015 £000	Premises 2015 £000	Other costs 2015 £000	2015 £000	2014 £000
Direct costs	206	-	27	233	2,851
Support costs	36	45	27	108	1,522
Charitable activities	242	45	54	341	4,373
Governance	9	-	11	20	146
Other resources expended	-	-	15,205	15,205	-
	251	45	15,270	15,566	4,519

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

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

10. NET RESOURCES EXPENDED

This is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets:		
- owned by the charity	35	387
Auditors' remuneration - audit	5	10
Auditors' remuneration - non-audit	-	2
	40	409

RED HOUSE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

11. STAFF

a. Staff costs

Staff costs were as follows:

	2015 £000	2014 £000
Wages and salaries	207	2,547
Social security costs	15	189
Other pension costs (Note 22)	29	362
	<hr/>	<hr/>
Supply teacher costs	251	3,098
Compensation payments	-	58
	<hr/>	<hr/>
	251	3,170
	<hr/> <hr/>	<hr/> <hr/>

b. Staff severance payments

Included in staff restructuring costs are non-contractual severance payments totalling £nil (2014: £14,380). In the previous year one non-contractual payment made exceeded £5,000 individually and this was for £14,380.

c. Staff numbers

The average number of persons employed by the academy during the one month prior to the transfer of undertakings, expressed as full time equivalents, was as follows:

	2015 No.	2014 No.
Teaching	40	42
Educational support	18	15
Premises	7	5
Catering	5	6
Administration and management	11	12
	<hr/>	<hr/>
	81	80
	<hr/> <hr/>	<hr/> <hr/>

d. Higher paid staff

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

	2015 No.	2014 No.
In the band £60,001 - £70,000	2	2
In the band £120,001 - £130,000	1	1
	<hr/>	<hr/>
	3	3
	<hr/> <hr/>	<hr/> <hr/>

All of the above employees participated in the Teachers Pension Scheme.

RED HOUSE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

12. RELATED PARTY TRANSACTIONS - GOVERNORS' REMUNERATION AND EXPENSES

One or more Governors has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Governors 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 Governors. The value of Governors' remuneration and other benefits was as follows:

Dr T Quincey (Principal and Governor)

Remuneration £10,000 - £15,000 (2014: £120,000 - £125,000)

Employer's pension contributions £0 - £5,000 (2014: £15,000 - £20,000)

N Rodgers (Staff Governor)

Remuneration £5,000 - £10,000 (2014: £60,000 - £65,000)

Employer's pension contributions £0 - £5,000 (2014: £5,000 - £10,000)

V Preston (Staff Governor)

Remuneration £0 - £5,000 (2014: £40,000 - £45,000)

Employer's pension contributions £0 - £5,000 (2014: £5,000 - £10,000)

During the period, no Governors received any benefits in kind (2014 - £nil).

During the year, no Governors received any reimbursement of expenses (2014 - £nil).

13. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the period ended 30 June 2015 was £809 (2014 - £785). The cost of this insurance is included in the total insurance cost.

RED HOUSE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

14. TANGIBLE FIXED ASSETS

	Long leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 September 2014	14,416	602	509	15,527
Disposals	(14,416)	(602)	(509)	(15,527)
At 30 June 2015	-	-	-	-
Depreciation				
At 1 September 2014	1,416	407	376	2,199
Charge for the period	24	8	3	35
On disposals	(1,440)	(415)	(379)	(2,234)
At 30 June 2015	-	-	-	-
Net book value				
At 30 June 2015	-	-	-	-
At 31 August 2014	13,000	195	133	13,328

The academy's transactions relating to land and buildings included:

- The transfer of all fixed assets to Northern Education Trust on 1 October 2014 at their book value.

15. DEBTORS

	30 June 2015 £000	31 August 2014 £000
VAT recoverable	-	137
Prepayments and accrued income	-	87
	-	224

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

	30 June 2015 £000	31 August 2014 £000
Trade creditors	-	860
Other creditors	-	10
Accruals and deferred income	-	69
	-	939

RED HOUSE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

16. CREDITORS:
Amounts falling due within one year (continued)

	£000
Deferred income	
Deferred income at 1 September 2014	11
Amounts released from previous years	(11)
	<hr/>
Deferred income at 30 June 2015	-
	<hr/> <hr/>

Prior year deferred income represented Devolved Formula Capital funding and trip income relating to the next financial year.

RED HOUSE ACADEMY
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

17. STATEMENT OF FUNDS

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Gains/ (Losses) £000	Carried Forward £000
Unrestricted funds					
General Funds	672	47	(719)	-	-
Endowment funds					
City of Sunderland Council	1,000	-	(1,000)	-	-
Restricted funds					
General Annual Grant (GAG)	444	292	(736)	-	-
Start-up Grant B	108	-	(108)	-	-
Pupil Premium	70	25	(95)	-	-
Other Government grants	4	2	(6)	-	-
Pension reserve	(570)	-	530	40	-
	<u>56</u>	<u>319</u>	<u>(415)</u>	<u>40</u>	<u>-</u>
Restricted fixed asset funds					
Academies Capital Maintenance					
Fund	159	-	(159)	-	-
Devolved Formula Capital	185	1	(186)	-	-
Capital expenditure from GAG	177	-	(177)	-	-
BSF ICT grant	63	-	(63)	-	-
Legacy assets	12,847	-	(12,847)	-	-
	<u>13,431</u>	<u>1</u>	<u>(13,432)</u>	<u>-</u>	<u>-</u>
Total restricted funds	<u>13,487</u>	<u>320</u>	<u>(13,847)</u>	<u>40</u>	<u>-</u>
Total of funds	<u><u>15,159</u></u>	<u><u>367</u></u>	<u><u>(15,566)</u></u>	<u><u>40</u></u>	<u><u>-</u></u>

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

General Annual Grant (GAG) must be used for the normal running costs of the academy, including salaries and related costs, overheads, repairs and maintenance and insurance.

Under the funding agreement with the Secretary of State, the academy was subject to a limit on the amount of GAG that it could carry forward at 30 June 2015. Note 2 discloses whether the limit was exceeded.

The Start-up Grant covers the initial three years of the academy's implementation and is to cover expenditure of acquiring basic stock of teaching and learning materials, transitional costs and recruitment and induction costs.

Pupil Premium is additional funding to be spent as the academy sees fit to support disadvantaged pupils.

Other Government grants includes SEN funding, which is income to support students with Special Educational Needs.

RED HOUSE ACADEMY
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

17. STATEMENT OF FUNDS (continued)

The pension reserve is the liability due to the deficit on the Local Government Pension Scheme. Further details are given in note 22.

Restricted fixed asset funds represent monies received to purchase fixed assets. Depreciation is charged against each fund over the useful life of the associated assets.

Endowment funds represent the amounts donated by the sponsors of the academy.

Unrestricted funds include amounts received from catering, lettings and other income, together with associated costs.

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2015 £000	Restricted funds 2015 £000	Restricted fixed asset funds 2015 £000	Endowment funds 2015 £000	Total funds 2015 £000	Total funds 2014 £000
Tangible fixed assets	-	-	-	-	-	13,328
Current assets	-	-	-	-	-	3,339
Creditors due within one year	-	-	-	-	-	(938)
Provisions for liabilities and charges	-	-	-	-	-	(570)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,159</u>

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 £000	2014 £000
Net incoming resources before revaluations	(15,199)	(125)
Returns on investments and servicing of finance	-	(2)
Transfer to multi-academy trust	15,205	-
Depreciation of tangible fixed assets	35	387
Capital grants from DfE	(1)	(14)
Decrease/(increase) in debtors	21	(12)
(Decrease)/increase in creditors	(879)	565
FRS 17 adjustments	-	10
Net cash (outflow)/inflow from operations	<u>(818)</u>	<u>809</u>

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20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2015 £000	2014 £000
Returns on investments and servicing of finance		
Interest received	-	2
	<u> </u>	<u> </u>
	2015 £000	2014 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(159)
Capital grants from DfE	1	14
	<u> </u>	<u> </u>
Net cash inflow/(outflow) capital expenditure	<u> </u> <u> </u>	<u> </u> <u> </u>

21. ANALYSIS OF CHANGES IN NET FUNDS

	1 September 2014 £000	Cash flow £000	Other non-cash changes £000	30 June 2015 £000
Cash at bank and in hand:	3,116	(3,116)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net funds	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>

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22. PENSION COMMITMENTS

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The total contribution made to the TPS in the period amounted to £32,000 (2014: £374,000) of which employer's contributions totalled £19,000 (2014: £222,000) and employees' contributions totalled £13,000 (2014: £152,000).

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

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in the Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the period ended 30 June 2015 was £14,000, of which employer's contributions totalled £10,000 and employees' contributions totalled £4,000. The agreed contribution rates for future years are 15.7% 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.

The academy's share of the assets and liabilities in the scheme and the expected rates of return were:

	Expected return at 30 September 2014 %	Fair value at 30 September 2014 £000	Expected return at 31 August 2014 %	Fair value at 31 August 2014 £000
Equities	6.50	1,445	6.60	1,445
Property	6.50	196	6.60	196
Government bonds	6.50	77	6.60	77
Corporate bonds	6.50	247	6.60	247
Cash	6.50	56	6.60	56
Other	6.50	129	6.60	129
Total market value of assets		2,150		2,150
Present value of scheme liabilities		(2,680)		(2,720)
(Deficit)/surplus in the scheme		(530)		(570)

The actual return on scheme assets was £-10,000 (2014: £170,000)

The amounts recognised in the Balance sheet are as follows:

	2015 £000	2014 £000
Present value of funded obligations	-	(2,720)
Fair value of scheme assets	-	2,150
Net liability	-	(570)

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22. PENSION COMMITMENTS (continued)

Amounts recognised in the statements of financial activities:

	2015 £000	2014 £000
Current service cost	(10)	(140)
Past service cost	-	-
Total operating charge	<u>(10)</u>	<u>(140)</u>

Analysis of pension finance income/(costs):

	2015 £000	2014 £000
Expected return on pension scheme assets	10	130
Interest on pension liabilities	<u>(10)</u>	<u>(120)</u>
Pension finance income/(costs)	<u>-</u>	<u>10</u>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £20,000 gain (2014 - £20,000 loss).

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

	2015 £000	2014 £000
Opening defined benefit obligation	2,720	2,660
Current service cost	10	140
Interest cost	10	120
Contributions by scheme participants	-	40
Actuarial (gains)	(60)	(210)
Benefits paid	-	(30)
Transferred to multi-academy trust	<u>(2,680)</u>	<u>-</u>
Closing defined benefit obligation	<u>-</u>	<u>2,720</u>

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

	2015 £000	2014 £000
Opening fair value of scheme assets	2,150	1,850
Expected return on assets	10	130
Actuarial (losses) and gains	(20)	40
Contributions by employer	10	120
Contributions by employees	-	40
Benefits paid	-	(30)
Transferred to multi-academy trust	<u>(2,150)</u>	<u>-</u>
	<u>-</u>	<u>2,150</u>

The academy expects to contribute £NIL to its defined benefit pension scheme in 2016.

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

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

	2015	2014
Discount rate for scheme liabilities	3.90 %	3.70 %
Rate of increase in salaries	3.70 %	3.60 %
Rate of increase for pensions in payment / inflation	2.20 %	2.10 %
Inflation assumption (CPI)	2.20 %	2.10 %
Rate of increase to deferred pensions	2.20 %	2.10 %
Rate of revaluation of pension accounts	2.20 %	2.10 %

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

	2015	2014
Retiring today		
Males	23.0	23.0
Females	24.6	24.6
Retiring in 20 years		
Males	25.0	25.0
Females	26.9	26.9

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

Defined benefit pension schemes

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Defined benefit obligation	-	(2,720)	(2,660)	(2,370)	(1,760)
Scheme assets	-	2,150	1,850	1,520	1,250
Deficit	-	(570)	(810)	(850)	(510)
Experience adjustments on scheme liabilities	60	210	(20)	(340)	(40)
Experience adjustments on scheme assets	(20)	40	80	10	70

23. OPERATING LEASE COMMITMENTS

At 30 June 2015 the academy had annual commitments under non-cancellable operating leases as follows:

	30 June 2015 £000	31 August 2014 £000
Expiry date:		
Between 2 and 5 years	-	1

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NOTES TO THE FINANCIAL STATEMENTS
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24. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, transactions may take place with organisations in which the academy has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures.

Leighton Group - a member of the academy

- The group made a donation to the academy of £14,000 (2014: £nil).
- In entering into the transaction the trust has complied with the requirements of EFA's Academies Financial Handbook.

Sunderland City Council - a member of the academy

- The academy purchased services of £28,000 (2014: £344,000)
- The academy made the purchases at arms' length in accordance with its financial regulations.
- In entering into the transaction the trust has complied with the requirements of EFA's Academies Financial Handbook.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

25. BALANCE SHEET AS AT 30 SEPTEMBER 2014 PRIOR TO TRANSFER OF UNDERTAKINGS

	30 September 2014 £'000	30 September 2014 £'000
Fixed assets		
Tangible assets		13,293
Current assets		
Debtors	203	
Cash at bank and in hand	2,299	
Total current assets	2,502	
Current liabilities		
Creditors falling due within one year	(60)	
Net current assets		2,442
Net assets excusing pension liability		15,735
Pension scheme liability		(530)
Net assets including pension scheme liability		15,205
Funds of the academy		
Endowment funds		1,000
Restricted funds:		
Restricted funds	627	
Restricted fixed asset funds	13,396	
Restricted funds excluding pension liability	14,023	
Pension reserve	(530)	
Total restricted funds		13,493
Unrestricted funds		712
Total funds		15,205