

**RED HOUSE ACADEMY**  
**(A company limited by guarantee)**

**GOVERNORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2013**

**RED HOUSE ACADEMY**  
**(A company limited by guarantee)**

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**RED HOUSE ACADEMY**  
**(A company limited by guarantee)**

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**Governors**

P M Callaghan CBE DL, Chairman<sup>1,2</sup>  
A Hodgson, Vice Chair (resigned 31 December 2012)  
Dr T Quincey, Principal<sup>2</sup>  
C Bramham (resigned 1 September 2012)  
Dr B Dennison<sup>2</sup>  
Prof P M Fidler MBE<sup>1</sup>  
D MacKnight  
V Preston  
N Rodgers  
C Smith  
S Williamson (appointed 1 January 2013)  
A Thompson (appointed 1 June 2013)  
R Bell (appointed 1 May 2013)

<sup>1</sup> Appointed as Director at Companies House

<sup>2</sup> Members of the Finance and General Purposes Committee

**Company registered number**

06277270

**Principal and registered office**

Red House Academy 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 management team**

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

**Independent auditors**

Clive Owen & Co LLP  
Chartered Accountants  
Statutory Auditor  
140 Coniscliffe Road  
Darlington  
County Durham  
DL3 7RT

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**Advisers (continued)**

**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 YEAR ENDED 31 AUGUST 2013**

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 year ended 31 August 2013. The Governors confirm that the Annual report and financial statements of the academy comply with the current statutory requirements, the requirements of the academy's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

## **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 year 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.

### **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.

### **Organisational structure**

During the year 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 limited above which the Principal must countersign.

**RED HOUSE ACADEMY**  
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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**Organisational structure (continued)**

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.

**Connected organisations, including related party relationships**

Leighton Group, Sunderland City Council and Sunderland University are the sponsors of Red House Academy.

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

**Risk management**

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 trips) 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 in Child Protection.

**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.

**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 subjects.

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.

**RED HOUSE ACADEMY**  
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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**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 raise standards through a constant focus on individual achievement and attainment;
- to place pupil learning, engagement and aspirations at the heart of all activity;
- to motivate all learners and equip them for lifelong learning through high quality teaching and support;
- to nurture relationships that embody all that is valued by Red House Academy;
- to maintain a quiet academy which is evidenced through engagement, learning, progression, mutual respect and partnership working;
- to generate communities of responsibility in order to play a full part in the wider community, valuing the change to life chances that education can bring; and
- to generate confident, independent learners equipped to meet the demands of the 21st Century world by taking full advantage of its specialism and other resources.

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

**ACHIEVEMENTS AND PERFORMANCE**

**Review of activities**

The academy had an Ofsted inspection in the 2012/13 academic year and was rated as GOOD with OUTSTANDING features. Behaviour was rated as OUTSTANDING. Students achieved three levels of progress in maths and English increased on the previous years' results. 92.2% of students achieved 5 A\* - C GCSEs, 96.5% of students achieved 5 A\* - Gs and 100% of students achieved 1A\* - G GCSEs, which is a record high for the academy and the predecessor school.

The academy continued to develop its international links, a group of 12 students visited Ghana for two weeks and assisted with a building project at a local secondary school. During the 2013/14 financial year, a group of students will be visiting Washington DC on a cultural visit, whilst also developing links with a Performing Arts School.

The academy was awarded the Gold Standard Anti Bullying Award, an accolade dedicated to the hard work of the staff and students to ensure that the academy is a safe place for the students to learn in.

**Investment policy and performance**

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.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**FINANCIAL REVIEW**

**Financial and risk management objectives and policies**

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. These are discussed further in the Risk Management section of this report, and in the Governance Statement.

**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.

**Reserves policy**

The Governors review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Governors have determined that the appropriate level of free reserves should be equivalent to 6% to 9% of 'total incoming resources less restricted fixed asset income' and ideally 7.5% of this income (equivalent to 4 weeks' expenditure), approximately £330,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £581,000.

**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 year ended 31 August 2013 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 Charities 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.

During the year ended 31 August 2013, total expenditure of £4,649,000 was in excess of recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of income over expenditure for the year (before transfers and actuarial losses, and excluding restricted fixed asset funds) was £235,000.

At 31 August 2013 the net book value of fixed assets was £13,556,000 and movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively for providing education and the associated support services to the students of the academy.

The provisions of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17) have been applied in full, resulting in a deficit of £810,000 recognised on the balance sheet.

The academy held fund balances at 31 August 2013 of £15,034,000 comprising £581,000 of unrestricted funds, £13,453,000 of restricted funds and £1,000,000 of endowment funds.

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 YEAR ENDED 31 AUGUST 2013**

**Going concern**

After making appropriate enquiries, the Board of Governors has a reasonable expectation that the academy 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 Accounting Policies.

**PLANS FOR THE FUTURE**

**Future developments**

The academy intends to build upon the successful Ofsted judgement in the 2012/13 academic year, and strive to achieve national floor targets for Key Stage 4 students in the 2013/14 academic year. The full focus of the academy is to ensure that our students achieve the outcomes they can achieve, and to that end we have introduced the Achievement for All programme for Year 11 students. All students have been allocated a mentor who will work with them and their parents during the academic year to aid them to achieve their maximum potential.

**Equal opportunities policy**

The Governors recognise that equal opportunities should be an integral part of good practice within the workplace. The academy aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

**Disabled persons**

The new building and facilities will be DDA (Disability Discrimination Act) compliant with specific emphasis on accessibility for all. Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the academy. The policy of the academy is to support recruitment and retention of students and employees with disabilities. The academy does this by adapting the physical environment, by making support resources available and through training and career development.

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**GOVERNORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**Disclosure of information to auditors**

Each of the persons who are Governors at the time when this Governors' report is approved has confirmed that:

- so far as that Governor is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Governor has taken all the steps that ought to have been taken as a Governor in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This report was approved by order of the Board of Governors on 16 December 2013 and signed on its behalf by:

**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. The Board of Governors has formally met 3 times during the year. Attendance during the year at meetings of the Board of Governors was as follows:

Governor	Meetings attended	Out of a possible
P M Callaghan CBE DL, Chairman	3	3
A Hodgson, Vice Chair	1	1
Dr T Quincey, Principal	2	3
C Bramham	0	0
Dr B Dennison	3	3
Prof P M Fidler MBE	0	3
D MacKnight	2	3
V Preston	3	3
N Rodgers	3	3
C Smith	3	3
S Williamson	1	2
A Thompson	0	0
R Bell	0	0

\* Peter Fidler was unable to attend the termly board meetings, but has met with the Principal throughout the year to discuss progress within the academy and has also submitted comments upon reports submitted.

Cllr R Bell was appointed to the Board by the City Council as their second representative in May 2013, after all formal meetings of the Board had concluded for the year.

Mrs Amy Thompson was appointed as the Parent Governor in June 2013, after all formal meetings of the Board has concluded for the year.

The Finance and General Purposes Committee is a sub-committee of the main governing body. Its purpose is to assist the decision making of the governing body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's responsibility to ensure sound management of the academy's finances and resources, including proper planning, monitoring and probity. To make appropriate comments and recommendations on such matters to the governing body on a regular basis.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
P M Callaghan CBE DL, Chairman	3	3
B Dennison	2	3
Dr T Quincey, Principal	3	3

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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 year 1 September 2012 to 31 August 2013 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 year 1 September 2012 to 31 August 2013 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 Ms Wendy Pattison, the School Business Manager of Sandhill View School to perform a 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 termly 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.

The appointee has delivered their schedule of work as planned and no material control issues have arisen as a result of the appointee's work.

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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 year in question the review has been informed by:

- the work of the peer reviewer;
- 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 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 16 December 2013 and signed on their behalf, by:

**P M Callaghan CBE DL**  
**Chair**

**Dr T Quincey, Principal**  
**Accounting Officer**

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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 (2012).

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 (2012).

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

**Dr T Quincey, Principal**  
**Accounting Officer**

Date: 16 December 2013

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**GOVERNORS' RESPONSIBILITIES STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

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 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;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 the 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 16 December 2013 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 year ended 31 August 2013 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 2013 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. 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 31 August 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2013 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 for the financial year for which the financial statements are prepared is consistent with the financial statements.



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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 & Co LLP**

Chartered Accountants  
Statutory Auditor

140 Coniscliffe Road  
Darlington  
County Durham  
DL3 7RT  
16 December 2013

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

In accordance with the terms of our engagement letter dated 19 September 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Red House Academy during the year 1 September 2012 to 31 August 2013 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 the 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 the 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 the 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 AUDITORS**

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 2012, 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 2013. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2012 to 31 August 2013 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 2013 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

**RED HOUSE ACADEMY**  
**(A company limited by guarantee)**

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

**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 year 1 September 2012 to 31 August 2013 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 (Senior statutory auditor)

for and on behalf of

**Clive Owen & Co LLP**

Chartered Accountants  
Statutory Auditor

140 Coniscliffe Road  
Darlington  
County Durham  
DL3 7RT

16 December 2013

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 AUGUST 2013**

	Note	Unrestricted funds 2013 £000	Restricted funds 2013 £000	Restricted fixed asset funds 2013 £000	Endowment funds 2013 £000	Total funds 2013 £000	Total funds 2012 £000
<b>INCOMING RESOURCES</b>							
Incoming resources from generated funds:							
Voluntary income	3	19	-	-	-	19	1
Activities for generating funds	4	221	25	-	-	246	249
Investment income	5	1	-	-	-	1	42
Incoming resources from charitable activities	6	-	4,167	14	-	4,181	4,155
<b>TOTAL INCOMING RESOURCES</b>		<b>241</b>	<b>4,192</b>	<b>14</b>	<b>-</b>	<b>4,447</b>	<b>4,447</b>
<b>RESOURCES EXPENDED</b>							
Charitable activities	8	181	3,844	451	-	4,476	4,583
Governance costs	7	-	173	-	-	173	140
<b>TOTAL RESOURCES EXPENDED</b>	9	<b>181</b>	<b>4,017</b>	<b>451</b>	<b>-</b>	<b>4,649</b>	<b>4,723</b>
<b>NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS</b>							
		60	175	(437)	-	(202)	(276)
Transfers between Funds	17	-	(15)	15	-	-	-
<b>NET RESOURCES EXPENDED BEFORE REVALUATIONS</b>							
		60	160	(422)	-	(202)	(276)
Actuarial gains and losses on defined benefit pension schemes		-	60	-	-	60	(330)
<b>NET MOVEMENT IN FUNDS FOR THE YEAR</b>							
		60	220	(422)	-	(142)	(606)
Total funds at 1 September 2012		521	(412)	14,067	1,000	15,176	15,782
<b>TOTAL FUNDS AT 31 AUGUST 2013</b>		<b>581</b>	<b>(192)</b>	<b>13,645</b>	<b>1,000</b>	<b>15,034</b>	<b>15,176</b>

All activities relate to continuing operations.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

The notes on pages 21 to 39 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 AUGUST 2013**

	Note	£000	2013 £000	2012 £000
<b>FIXED ASSETS</b>				
Tangible assets	14		13,556	13,990
<b>CURRENT ASSETS</b>				
Debtors	15	212		194
Cash at bank		2,450		2,219
		<u>2,662</u>		<u>2,413</u>
<b>CREDITORS:</b> amounts falling due within one year	16	(374)		(377)
			<u>2,288</u>	<u>2,036</u>
<b>NET CURRENT ASSETS</b>				
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>15,844</u>	<u>16,026</u>
Defined benefit pension scheme liability	22		(810)	(850)
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u><u>15,034</u></u>	<u><u>15,176</u></u>
<b>FUNDS OF THE ACADEMY</b>				
Endowment funds	17		1,000	1,000
Restricted funds:				
Restricted funds	17	618		438
Restricted fixed asset funds	17	13,645		14,067
		<u>14,263</u>		<u>14,505</u>
Restricted funds excluding pension liability				14,505
Pension reserve		(810)		(850)
			<u>13,453</u>	<u>13,655</u>
Total restricted funds				13,655
Unrestricted funds	17		581	521
			<u>15,034</u>	<u>15,176</u>
<b>TOTAL FUNDS</b>			<u><u>15,034</u></u>	<u><u>15,176</u></u>

The financial statements were approved by the Governors, and authorised for issue, on 16 December 2013 and are signed on their behalf, by:

**P M Callaghan CBE DL**  
**Chair**

The notes on pages 21 to 39 form part of these financial statements.

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

	Note	2013 £000	2012 £000
Net cash flow from operating activities	19	233	48
Returns on investments and servicing of finance	20	1	43
Capital expenditure and financial investment	20	(3)	(15)
<b>INCREASE IN CASH IN THE YEAR</b>		231	76

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

	2013 £000	2012 £000
Increase in cash in the year	231	76
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>	231	76
Net funds at 1 September 2012	2,219	2,143
<b>NET FUNDS AT 31 AUGUST 2013</b>	2,450	2,219

**RED HOUSE ACADEMY**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**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 2013 issued by the EFA, applicable accounting standards and the Companies Act 2006.

**1.2 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 the Department for Education 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.

**RED HOUSE ACADEMY**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.3 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.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of financial activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

The value of donated services and gifts in kind provided to the academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the academy can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of financial activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy's policies.

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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.

**1.4 Resources expended**

All 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.



**RED HOUSE ACADEMY**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.5 Going concern**

The Governors assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. The Governors make this assessment in respect of a period of one year from the date of approval of the financial statements.

**1.6 Tangible fixed assets and depreciation**

All assets costing more than £500 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	-	2% straight line
Long term leasehold land	-	over 125 years
Fixtures and fittings	-	15% straight line
Computer equipment	-	25% straight line

**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.

**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.

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**1. ACCOUNTING POLICIES (continued)**

**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 31 August 2013 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 year ended 31 August 2013.

**3. VOLUNTARY INCOME**

	Unrestricted funds 2013 £000	Restricted funds 2013 £000	Endowment funds 2013 £000	Total funds 2013 £000	Total funds 2012 £000
Donations	19	-	-	19	1
	<u>19</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>1</u>

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**4. ACTIVITIES FOR GENERATING FUNDS**

	Unrestricted funds 2013 £000	Restricted funds 2013 £000	Endowment funds 2013 £000	Total funds 2013 £000	Total funds 2012 £000
Sundry income	48	25	-	73	55
Lettings	4	-	-	4	10
Uniform	12	-	-	12	18
School trips	20	-	-	20	17
Catering	137	-	-	137	149
	<u>221</u>	<u>25</u>	<u>-</u>	<u>246</u>	<u>249</u>

**5. INVESTMENT INCOME**

	Unrestricted funds 2013 £000	Restricted funds 2013 £000	Endowment funds 2013 £000	Total funds 2013 £000	Total funds 2012 £000
Bank interest	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>42</u>

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

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

	Unrestricted funds 2013 £000	Restricted funds 2013 £000	Endowment funds 2013 £000	Total funds 2013 £000	Total funds 2012 £000
<b>DfE/EFA grants</b>					
Devolved Formula Capital Academy Capital	-	14	-	14	14
Maintenance Fund (ACMF)	-	-	-	-	100
BSF ICT grant	-	-	-	-	63
General Annual Grant (GAG)	-	3,810	-	3,810	3,744
Pupil Premium	-	267	-	267	166
Other DfE/EFA grants	-	37	-	37	32
	<u>-</u>	<u>4,128</u>	<u>-</u>	<u>4,128</u>	<u>4,119</u>
<b>Other Government grants</b>					
Statement Pupil Funds	-	7	-	7	26
Other Government grants	-	10	-	10	10
	<u>-</u>	<u>17</u>	<u>-</u>	<u>17</u>	<u>36</u>
<b>Other funding</b>					
Other Government funding	-	36	-	36	-
	<u>-</u>	<u>36</u>	<u>-</u>	<u>36</u>	<u>-</u>
	<u>-</u>	<u>4,181</u>	<u>-</u>	<u>4,181</u>	<u>4,155</u>

**7. GOVERNANCE COSTS**

	Unrestricted funds 2013 £000	Restricted funds 2013 £000	Endowment funds 2013 £000	Total funds 2013 £000	Total funds 2012 £000
Governance Auditors' remuneration	-	10	-	10	9
Governance Auditors' remuneration - WGA	-	9	-	9	-
Governance Auditors' non audit costs	-	3	-	3	-
Legal and professional	-	51	-	51	52
Governance expense - wages and salaries	-	100	-	100	79
	<u>-</u>	<u>173</u>	<u>-</u>	<u>173</u>	<u>140</u>

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**8. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds 2013 £000	Restricted funds 2013 £000	Endowment funds 2013 £000	Total funds 2013 £000	Total funds 2012 £000
<b>DIRECT COSTS</b>					
Wages and salaries	-	2,174	-	2,174	2,225
National insurance	-	178	-	178	180
Pension cost	-	283	-	283	259
Educational supplies	-	56	-	56	38
Examination fees	-	90	-	90	66
Staff development	-	8	-	8	10
Educational consultancy	-	16	-	16	5
Other direct costs	34	55	-	89	64
	<u>34</u>	<u>2,860</u>	<u>-</u>	<u>2,894</u>	<u>2,847</u>
<b>SUPPORT COSTS</b>					
Wages and salaries	-	365	-	365	443
National insurance	-	17	-	17	22
Pension cost	-	94	-	94	101
Depreciation	-	451	-	451	462
Staff development	-	2	-	2	-
Technology costs	-	103	-	103	92
Travel and subsistence	-	12	-	12	14
Recruitment and support	-	7	-	7	9
Maintenance of premises and equipment	-	69	-	69	66
Cleaning	-	5	-	5	5
Rates	-	35	-	35	20
Energy	-	93	-	93	98
Insurance	-	39	-	39	46
Security	-	9	-	9	33
Catering	137	6	-	143	146
Occupancy costs	-	11	-	11	15
Bank interest and charges	-	1	-	1	1
Other support costs	10	116	-	126	153
Net interest cost on pension scheme	-	-	-	-	10
	<u>147</u>	<u>1,435</u>	<u>-</u>	<u>1,582</u>	<u>1,736</u>
	<u>181</u>	<u>4,295</u>	<u>-</u>	<u>4,476</u>	<u>4,583</u>

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**9. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE**

	Staff costs 2013 £000	Depreciation 2013 £000	Other costs 2013 £000	Total 2013 £000	Total 2012 £000
Direct costs	2,635	-	259	2,894	2,847
Support costs	476	451	655	1,582	1,736
<b>Charitable activities</b>	<u>3,111</u>	<u>451</u>	<u>914</u>	<u>4,476</u>	<u>4,583</u>
<b>Governance</b>	<u>100</u>	<u>-</u>	<u>73</u>	<u>173</u>	<u>140</u>
	<u><u>3,211</u></u>	<u><u>451</u></u>	<u><u>987</u></u>	<u><u>4,649</u></u>	<u><u>4,723</u></u>

**10. NET INCOMING RESOURCES / (RESOURCES EXPENDED)**

This is stated after charging:

	2013 £000	2012 £000
Depreciation of tangible fixed assets:		
- owned by the charity	451	462
Auditors' remuneration - non-audit	3	-
Auditors' remuneration - audit	10	9
Auditors' remuneration - WGA audit	9	-
	<u><u>473</u></u>	<u><u>471</u></u>

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**11. STAFF COSTS**

Staff costs were as follows:

	2013 £000	2012 £000
Wages and salaries	2,597	2,685
Social security costs	195	203
Other pension costs (Note 22)	377	360
	3,169	3,248
Supply teacher costs	26	62
Compensation payments	16	-
	3,211	3,310

Other pension costs include an LGPS pension deficit adjustment of £20,000.

The average number of persons (including the senior management team) employed by the academy during the year expressed as full time equivalents was as follows:

	2013 No.	2012 No.
Teaching	46	42
Educational support	17	20
Premises	5	6
Catering	6	5
Administration and management	13	18
	87	91
	87	91

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

	2013 No.	2012 No.
In the band £60,001 - £70,000	1	1
In the band £110,001 - £120,000	1	1
	2	2
	2	2

All of the above employees participated in the Teachers Pension Scheme. During the year ended 31 August 2013, pension contributions for these staff amounted to £26,000 (2012: £25,000).

**RED HOUSE ACADEMY**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**12. GOVERNORS' REMUNERATION AND EXPENSES**

The Principal and other staff Governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the academy in respect of their role as Governors. The value of Governors' remuneration, made up of gross salary plus pension contributions, fell within the following bands:

	2013 £000	2012 £000
Dr T Quincey, Principal	130-135	130-135
N Rodgers	70-75	70-75
V Preston	40-45	40-45

During the year, no Governors received any benefits in kind (2012 - £nil).

During the year, no Governors received any reimbursement of expenses (2012 - £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 year ended 31 August 2013 was £1,000 (2012 - £1,000).

The cost of this insurance is included in the total insurance cost.

**14. TANGIBLE FIXED ASSETS**

	Long term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 September 2012	14,416	556	379	15,351
Additions	-	15	2	17
At 31 August 2013	<u>14,416</u>	<u>571</u>	<u>381</u>	<u>15,368</u>
<b>Depreciation</b>				
At 1 September 2012	856	236	269	1,361
Charge for the year	272	84	95	451
At 31 August 2013	<u>1,128</u>	<u>320</u>	<u>364</u>	<u>1,812</u>
<b>Net book value</b>				
At 31 August 2013	<u><u>13,288</u></u>	<u><u>251</u></u>	<u><u>17</u></u>	<u><u>13,556</u></u>
At 31 August 2012	<u><u>13,560</u></u>	<u><u>320</u></u>	<u><u>110</u></u>	<u><u>13,990</u></u>



**RED HOUSE ACADEMY**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**15. DEBTORS**

	2013	2012
	£000	£000
Trade debtors	2	-
VAT recoverable	106	104
Prepayments and accrued income	104	90
	212	194
	212	194

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

	2013	2012
	£000	£000
Trade creditors	334	325
Accruals and deferred income	40	52
	374	377
	374	377

		£000
<b>Deferred income</b>		
Deferred income at 1 September 2012		8
Resources deferred during the year		8
Amounts released from previous years		(8)
		8
Deferred income at 31 August 2013		8

Deferred income represents Devolved Formula Capital funding relating to the Financial Year 2013/14.

**RED HOUSE ACADEMY**  
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2013**

**17. STATEMENT OF FUNDS**

	Brought Forward £000	Incoming resources £000	Resources Expended £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
<b>Unrestricted funds</b>						
General Funds	521	241	(181)	-	-	581
<b>Endowment funds</b>						
City of Sunderland Council	1,000	-	-	-	-	1,000
<b>Restricted funds</b>						
General Annual Grant (GAG)	-	3,810	(3,357)	(15)	-	438
Start-up Grant A	169	-	(169)	-	-	-
Start-up Grant B	269	-	(161)	-	-	108
Pupil Premium	-	267	(199)	-	-	68
Other DfE/EFA grants	-	37	(37)	-	-	-
Other Government grants	-	17	(13)	-	-	4
Other Government funding	-	36	(36)	-	-	-
Other income	-	25	(25)	-	-	-
Pension reserve	(850)	-	(20)	-	60	(810)
	(412)	4,192	(4,017)	(15)	60	(192)
<b>Restricted fixed asset funds</b>						
Academies Capital Maintenance Fund	165	-	(3)	-	-	162
Devolved Formula Capital	410	14	(84)	(86)	-	254
Capital expenditure from GAG	23	-	(7)	15	-	31
BSF ICT grant	63	-	-	-	-	63
Long leasehold buildings	13,395	-	(268)	-	-	13,127
Legacy assets	11	-	(89)	86	-	8
	14,067	14	(451)	15	-	13,645
Total restricted funds	13,655	4,206	(4,468)	-	60	13,453
Total of funds	15,176	4,447	(4,649)	-	60	15,034

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

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 31 August 2013. Note 2 discloses whether the limit was exceeded.

The Start-up Grants cover the initial three years of the academy's implementation and are to cover expenditure on acquiring basic stock of teaching and learning materials, transitional costs and recruitment and inductions costs.

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

Other DfE/EFA grants are received for specific purposes.

Other Government grants are received from central and local Government, including Councils, for specific purposes.

Other Government funding is a contribution from Sunderland City Council towards legal costs.

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 2013 £000	Restricted funds 2013 £000	Restricted fixed asset funds 2013 £000	Endowment funds 2013 £000	Total funds 2013 £000	Total funds 2012 £000
Tangible fixed assets	-	-	13,556	-	13,556	13,990
Current assets	581	992	89	1,000	2,662	2,413
Creditors due within one year	-	(374)	-	-	(374)	(377)
Provisions for liabilities and charges	-	(810)	-	-	(810)	(850)
	<u>581</u>	<u>(192)</u>	<u>13,645</u>	<u>1,000</u>	<u>15,034</u>	<u>15,176</u>

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**19. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2013 £000	2012 £000
Net incoming resources before revaluations	(202)	(276)
Returns on investments and servicing of finance	(1)	(43)
Depreciation of tangible fixed assets	451	462
Capital grants from DfE	(14)	(177)
Increase in debtors	(18)	(87)
(Decrease)/increase in creditors	(3)	159
FRS 17 adjustments	20	10
<b>Net cash inflow from operations</b>	<b>233</b>	<b>48</b>

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

	2013 £000	2012 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	1	43
	<b>1</b>	<b>43</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(17)	(192)
Capital grants from DfE	14	177
<b>Net cash outflow capital expenditure</b>	<b>(3)</b>	<b>(15)</b>

**21. ANALYSIS OF CHANGES IN NET FUNDS**

	1 September 2012 £000	Cash flow £000	Other non-cash changes £000	31 August 2013 £000
Cash at bank and in hand:	2,219	231	-	2,450
<b>Net funds</b>	<b>2,219</b>	<b>231</b>	<b>-</b>	<b>2,450</b>

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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 2004 and of the LGPS 31 March 2010.

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

**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. 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.

**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 are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' 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**

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

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**22. PENSION COMMITMENTS (continued)**

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

**Teachers' Pension Scheme Changes**

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th ; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall just outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases were to be phased in from April 2012 on a 40:80:100% basis. The employee contribution rate from April 2012 was between 6.4% and 8.8% and from April 2013 was between 6.4% and 11.2%.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme. The total contribution made for the year ended 31 August 2013 was £377,000, of which employer's contributions totalled £235,000 and employees' contributions totalled £142,000.

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

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2013 was £162,000, of which employer's contributions totalled £122,000 and employees' contributions totalled £40,000. The agreed contribution rates for future years are 14.1% for employers and 5.5 - 7.5% 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 amounts recognised in the Balance sheet are as follows:

	2013 £000	2012 £000
Present value of funded obligations	(2,660)	(2,370)
Fair value of scheme assets	1,850	1,520
	<hr/>	<hr/>
Net liability	(810)	(850)
	<hr/> <hr/>	<hr/> <hr/>

The amounts recognised in the Statement of financial activities are as follows:

	2013 £000	2012 £000
Current service cost	(140)	(130)
Interest on obligation	(100)	(100)
Expected return on scheme assets	100	90
	<hr/>	<hr/>
Total	(140)	(140)
	<hr/> <hr/>	<hr/> <hr/>
Actual return on scheme assets	180,000	100,000
	<hr/> <hr/>	<hr/> <hr/>

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

	2013 £000	2012 £000
Opening defined benefit obligation	2,370	1,760
Current service cost	140	130
Contributions by scheme participants	40	40
Actuarial losses	20	340
Interest cost	100	100
Benefits paid	(10)	-
	<hr/>	<hr/>
Closing defined benefit obligation	2,660	2,370
	<hr/> <hr/>	<hr/> <hr/>

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

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

	2013 £000	2012 £000
Opening fair value of scheme assets	1,520	1,250
Actuarial gains	80	10
Expected return on assets	100	90
Contributions by employer	120	130
Contributions by employees	40	40
Benefits paid	(10)	-
	1,850	1,520

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £270,000 (2012 - £330,000).

The academy expects to contribute £130,000 to its Defined benefit pension scheme in 2014.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013	2012
Equities	66.60 %	65.90 %
Property	8.90 %	9.00 %
Government bonds	3.60 %	7.30 %
Corporate bonds	11.60 %	12.10 %
Cash	2.30 %	1.90 %
Other	7.00 %	3.80 %

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

	2013	2012
Discount rate for scheme liabilities	4.50 %	4.20 %
Rate of increase in salaries	4.70 %	4.70 %
Rate of increase for pensions in payment / inflation	2.80 %	2.20 %
Inflation assumption (CPI)	2.80 %	2.20 %
Inflation assumption (RPI)	3.70 %	3.20 %
Rate of increase to deferred pensions	2.80 %	2.20 %

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

	2013	2012
Retiring today		
Males	21.7	21.6
Females	23.9	23.8
Retiring in 20 years		
Males	23.5	23.4
Females	25.8	25.7



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**22. PENSION COMMITMENTS (continued)**

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

Defined benefit pension schemes

	2013 £000	2012 £000	2011 £000	2010 £000
Defined benefit obligation	(2,660)	(2,370)	(1,760)	(1,460)
Scheme assets	1,850	1,520	1,250	920
Deficit	<u>(810)</u>	<u>(850)</u>	<u>(510)</u>	<u>(540)</u>
Experience adjustments on scheme liabilities	(20)	(340)	(40)	(40)
Experience adjustments on scheme assets	<u>80</u>	<u>10</u>	<u>70</u>	<u>30</u>

**23. OPERATING LEASE COMMITMENTS**

At 31 August 2013 the academy had annual commitments under non-cancellable operating leases as follows:

	2013 £000	2012 £000
<b>Expiry date:</b>		
Between 2 and 5 years	<u>1</u>	<u>1</u>

**24. RELATED PARTY TRANSACTIONS**

Owing to the nature of the academy's operations 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 a governors 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, Sunderland University and Sunderland City Council are the sponsors of Red House Academy.

During the year the academy purchased services from the Leighton Group of £nil (2012: £3,000) and received a donation of £5,000 (2012: £nil). During the year P M Callaghan, a director and shareholder of Leighton Group and also a Governor, made a donation to the academy of £13,000 (2012: £nil).

During the year the academy purchased services from Sunderland University of £nil (2012: £2,000).

During the year the academy purchased services from Sunderland City Council of £394,000 (2012: £482,000) and received a contribution towards costs of £36,000 (2012: £nil).