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OUR CHILDREN 1ST
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

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OUR CHILDREN 1ST
(A Company Limited by Guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE PERIOD ENDED 31 AUGUST 2017

Members

Mr R Brown (appointed 1 April 2017)
Ms J M Davies (appointed 1 April 2017)
Mr G Henderson (appointed 1 April 2017)
Mrs A Kerr (appointed 1 April 2017)
Mr G Lamb (appointed 1 April 2017)

Governors

Mr R Brown, Chair (appointed 21 February 2017)
Mrs H Bone (appointed 8 March 2017)
Mr L Clarke (appointed 21 February 2017)
Ms J M Davies (appointed 11 May 2017)
Mrs R Jessop (appointed 21 February 2017)
Mrs C Jones (appointed 21 February 2017)
Mrs J Thackstone (appointed 21 February 2017)
Mrs C Wain, CEO accounting officer-ex officio¹
Mr S Williams (appointed 21 February 2017)

¹ not appointed as a Governor at Companies House

Company registered number

10631500

Company name

Our Children 1st

Principal and registered office

Pallister Park Primary School
Gribdale Road
Middlesbrough
TS3 8PW

Senior management team

Mrs C Wain, CEO/Head Teacher
Mrs H Adams, Deputy Head
Mrs A Gribbon, Assistant Head (appointed 1 September 2017)
Mrs H Newbold, Assistant Head (appointed 1 September 2017)
Mr A Oliver, Assistant Head (appointed 1 September 2017)
Mr M Waterfield, Senior Teacher
Mrs N Russell, Chief Finance Officer

Independent auditors

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

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE PERIOD ENDED 31 AUGUST 2017**

Advisers (continued)

Bankers

Lloyds Bank
83/85 Linthorpe Road
Middlesbrough
TS1 5BU

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OUR CHILDREN 1ST
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GOVERNORS' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2017

The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the period 21 February 2017 to 31 August 2017. The Annual Report serves the purposes of both a Governors' Report, and a Directors' report under company law.

The trust operates an academy for pupils aged 2 to 11 serving a catchment area in Middlesbrough. It has a pupil capacity of 650 and had a roll of 593 in the school census on October 5th 2017.

Structure, governance and management

Constitution

The academy trust 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 trust. The Governors of Our Children 1st are also the directors of the charitable company for the purposes of company law. The charitable company is known as Our Children 1st.

Details of the Governors who served during the period 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 trust has purchased insurance to protect Governors from claims arising against negligent acts, errors or omissions occurring whilst on academy business. Further details are provided in note 10.

Method of recruitment and appointment or election of Governors

The term of office for any Governor shall be 4 years, save that this time limit shall not apply to the Head Teacher 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 depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All new Governors are given a tour of the academy and 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 Governors a year, induction tends to be done informally and is tailored specifically to the individual.

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2017

Organisational structure

During the year the academy trust continued to operate a unified management structure. The Structure consists of 5 levels: the Governors, the Members, Senior Leadership team, Senior Management team and the Middle Management Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Governors evaluate and review the whole academy trust and ensure the vision and values of Our Children 1st are adhered to. They have responsibility and accountability to ensure the academy trust is well managed and improvement targets are met.

The Senior Leadership Team includes the Head Teacher, Deputy Head and Senior Teacher.

The Senior Management Team includes the Head Teacher, Deputy Head and Assistant Heads.

The Middle Management of the academy trust is focused on teaching and learning and our Subject leads are supported by our Assistant Heads to ensure our day to day practice and procedures remain at the highest standard.

Arrangements for setting pay and remuneration of key management personnel

The academy trust Pay Policy sets out in detail the arrangements for setting pay and remuneration of key management personnel. The policy applies to employees of the academy trust. Only staff Governors and the senior leadership team receive pay from the academy trust as they are employees of the academy trust. The Governors have an established committee to carry out determinations of pay in accordance with this policy. In addition there is a Governor Allowances Policy which sets out the conditions which enable a Governor to request a payment in respect of expenditure necessarily incurred for the purpose of enabling the Governor or member to perform their governance duty.

Related Parties and other Connected Charities and Organisations

Further details are stated in note 23 to the Financial Statements.

Objectives and Activities

Our Children 1st academy trust is committed to a partnership which:

1. Have a shared moral purpose to get the best possible outcomes for all children and young people in Middlesbrough and beyond
2. Provide quality ITT, supporting its students and encouraging them to strive for excellence in a career in Middlesbrough
3. Support schools and staff providing CPD, in order to challenge and extend professional capabilities
4. Provide support for all levels in the education sector via training, networking, SLE, LLE and NLE deployments and school to school peer reviews
5. Encourages collaboration with all schools in Middlesbrough to play to the strengths of each individual in order to utilise opportunities to learn and develop
6. Creates a model of excellence which is innovative and has impact on educational standards and strategies in Middlesbrough

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2017

Objects and aims

The principal object and activity of the charitable company is the operation of Our Children 1st to provide education for students of different abilities between the ages of 2 and 11.

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 emphasis on sports and disadvantaged pupils.

The main objectives of the academy trust during the year ended 31 August 2017 are summarised below:

- Ensure policies and procedures in place for MAT relating to; Board of Governors remits, Local Governing Body remits, safeguarding, employer liabilities and compliance.
- Ensure sound and sustainable financial position
- Develop depth of leadership within Pallister Park Primary School to ensure capacity to support any joining school
- Succession planning for Our Children 1st academy trust CEO
- Ensure robust due diligence procedure for requesting schools

Objectives, strategies and activities

The academy trust's main objectives are encompassed in its mission statement which is outlined in our vision and values document. To this end the objectives and the strategies used to achieve them include:

- Ensure policies and procedures in place for MAT relating to ; Board of Governors remits, LGB remits, safeguarding, employer liabilities and compliance. This has been undertaken by the Board of Governors and the Senior Leadership Team via training and creation of relevant documentation.
- Ensure sound and sustainable financial position. This is constantly managed by our School Business manager, Board of Governors, Senior Leadership Team and supported by Clive Owen LLP to ensure our accounting and reporting procedures are effective.
- Develop depth of leadership within Pallister Park Primary School to ensure capacity to support any joining schools. 3 Assistant Heads have been appointed and are supporting the day to day running of the school and focus on teaching and learning. Middle leaders have also had clear targets which will continue into the next academic year.
- Succession planning for Our Children 1st CEO. Discussions have taken place with relevant Board of Governors members and Senior Leadership Team to ensure the future of the academy trust will continue to be successful and place children at the heart of learning.
- Ensure robust due diligence procedure for requesting schools. Whilst we wish to stabilise our current position and develop strong processes we continue to have a vision for a future with other schools in order to provide excellent education for Middlesbrough children.

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 2 to 11.

Public benefit

The academy trust's aims and achievements are set out within this report and have been undertaken to further its 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 for England and Wales and the Governors have considered this guidance in deciding what activities the academy trust should undertake.

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2017

Strategic report

Achievements and performance

At KS2 attainment is above the national average in reading and maths, and progress is average in writing, above national average for reading and well above for maths. Writing continues to be a focused area for the school but did increase in comparison to 2016.

KS1 attainment is an improvement for the school in all areas, but national comparison data has not yet been released.

Key Stage 2

	School	National
KS2 Combined	54%	61%
KS2 Reading	72%	71%
KS2 Writing	59%	76%
KS2 Maths	92%	75%

School Performance – KS2 progress measures

Reading	Writing	Maths
+2.18	-1.44	+7.41
Above national average (about 10% of schools in England)	Average (about 60% of schools in England)	Well above national average (about 10% of schools in England)

Key Stage 1

	School
KS1 Reading expected	57%
KS1 Reading greater depth	7%
KS1 Writing	54%
KS1 Writing greater depth	3%
KS1 Maths	62%
KS1 Maths greater depth	7%

Key performance indicators

Key performance indicator	2016/17
Total income (excluding balances on conversion) per pupil	£2.05
Total GAG income per pupil	£1.48
Staff costs per pupil	£1.33
Total costs per pupil	£2.00
Staff costs as % of total costs	66.69%

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GOVERNORS' REPORT (continued)
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Going concern

After making appropriate enquiries, the Board of Governors has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

Financial review

Most of the academy trust's income is obtained from the Department of Education (DfE) via the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/ESFA during the year ended 31 August 2017 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy trust also receives grants for fixed assets from the DfE/ESFA. In accordance with The Charities SORP (FRS102), 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 2017, total expenditure of £1,186,000 was exceeded by recurrent grant funding from the DfE/ESFA together with other incoming resources. The excess of income over expenditure for the year (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £241,000.

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

At 31 August 2017 the net book value of fixed assets was £5,400,000 and movements in tangible fixed assets are shown in note 11 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the academy trust.

The provisions of Financial Reporting Standard (FRS) 102 have been applied in full in respect of the LGPS pensions scheme, resulting in a deficit of £[XXX] recognised on the balance sheet.

The academy trust held fund balances at 31 August 2017 of £5,645,000 comprising £5,413,000 of restricted funds and £232,000 of unrestricted funds.

Reserves policy

The academy trust holds restricted and unrestricted funds (the attached financial statements detail these funds). Unrestricted funds are held:

- To cover ongoing costs in relation to the running of the academy trust including catering provisions, school trips and uniform costs.

The level of reserves is reviewed by the Governors regularly throughout the year. The minimum level of reserves for the ongoing needs of an academy trust 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 1% of the General Annual Grant income which currently stands at £8,800.

This is considered sufficient to cover:

- a) delays between spending and receipt of grants
- b) to provide a cushion to deal with unexpected emergencies such as urgent maintenance

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2017

Reserves Policy (continued)

The academy trust's current level of free reserves are in surplus by £232,000 and therefore are considered to be above the level of reserves required for the ongoing needs of the academy trust. The Governors continue to consider additional activities related to the academy trust's objectives to which the excess reserves may be applied including:

- a) To cover any future deficits to enable the academy trust to continue running
- b) To repay the loan held by the academy trust

Investments policy

The academy trust has a "No investment" policy. This will be reviewed annually.

Principal risks and uncertainties

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

The Governors have assessed the major risks, to which the academy trust is exposed, in particular those relating specifically to teaching provision of facilities and other operational areas of the academy trust, 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 trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

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

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

Plans for future periods

As Our Children 1st MAT moves into its second year of operation in April 2018, and following discussions with the DfE regarding expansion, it is our intention to grow our academy trust from September 2018. At this point in time we are unable to identify specific schools who are interested in joining us, however we are preparing to do a due diligence exercise on any establishment who may approach us in the coming months.

We have reviewed and implemented a new staffing structure, in September 2017, to ensure that Pallister Park Primary School has sufficient capacity to support the expansion of the MAT. This has provided increased leadership opportunities for staff within our school in preparation for growth.

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GOVERNORS' REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2017

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 steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Governors' Report, incorporating a strategic report, was approved by order of the Board of Governors, as the company directors, on 7 December 2017 and signed on its behalf by:

Mr R Brown
Chair of Governors

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OUR CHILDREN 1ST
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GOVERNANCE STATEMENT

Scope of Responsibility

As Governors, we acknowledge we have overall responsibility for ensuring that Our Children 1st 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 chief executive, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Our Children 1st 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 Statement of Governors' Responsibilities. The Board of Governors has formally met 3 times during the period. Attendance during the period at meetings of the Board of Governors was as follows:

Governor	Meetings attended	Out of a possible
Mr R Brown, Chair (appointed 21 February 2017)	2	2
Mrs H Bone (appointed 8 March 2017)	2	2
Mr L Clarke (appointed 21 February 2017)	2	2
Ms J M Davies (appointed 11 May 2017)	1	2
Mrs R Jessop (appointed 21 February 2017)	2	2
Mrs C Jones (appointed 21 February 2017)	2	2
Mrs J Thackstone (appointed 21 February 2017)	1	2
Mrs C Wain, CEO accounting officer-ex officio	2	2
Mr S Williams (appointed 21 February 2017)	2	2

Review of Value for Money

As Accounting Officer, the chief executive has responsibility for ensuring that the academy 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 academy trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Governors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the academy trust has delivered improved value for money during the year by:

- Securing exciting experiences in school eg. planetarium, school castle, cinema, instead of going on visits which incurs cost of coach on top of the attraction
- Providing Flu immunization opportunity for staff to minimise sickness rate
- Due to staffing of Team Around The Child including additional teachers there is no spending on supply and ensures high quality teaching every day for every child
- Additional support of Vulnerable Pupil Support Managers ensures teachers are in school to teach and VPSM can help individual children and families when required

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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 trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Our Children 1st for the period 21 February 2017 to 31 August 2017 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 trust 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 trust's significant risks, that has been in place for the period 21 February 2017 to 31 August 2017 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 trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Governors;
- regular reviews by the Board of Governors 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 Kier Financial Services as internal assurance (IA).

The IA's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period included:

- testing of payroll systems
- testing of purchase systems
- testing of control account/bank reconciliations
- testing of Financial Regulations Manual
- testing of accounting systems
- testing of declarations of Governors interests
- testing of income recognition
- testing of IT and data protection compliance
- testing of VAT and other taxation
- testing of fixed asset register, capitalisation, depreciation and insurance
- testing of leadership and governance including roles & responsibilities and whistle blowing policy
- testing of people management including self evaluations of financial competencies, new Governors induction pack and a review of staff structure
- testing of policy and strategy including school development plan and budgeting process

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GOVERNANCE STATEMENT (continued)

On a termly basis, the IA 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.

Review of Effectiveness

As Accounting Officer, the chief executive 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 external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Board of Governors 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 7 December 2017 and signed on their behalf, by:

Mr R Brown
Chair of Governors

Mrs C Wain
Accounting Officer

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OUR CHILDREN 1ST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Our Children 1st I have considered my responsibility to notify the academy trust Board of Governors and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the academy trust Board of Governors are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2016.

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 ESFA.

Mrs C Wain
Accounting Officer

Date: 7 December 2017

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STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE PERIOD ENDED 31 AUGUST 2017

The Governors (who act as governors of Our Children 1st 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 and Skills 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 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The 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 ESFA/DfE 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 Board of Governors on 7 December 2017 and signed on its behalf by:

Mr R Brown
Chair of Governors

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF OUR CHILDREN 1ST

Opinion

We have audited the financial statements of Our Children 1st for the period ended 31 August 2017 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills 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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2017 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, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

Basis of opinion

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

Conclusions relating to going concern

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

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

Other information

The Governors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF OUR CHILDREN 1ST

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Governors' Report including the Strategic Report for which the financial statements are prepared is consistent with the financial statements.
- the Governors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' Report including the Strategic Report.

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

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

Responsibilities of governors

As explained more fully in the Statement of Governors' Responsibilities, 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, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF OUR CHILDREN 1ST

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.

Kevin Shotton BA FCA (Senior Statutory Auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants and Statutory Auditors

140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT
7 December 2017

DRAFT

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO OUR CHILDREN 1ST AND THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 6 March 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Our Children 1st during the period 21 February 2017 to 31 August 2017 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 Our Children 1st and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Our Children 1st and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Our Children 1st and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Our Children 1st's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Our Children 1st's funding agreement with the Secretary of State for Education dated 23 March 2017, and the Academies Financial Handbook extant from 1 September 2016, 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 2016 to 2017. 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 21 February 2017 to 31 August 2017 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 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusion includes:

- Review of governing body and committee minutes;
- Review of termly Internal Assurance 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;

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO OUR
CHILDREN 1ST AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)**

Approach (continued)

- Review of registers of interests;
- Review related party transactions;
- Review of register of interests and consideration of 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 21 February 2017 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Clive Owen LLP

Reporting Accountant

140 Coniscliffe Road
Darlington
Co Durham
DL3 7RT

7 December 2017

DRAFT

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD ENDED 31 AUGUST 2017**

	Note	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
INCOME FROM:					
Donations & capital grants:					
Transfer from local authority on conversion	2	232	(100)	5,482	5,614
Other donations and capital grants	2	-	-	4	4
Charitable activities:					
Funding for the academy trust's educational operations	3	-	1,185	-	1,185
Teaching school		-	14	-	14
Other trading activities	4	14	-	-	14
TOTAL INCOME		<u>246</u>	<u>1,099</u>	<u>5,486</u>	<u>6,831</u>
EXPENDITURE ON:					
Charitable activities:					
Academy trust educational operations		14	1,019	82	1,115
Teaching school		-	71	-	71
TOTAL EXPENDITURE	6	<u>14</u>	<u>1,090</u>	<u>82</u>	<u>1,186</u>
NET INCOME BEFORE OTHER RECOGNISED GAINS AND LOSSES		232	9	5,404	5,645
NET MOVEMENT IN FUNDS		232	9	5,404	5,645
RECONCILIATION OF FUNDS:					
Total funds brought forward		-	-	-	-
TOTAL FUNDS CARRIED FORWARD		<u><u>232</u></u>	<u><u>9</u></u>	<u><u>5,404</u></u>	<u><u>5,645</u></u>

OUR CHILDREN 1ST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 10631500

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	£000	2017 £000
FIXED ASSETS			
Tangible assets	11		5,400
CURRENT ASSETS			
Debtors	12	420	
Cash at bank and in hand		363	
		783	
CREDITORS: amounts falling due within one year	13	(358)	
		425	
NET CURRENT ASSETS			
			425
TOTAL ASSETS LESS CURRENT LIABILITIES			
			5,825
CREDITORS: amounts falling due after more than one year	14		(180)
			5,645
NET ASSETS			
			5,645
FUNDS OF THE ACADEMY			
Restricted income funds:			
Restricted income funds	15	9	
Restricted fixed asset funds	15	5,404	
		5,413	
Total restricted income funds			5,413
Unrestricted income funds	15		232
			5,645
TOTAL FUNDS			
			5,645

The financial statements on pages 20 to 40 were approved by the Governors, and authorised for issue, on 7 December 2017 and are signed on their behalf, by:

Mr R Brown
Chair of Governors

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 AUGUST 2017

	Note	Period ended 31 August 2017 £000
Cash flows from operating activities		
Net cash provided by operating activities	17	228
Cash flows from investing activities:		
Assets inherited on conversion		5,482
Cash inherited on conversion		496
Loan inherited on conversion		(365)
Capital grants from DfE/ESFA		4
Fixed assets inherited on conversion		(5,482)
Net cash provided by investing activities		135
Change in cash and cash equivalents in the period		
Cash and cash equivalents brought forward		-
Cash and cash equivalents carried forward	18	363

All of the cash flows are derived from acquisitions in the current financial period.

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Our Children 1st constitutes a public benefit entity as defined by FRS 102.

1.2 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 at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.3 Income

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

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

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of Financial Activities incorporating Income and Expenditure Account in the period in which it is receivable, where receipt is probable and it is measurable.

Donations are recognised on a receivable basis where receipt is probable 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.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on charitable activities are costs incurred on the academy's educational operations, including support costs and those costs relating to the governance of the academy appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.5 Tangible fixed assets and depreciation

All assets costing more than £3,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	over 25 years
Long-term leasehold land	-	over 125 years

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

1.6 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

1.7 Debtors

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

1.8 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.9 Liabilities and provisions

Liabilities and provisions are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.10 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 12. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in notes 13 and 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

1.11 Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy 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.

1.12 Pensions

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.13 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Pallister Park Primary School to an academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations - transfer from local authority on conversion in the Statement of Financial Activities incorporating Income and Expenditure Account and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 19.

1.14 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 with restrictions imposed by the funder and include grants from funders.

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.15 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgment:

Depreciation – Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £82,000.

Land and buildings – Land and buildings are held under a 125 year lease from Middlesbrough Borough Council. These assets are included on the balance sheet of the academy trust due to the significant risks and rewards of ownership belonging to the academy trust, the lease term being the major part of the economic life of the assets and the assets being of such a specialised nature that only the academy trust could use them without major modification.

Valuation of property - As the ESFA have not yet carried out a land and buildings valuation for the property on conversion, the Governors have considered the other options available to them and have chosen to use the value the assets were held prior to conversion by Middlesbrough Borough Council. A third party valuation was considered but was not the Governors preferred option since the cost of such an exercise was deemed to be greater than the benefit that would have been derived from it. The Governors were also aware that such a third party valuation could have been materially different to that provided by the ESFA and were concerned with regard to the treatment of any difference that may arise between the two valuations.

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Transfer from local authority on conversion	232	(100)	5,482	5,614
Capital Grants	-	-	4	4
	<u>232</u>	<u>(100)</u>	<u>5,486</u>	<u>5,618</u>

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Restricted funds 2017 £000	Total funds 2017 £000
DfE/ESFA grants		
General Annual Grant (GAG)	880	880
Pupil Premium	162	162
Teaching school income	14	14
UIFSM	25	25
PE Teacher Grant	4	4
	<u>1,085</u>	<u>1,085</u>
Other government grants		
SEN	3	3
Other Government Grants	95	95
	<u>98</u>	<u>98</u>
Other funding		
Other Grants	16	16
	<u>16</u>	<u>16</u>
	<u>1,199</u>	<u>1,199</u>

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £000	Total funds 2017 £000
Sundry income	5	5
Catering income	9	9
	<u>14</u>	<u>14</u>
	<u><u>14</u></u>	<u><u>14</u></u>

5. CHARITABLE ACTIVITIES

	Total funds 2017 £000
DIRECT COSTS - EDUCATIONAL OPERATIONS	
Wages and salaries	589
National insurance	46
Pension cost	95
Educational supplies	93
Technology costs	2
	<u>825</u>
SUPPORT COSTS - EDUCATIONAL OPERATIONS	
Wages and salaries	50
National insurance	4
Pension cost	7
Depreciation	82
Technology costs	11
Maintenance of premises and equipment	46
Cleaning	32
Rates	4
Energy	10
Insurance	7
Catering	60
Other support costs	6
Governance costs	42
	<u>361</u>
	<u><u>1,186</u></u>

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

6. EXPENDITURE

	Staff costs 2017 £000	Premises 2017 £000	Other costs 2017 £000	Total 2017 £000
Activities:				
Direct costs	730	-	95	825
Support costs	61	181	119	361
	<u>791</u>	<u>181</u>	<u>214</u>	<u>1,186</u>

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

- Compensation payments
- Gifts made by the trust
- Fixed asset losses
- Stock losses
- Unrecoverable debts
- Cash losses

There were no ex-gratia payments in the year.

7. NET INCOME/(EXPENDITURE)

This is stated after charging:

	Period ended 31 August 2017 £000
Depreciation of tangible fixed assets:	
- owned by the charity	82
Auditors' remuneration - audit	7
Auditors' remuneration - other services	3
	<u>92</u>

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

8. STAFF COSTS

Staff costs were as follows:

	Period ended 31 August 2017 £000
Wages and salaries	639
Social security costs	50
Operating costs of defined benefit pension schemes	102
	791
	791

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

	Period ended 31 August 2017 No.
Teaching	31
Educational Support	41
Admin & Management	7
	79
	79

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

	Period ended 31 August 2017 No.
In the band £70,001 - £80,000	1

The key management personnel of the academy trust comprise the Governors and the senior management team as listed on page 1. The total amount of employee benefits (including employer national insurance and employer pension contributions) received by key management personnel for their service to the academy trust was £125,000.

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

9. 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 other staff members under their contracts of employment, and not in respect of their role as Governors. The value of Governors' remuneration and other benefits was as follows:

		Period ended 31 August 2017 £000
Jessop R	Remuneration	5-10
	Pension contributions paid	0-5

During the period ended 31 August 2017, no Governors received any reimbursement of expenses.

10. 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 £5,000,000 on any one claim and the cost for the period ended 31 August 2017 was £238.

11. TANGIBLE FIXED ASSETS

	Long-term leasehold land and buildings £000
Cost	
At 21 February 2017	-
Transfer on conversion	5,482
	5,482
At 31 August 2017	5,482
Depreciation	
At 21 February 2017	-
Charge for the period	82
	82
At 31 August 2017	82
Net book value	
At 31 August 2017	5,400

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

12. DEBTORS

	2017 £000
Trade debtors	10
VAT repayable	28
Prepayments and accrued income	382
	420
	420

13. CREDITORS: Amounts falling due within one year

	2017 £000
Other loans	185
Other taxation and social security	39
Accruals and deferred income	134
	358
	358

Deferred income	£000
Resources deferred during the year	37
	37

Deferred income relates to ESFA capital funding and UIFSM income relating to the period ended 31 March 2017.

14. CREDITORS: Amounts falling due after more than one year

	2017 £000
Other loans	180
	180

Included within creditors is a loan of £365,200 from Middlesbrough Borough Council which is provided on the following terms:
£185,135 payable on 6 April 2018; and
£180,065 payable on 6 April 2019

OUR CHILDREN 1ST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2017

15. STATEMENT OF FUNDS

	Balance at 21 February 2017 £000	Income £000	Expenditure £000	Balance at 31 August 2017 £000
Unrestricted funds				
General Funds	-	246	(14)	232
Restricted funds				
General Annual Grant (GAG)	-	880	(714)	166
Pupil premium	-	162	(162)	-
UIFSM	-	25	(25)	-
PE & Sports grant	-	4	(4)	-
Teaching Schools	-	279	(71)	208
Other grants	-	114	(114)	-
Loan on conversion	-	(365)	-	(365)
	-	1,099	(1,090)	9
Restricted fixed asset funds				
Legacy assets	-	5,482	(82)	5,400
Devolved Formula Capital grants	-	4	-	4
	-	5,486	(82)	5,404
Total restricted funds	-	6,585	(1,172)	5,413
Total of funds	-	6,831	(1,186)	5,645

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

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

Pupil Premium is additional funding to be spent as the school sees fit to support deprived students.

Also included in restricted funds is Universal Infant Free School Meals income and PE grant which are to be spent on catering and the costs of a PE co-ordinator respectively.

Teaching schools income consists of the surplus on conversion from Middlesbrough Schools' Teaching Alliance along with income received in the year. This is to be spent on the teaching school.

Other grants consists of SEN funding, Early years funding and PE coordinator income.

The pension reserves is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 20.

The loan inherited on conversion is with Middlesbrough Borough Council for part payment for capital costs in previous year.

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

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FOR THE PERIOD ENDED 31 AUGUST 2017

15. STATEMENT OF FUNDS (continued)

Unrestricted funds include the income from catering and other income with the relevant costs allocated accordingly.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017.

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Tangible fixed assets	-	-	5,400	5,400
Current assets	232	547	4	783
Creditors due within one year	-	(358)	-	(358)
Creditors due in more than one year	-	(180)	-	(180)
	<u>232</u>	<u>9</u>	<u>5,404</u>	<u>5,645</u>

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

	Period ended 31 August 2017 £000
Net income for the year (as per Statement of Financial Activities)	5,645
Adjustment for:	
Depreciation charges	82
Increase in debtors	(420)
Increase in creditors	538
Capital grants from DfE and other capital income	(4)
Assets inherited on conversion	(5,482)
Cash inherited on conversion	(496)
Loan inherited on conversion	365
Net cash provided by operating activities	<u><u>228</u></u>

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18. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Period ended 31 August 2017 £000
Cash in hand	363
Total	<hr style="border-top: 1px solid black;"/> 363 <hr style="border-top: 3px double black;"/>

19. CONVERSION TO AN ACADEMY TRUST

On 1 April 2017 Pallister Park Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Our Children 1st from Middlesbrough Borough Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities incorporating Income and Expenditure Account as Donations - transfer from local authority on conversion

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities incorporating Income and Expenditure Account.

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Total funds £000
Freehold/leasehold land and buildings	-	-	5,482	5,482
MSTA balance transferred	-	264	-	264
Budget surplus on LA funds	232	-	-	232
Borrowing obligations	-	(365)	-	(365)
Net assets/(liabilities)	<hr style="border-top: 1px solid black;"/> 232 <hr style="border-top: 3px double black;"/>	<hr style="border-top: 1px solid black;"/> (101) <hr style="border-top: 3px double black;"/>	<hr style="border-top: 1px solid black;"/> 5,482 <hr style="border-top: 3px double black;"/>	<hr style="border-top: 1px solid black;"/> 5,613 <hr style="border-top: 3px double black;"/>

The above net assets include £496,000 that were transferred as cash.

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20. PENSION COMMITMENTS

The academy trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Middlesbrough Borough Council. Both are Multi-Employer Defined Benefit Pension Schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

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

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

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from April 2017. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £68,000.

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

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The academy

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20. PENSION COMMITMENTS (continued)

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

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 31 August 2017 was £46,000, of which employer's contributions totalled £34,000 and employees' contributions totalled £12,000. The agreed contribution rates for future years are 15.6% for employers and 5.5 - 12.5% for employees.

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

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

Fair value at
31 August
2017
£000

The actual return on scheme assets was £[enter amount].

21. OPERATING LEASE COMMITMENTS

At 31 August 2017 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

2017
£000

Amounts payable:

Within 1 year

1

22. MEMBERS' LIABILITY

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

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23. 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 trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures.

During the period, the academy trust entered into transactions with Green Lane Academy, an organisation in which two Governors from Our Children 1st are senior leaders. Helen Bone (School Business Manager at Green Lane Academy) and J Thackstone (Deputy Head Teacher at Green Lane Academy).

Green Lane Academy charged Our Children 1st Academy £20,000 for wages and other recharges of costs during the year.

In entering into the transactions the academy trust has complied with the requirements of the Academies Financial Handbook 2016.