

SCHOOL STANDARDS AND FRAMEWORK ACT 1998

Account, prepared pursuant to Schedule 1, para 7(1) of the School Standards and Framework Act 1998, of the Sunderland Education Action Zone for the period ended 9 January 2005, together with the Comptroller and Auditor General's Certificate and Report thereon. (In continuation of House of Commons Paper No. 1165 of 2003-2004)

Presented pursuant to School Standards and Framework Act 1998, Sch. 1, s 11, para 7(3)

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# Sunderland Education Action Zone Account 1 April 2004 to 9 January 2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 23 FEBRUARY 2005

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## Legal and Administrative Information

### Trustees

C Walker	Pennywell School (Chair of Forum)
C Lynch	St Anne's RC Primary School (Vice Chair)
A Seekings	Governor (Chair of Finance)
E Meikle	Bishop Harland CE School
M Acklam	Broadway Junior School
H Dickinson (resigned as school closed 16 July 2004)	Carley Hill Primary School
J McKay	Castle Green Special School
C Robson	English Martyrs RC Primary School
Cllr Forbes	Grindon Infant School
J Caldwell	Havelock Primary School
D Clark	Hylton Red House Nursery School
A Knapper	Hylton Red House Primary School
M Boundy	Hylton Red House School
D Horne	Maplewood Special School
S Thomson	Pallion Primary School
J Donnelly	Pennywell Nursery School
K Haswell	Quarry View Primary School
E Brown	South Hylton Primary School
T Stoker	Southwick Primary School
T Barr (resigned as school closed 16 July 2004)	St Hilda's RC Primary School
A Mackay	St John Bosco RC Primary School
P Briggs (resigned w.e.f 1 June 2004)	Diocesan Representative
C D Whittington (resigned w.e.f 1 April 2004)	Diocesan Representative
C Craig	City of Sunderland College
M Stephenson	Sunderland University
K Hinchcliffe (resigned w.e.f 31 August 2004)	Community Representative
S Common	Parent Governor
G Roberts	Youth Offending Team
Cllr P Stewart	Sunderland City Council
Cllr P Smith	Sunderland City Council
Dr B Comiskey	Sunderland LEA
H Brown	Professional Associations
L Spuhler	Sunderland Association Football Club
B Cole	DfES

### Finance Committee

A Seekings	Governor (Chair of Finance)
J Flanders	Project Director (Chair of Transformation)
C Walker	Pennywell School (Chair of Forum)
T Stoker	Southwick Primary School
T Barr (resigned as school closed 16 July 2004)	St Hilda's RC Primary School
Cllr P Smith	Sunderland City Council
M Little (Attendee Only)	City Treasurer's Dept, Sunderland LEA

**Personnel Committee**

J Flanders  
C Walker  
M Boundy  
C Craig  
C Lynch  
J Donnelly

Project Director (Chair of Transformation)  
Pennywell School (Chair of Forum)  
Hylton Red House School (Chair of Personnel)  
City of Sunderland College  
St Anne's RC Primary School (Vice Forum Chair)  
Pennywell Nursery School

**Transformation Committee**

J Flanders  
C Walker  
C Craig  
A Knapper  
C Lynch  
T Stoker  
K Hinchcliffe (resigned w.e.f 31 August 2004)

Project Director (Chair of Transformation)  
Pennywell School (Chair of Forum)  
City of Sunderland College  
Hylton Red House Primary School  
St Anne's RC Primary School (Vice Forum Chair)  
Southwick Primary School  
Community Representative

**Secretary**

Governors Clerking Unit  
Sunderland LEA

**Bankers**

National Westminster  
52 Fawcett Street  
Sunderland  
SR1 1SB

**EAZ Office**

The Downhill Centre  
Killarney Square  
Sunderland  
SR5 4AY  
Tel: (0191) 553 6987  
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**Solicitors**

City Legal Services  
Sunderland City Council  
Civic Centre  
Sunderland  
SR2 7DN

**Auditors**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London  
SW1W 9SP

## Report of the Trustees

The Trustees present their report and the audited financial statements for the period ended 9 January 2005.

### Constitution and principal activities

The Sunderland 'Building Our Future' Education Action Zone Forum is a corporate body and an exempt charity established on 1 April 2000 under the 1998 School Standards and Framework Act. The Forum does not have a share capital. This Act and its associated regulations are the primary governing documents of the Forum. The Trustees of the Forum were nominated by the City of Sunderland Partnership. This partnership consists of representatives from Sunderland LEA, Sunderland Health Authority, Sunderland Health Trusts, University of Sunderland, Sunderland City Council, City of Sunderland Careers Service, Education Business Connections and Sunderland AFC.

The sole activity of the Forum is the operation of the Sunderland Education Action Zone (EAZ).

In accordance with the Act the Forum has adopted an 'Action Plan' approved by the Secretary of State for Education and Skills. The Action Plan specifies, amongst other things, to review and develop the Early Years programme for children up to seven years and to enhance the involvement of parents in the education of their children, to tackle transience, to challenge disaffection at Key Stages (KS) 2-4, and to provide Mentoring activities in addition to support for key skills courses using Business Partners.

### Future prospects

Under the 1998 School Standards and Framework Act the Education Action Zone was given a statutory life of no more than five years. As this period was completed on 9 January 2005 the Secretary of State for Education and Skills has passed an order closing the Zone with effect from this date.

### Going concern

In view of the cessation of the Forum's activities on 9 January 2005 the Trustees no longer consider the preparation of the accounts on a going concern basis to be appropriate. Upon closure the Zone's assets and liabilities have been transferred to Zone schools at net book value. No adjustments have been necessary to the net book values of assets held immediately prior to closure.

### Organisation and objectives

The principal objective of the Forum is to improve standards within the Schools that are part of its Education Action Zone.

In order to further the objectives of the Forum, the EAZ has adopted City of Sunderland policies with regard to Recruitment, Personnel, Health and Safety, and Code of Practice for Members. There have been no material changes in policy since the last report.

The operational management structure of the Zone consists of a Project Director and Deputy Project Director. These two posts comprise the EAZ Senior Management Team, which reports to the Forum. The aim of the management team is to involve schools and business partners and encourage involvement in decision making at all levels. The EAZ staff also comprises a finance and administrative officer, an early years project co-ordinator and two ICT technicians.

The Forum has three other committees to which it devolves many of its day-to-day management responsibilities. These are a Finance Committee, a Personnel Committee and a Transformation Committee. The members of these committees are detailed on pages 2 and 3.

The present Trustees of the Forum are set out on page 2. All the Trustees served throughout the period with the exception of CD Whittington, P Briggs and K Hinchcliffe who all resigned during the period and T Barr and H Dickinson who both resigned as the schools they represented closed.

## Developments, activities and achievements

Sunderland EAZ is in its fifth year of operation. In the last seven months we have continued to work extensively on enhancing the quality of teaching and learning in order to raise pupil performance levels. There has been a continuing focus on motivating children to write and to increase their sensitivity to language through initiatives such as Immerse In Verse and Playing With Words. We have continued to develop the capacity of primary schools to deliver the ICT curriculum. Successful secondary school programmes have included the Transition Programme and ICT. In addition we have worked on improving parental involvement in their children's learning and Early Years provision. We have supported social inclusion and worked to combat disaffection.

In the past nine months we have seen marked success in our poetry and writing programme with a final celebration of achievement which saw almost a thousand children taking part in poetry workshops and performing on stage in July 2004. We have discussed the sustainability of initiatives with schools and have received assurances that many schools will continue with aspects of our programmes. The percentage of children in the Zone attaining level 4+ English at KS2 SATs has risen this year by 2%. Sunderland Education Action Zone projects have been favourably commented upon in two recent primary school OfSTED reports. In October, The Times Educational Supplement included an article on innovative Sunderland Education Action Zone poetry projects. The Zone ran a successful summer school for gifted and talented Year 6 pupils.

## Operating and financial review

The financial statements have been prepared in accordance with current statutory requirements and the Forum's governing documents.

Most of the EAZ's income is obtained from the Department for Education and Skills (DfES) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received during 2004-2005 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

During 2004-2005 the EAZ received donations from business sponsors including Sunderland Echo, Nissan, Nexus and Sunderland AFC. These donations have been given to the EAZ to assist it to achieve its Action Plan and have been fully expended.

Expenditure for the period was covered by grants from the DfES and other income. The excess of resources expended over incoming resources for the period was £2,000. This was financed using the surplus DfES grant carried forward from last year.

At 9 January 2005 the net book value of fixed assets was nil. The assets had been used exclusively for providing education and associated support services to the pupils of the EAZ.

## Fund review

When the EAZ ceased to operate on 9 January 2005 its fund balances were nil. Fund Balances existing prior to this date were utilised in fulfilment of the Zone's objectives. Immediately prior to cessation £3,000 was transferred to Sunderland LEA, which has been nominated as successor body committed to overseeing matters. To achieve its Action Plan objectives the EAZ remained dependent on the provision of grants from both DfES and commercial sponsors.

## Connected organisations

The EAZ has worked closely with its partnership schools to achieve the Forum's objectives.

The schools are

Broadway Junior,  
Grindon Infant,  
Havelock Primary,  
Pallion Primary,  
Quarry View Primary,  
South Hylton Primary,  
Bishop Harland CE Primary,  
Carley Hill Primary (closed 16 July 2004),  
Hylton Red House Primary,  
Southwick Primary,  
Witherwack Primary,  
St Anne's RC Primary,  
St Hilda's RC Primary (closed 16 July 2004),  
English Martyrs' RC Primary,  
St John Bosco RC Primary,  
Pennywell,  
Hylton Red House,  
Hylton Red House Nursery,  
Pennywell Nursery,  
Maplewood Special,  
Castlegreen Special (formally Felstead).

The Times Educational Supplement, Sunderland Bridges and Early Education Magazine are just a sample of the business sponsors of the Forum. The EAZ received £92,621 in donations from business sponsors to assist the Forum to achieve its objectives.

The Forum has also contracted with Sunderland City Council to provide accounting, payroll, legal and personnel services.

A nominated Financial Link Officer operates between Sunderland City Council and the EAZ.

## Disabled persons

The policy of the Forum is to support the employment of disabled persons both in the recruitment and by retention of employees who become disabled whilst in the employment of the Forum, as well as generally through training and career development.

## Post balance sheet events

The Zone ceased all activities at the end of its statutory life on 9 January 2005. Expenditure for the period ended 9 January 2005 included redundancy costs of £53,585 and early retirement benefit costs of £4,946 due to redundancy, relating to one member of staff.

## Reserves policy

The Forum cannot build up reserves of restricted DfES grant, greater than the permitted carry over level, as the Department requires that this grant should be applied in the year in which it is received. Where the Forum has earned unrestricted income, it is the Forum's policy to apply these reserves to the action plan programme.



## Risk management

In 2001 the Trustees carried out a detailed review of the charity's activities and produced a comprehensive strategic plan setting out the major opportunities available to the charity and the risks to which it is exposed. The Trustees monitor progress against the strategic objectives set out in the plan at each quarterly meeting and a comprehensive review of the plan is carried out annually. As part of this process, the Trustees have implemented a risk management strategy, which comprises

- an annual review of the risks which the charity may face;
- the establishment of systems and procedures to mitigate those risks identified in the strategic plan; and
- the implementation of procedures designed to minimise any potential impact on the charity should any of those risks materialise.

During the period the annual review of the risk assessment took place. Systems and potential risks were reviewed and, where necessary, adjusted accordingly. Risk Assessment is a standard item on the Forum and Finance Committee agendas.

## Statement on Internal Control

### a Maintenance of internal controls

As Trustees, we have responsibility for maintaining a sound system of internal control that supports the achievement of the Forum's policies, aims and objectives whilst safeguarding the public funds and assets for which we are responsible, in accordance with the responsibilities assigned to us in our Financial Memorandum and Government Accounting.

The system of internal control is designed to manage rather than eliminate the 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 the principal risks to the achievement of Forum policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

This process has been in place for the period ended 9 January 2005 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

As the Forum ceased on 9 January 2005 the system of internal control reflected the requirement to identify, evaluate and mitigate the principal risks associated with closure, including

- loss of key staff; and
- maintaining a balanced budget in the financial accounting period.

The Zone operates under the Financial Regulations and Procedures agreed by the Forum, and also adheres to the City of Sunderland's policies and guidance (e.g. Segregation of duties).

### b Review of controls

As Trustees, we also have responsibility for reviewing the effectiveness of the system of internal control. In 2004-2005 the Forum followed DfES guidelines and carried out

- a detailed review of its activities including a strategic plan setting out the major opportunities available to it and the risks to which it is exposed;
- the set up of systems and procedures to mitigate the risks identified in the plan;
- the review of procedures to minimise any potential impact on the charity should any of those risks materialise;
- the review of monitoring progress against the strategic objectives set out in the plan at regular finance committee meetings;
- an annual review of the plan, including a review of the risks which the Forum may face and the allocation of risk ownership, including the responsibilities of the Forum, sub-committees and Project Director;
- the setting up of the Transformation Committee and regular meetings. The purpose of the committee was to ensure the EAZ was dissolved appropriately; assets distributed fairly, accounts closed correctly, the storage of documentation agreed and organised and arrangements were in place for the transfer to the LEA (the nominated successor body) of any residual liabilities;
- the review of controls by the Chair of Finance Committee to ensure controls are in place and working effectively;

- weekly budget monitoring by the Project Director and monthly meetings with the Zone's Accountant from the Treasurers Department of the Local Authority;
- weekly review of the bank account leading up to Zone closure; and
- contacting suppliers to ensure prompt receipt of invoices and reminding schools of the importance of timely claims for reimbursement.

Our review of the effectiveness of the system of internal control is informed by comments made by the external auditors in their management letter and other reports.

## Statement of Trustees' responsibilities for the Financial Statements

Under the School Standards and Framework Act 1998, Trustees are required to prepare financial statements for each financial period in the form and on the basis determined by the Secretary of State with the approval of the Treasury. In preparing these financial statements, the Trustees have

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the basis that the Forum's activities were ceasing.

Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Forum and enable them to ensure that the financial statements comply with the Accounts Direction given by the Secretary of State. They are also responsible for safeguarding the assets of the Forum and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees have a responsibility to ensure that the Forum's accounting records and system of internal financial control for the relevant financial period comply with the obligations placed on the Forum by the Secretary of State for Education and Skills.

### Auditors

The auditor, the Comptroller and Auditor General, is appointed under the terms of the 1998 School Standards and Framework Act.

### Approval

The report of the Trustees was approved on 10 January 2005 and signed on its behalf by

*Craig Walker*  
Forum Chair

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on page 13 to 24 under the School Standards and Framework Act 1998. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 17 and 18.

## Respective responsibilities of the Trustees and Auditor

As described on page 10, the Trustees are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Trustees are also responsible for the preparation of the Trustees' Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the School Standards and Framework Act 1998 and directions made thereunder by the Secretary of State for Education and Skills, whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and whether the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Trustees' Annual Report is not consistent with the financial statements, if the Forum has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 8 and 9 reflects the Forum's compliance with HM Treasury's guidance 'Corporate governance: statement on the system of internal control'. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Forum's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Zone's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Zone's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Following the passing of the Sunderland Education Action Zone (Dissolution) Order 2005, the Zone ceased to exist with effect from 9 January 2005. Accordingly as explained in the Trustees' Report and note 1 to the accounts, the financial statements have been prepared on the basis that the Zone is no longer a going concern. My opinion is not qualified in this respect.

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Sunderland EAZ at 9 January 2005 and of its incoming resources, application of resources and cash flows for the period then ended and have been properly prepared in accordance with the School Standards and Framework Act 1998 and directions made thereunder by the Secretary of State for Education and Skills; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

11 February 2005

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# Statement of Financial Activities for the period ended 9 January 2005

	Notes	Unrestricted funds £000	Restricted DfES £000	Other £000	<b>Total 2004-2005 £000</b>	Total 2003-2004 £000
<b>Incoming resources</b>						
DfES grants receivable	2,3	0	865	0	<b>865</b>	699
Private sector contributions	4	0	0	93	<b>93</b>	203
Other income	5	0	0	1	<b>1</b>	20
<b>Total incoming resources</b>		0	865	94	<b>959</b>	922
<b>Resources expended</b>						
Costs of generating funds	6	0	6	0	<b>6</b>	6
<b>Net incoming resources for charitable application</b>		0	859	94	<b>953</b>	916
<b>Charitable expenditure</b>						
<i>Costs in furtherance of charitable objectives</i>						
Provision of education	6	0	19	14	<b>33</b>	76
Education support costs	6	0	589	80	<b>669</b>	659
Grants payable	6	0	50	0	<b>50</b>	85
Management and administration	6	0	137	0	<b>137</b>	142
<b>Total charitable expenditure</b>		0	795	94	<b>889</b>	962
Costs of termination of operations	6,8	0	66	0	<b>66</b>	0
<b>Total resources expended</b>		0	867	94	<b>961</b>	968
<b>Net incoming/(outgoing) resources before transfers</b>						
		0	(2)	0	<b>(2)</b>	(46)
Transfers between funds		0	0	0	<b>0</b>	0
<b>Net movement in funds</b>		0	(2)	0	<b>(2)</b>	(46)
Fund balances brought forward at 1 April 2004		0	2	0	<b>2</b>	48
<b>Fund balances carried forward at 9 January 2005</b>	15,16	0	0	0	<b>0</b>	2

The Statement of Financial Activities analyses all the capital and income resources and expenditures of the EAZ during the period and reconciles the movement in funds. There is no difference in the net movement of funds stated above and its historical equivalent.

All items dealt with in arriving at the Net Movement in Funds for 2004-2005 relate to discontinued operations.

Further analysis of the income and expenditure for the period is shown on page 14 and the overall financial position at the period end is summarised in the balance sheet on page 15.

*The notes on pages 17 to 24 form part of these accounts.*

## Income and Expenditure Account for the period ended 9 January 2005

	Notes	2004-2005 £000	2003-2004 £000
<b>Income</b>			
DfES EAZ recurrent grant	2	865	687
Other DfES grants	3	0	12
Private sector contributions	4	93	203
Other income	5	1	20
<b>Total income</b>		<b>959</b>	922
<b>Charitable expenditure</b>			
DfES EAZ grant expenditure	6	795	727
Other DfES grant expenditure	6	0	12
Other expenditure	6	94	223
<b>Total charitable expenditure</b>		<b>889</b>	962
Costs of generating funds	6	6	6
Costs of termination of operations	8	66	0
<b>Total resources expended</b>		<b>961</b>	968
<b>Excess of income over expenditure</b>		<b>(2)</b>	0
<b>Net transfers to/from funds</b>			
DfES EAZ fund	15	(2)	(46)
Other restricted funds	15	0	0
Unrestricted funds	16	0	0
<b>Net movement in funds</b>		<b>(2)</b>	(46)

The Income and Expenditure account is derived from the Statement of Financial Activities on page 13 which, together with the notes to the accounts on pages 17 to 24 provide full information on the movements during the period on all the funds of the Forum.

All items dealt with in arriving at the excess of income over expenditure for 2004-2005 relate to discontinued operations.

The Forum has no recognised gains and losses other than those included in the above results and therefore no separate statement of total recognised gains and losses has been presented.

*The notes on pages 17 to 24 form part of these accounts.*



## Balance Sheet as at 9 January 2005

	Notes	9 January 2005 £000	31 March 2004 £000
<b>Current assets</b>			
Debtors	12	0	9
Cash at bank and in hand		0	44
		<u>0</u>	<u>53</u>
<b>Creditors: amounts falling due within one period</b>			
	13	<u>0</u>	<u>51</u>
<b>Net current assets</b>		0	2
<b>Net assets</b>		0	2
<b>Funds</b>			
Restricted funds	15	0	2
Unrestricted funds	16	0	0
		<u>0</u>	<u>2</u>

The financial statements were approved by the Forum on 10 January 2005 and signed on its behalf by

*Craig Walker*  
Forum Chair

## Cash Flow Statement for the period ended 9 January 2005

	Note	2004-2005 £000	2003-2004 £000
<b>Operating activities</b>			
<i>Receipts</i>			
Recurrent EAZ grant received from DfES		<b>865</b>	687
Other DfES grants		<b>0</b>	12
Private sector sponsorship		<b>0</b>	1
Other receipts		<b>1</b>	43
		<b>866</b>	743
<i>Payments</i>			
Staff costs		<b>245</b>	330
Other cash payments		<b>665</b>	439
<b>Net cash in flow from operating activities</b>	21	<b>(44)</b>	(26)
<b>Increase/(decrease) in cash in the period</b>		<b>(44)</b>	(26)

# Notes to the Financial Statements

## 1 Accounting policies

### *Format of accounts*

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice (SORP 2000), 'Accounting and Reporting by Charities' published in October 2000 and the Charities Act 1993. A summary of the principal accounting policies, which have been applied consistently, is set out below.

### *Basis of accounting*

The Forum came to the end of its statutory five year life on 9 January 2005. The Trustees therefore consider it inappropriate to prepare the financial statements on a going concern basis and have reflected this in drawing up the accounts.

### *Recognition of income*

The annual EAZ grant from the Department for Education and Skills (DfES), which is intended to meet recurrent costs and, where specified, to purchase fixed assets, is credited direct to the income and expenditure account as restricted income. Sponsorship monies are credited direct to the income and expenditure account as unrestricted income, as the Forum has discretion in how to apply such contributions to meet its objectives.

### *Contributions in Kind*

In accordance with the Accounts Direction provided by the Department for Education and Skills, an income value is attributed to Contributions in Kind from business. These contributions are brought into the accounts at a reasonable estimate of their value to the Forum in the period in which they are receivable. As all gifts in Kind represent expenditure which the Forum would have had to incur, a notional expenditure charge is recorded equal to the value of the Contribution in Kind to the Forum.

### *Grants receivable*

Where other grants have been received these are credited to the income and expenditure account as restricted income.

### *Management and administration*

Management and administration costs include expenditure on the administration of the charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of indirect costs.

### *Allocation of cost between direct provision of education and other expenditure*

In accordance with the charities SORP expenditure has been analysed between charitable and other expenditure. The only activity undertaken by the EAZ is the operation of Sunderland EAZ. Items of expenditure which involve more than one cost category have been apportioned on a reasonable, justifiable and consistent basis for the cost category concerned, these include

#### **Cost Category**

Staff costs

#### **Basis of apportionment**

Time spent

*Resources expended*

Items are included as direct charitable expenditure where, in the view of the Forum, the activities relate to staff costs incurred when in direct contact with pupils.

*Funds structure*

Funds have been designated for restricted and unrestricted purposes. Fund balances existing immediately prior to the Zone's closure were transferred to Sunderland LEA to meet outstanding liabilities, as directed by the Secretary of State for Education and Skills.

*Taxation*

The Forum is an exempt charity and as such is exempt from Income and Corporation taxes under the provisions of the Income and Corporation Taxes Act 1988. The cost of Value Added Tax incurred by the Forum has been included in the Income and Expenditure Account.

*Pensions*

The Forum pays in to the Teachers' Pension Agency, which is an actuarial valued and a defined benefit scheme, in respect of teachers' pension costs. In 2004-2005 the EAZ paid £6,603, which represents 13.5% of teachers' pensionable pay.

In respect of non-teaching staff the Forum pay into the Tyne & Wear Superannuation Fund. The contribution rate throughout the period was 10.92%. The contribution rate is set to meet 100% of the overall liabilities of the fund.

Further information can be found in South Tyneside Council's Pension Fund report, which is available from the Finance Department, Town Hall, South Shields, NE33 2RL.

**2 DfES EAZ grant**

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
DfES grant received in period	<b>865</b>	687
Carry over from previous period	<b>2</b>	48
Total grant available to spend	<b>867</b>	735
Spent in the period	<b>867</b>	733
Underspent grant/[funded from general fund]	<b>0</b>	2

The Trustees have not calculated a maximum permitted carry over level as the Zone is no longer a going concern.

**3 Other DfES grants**

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
Gifted and Talented summer schools	<b>0</b>	9
Easter schools	<b>0</b>	2
Teacher Threshold	<b>0</b>	1
	<b>0</b>	12

**4 Business contributions**

	Cash	In Kind	<b>Total</b>	Total
	£000	£000	<b>2004-2005</b>	2003-2004
			<b>£000</b>	£000
<b>Private sector contributions</b>				
Private sector bodies	0	93	<b>93</b>	203
	<u>0</u>	<u>93</u>	<u><b>93</b></u>	<u>203</u>

As per Charities SORP, Volunteer in-Kind Contributions are excluded from Income and likewise from Notional expenditure. The value to the EAZ of these contributions was £22,363 (2003-2004 was £81,301).

**5 Other income**

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Arts Council Bid	<b>1</b>	14
Programme income	<b>0</b>	3
Miscellaneous	<b>0</b>	3
	<u><b>1</b></u>	<u>20</u>

**6 Total resources expended**

	Staff	Other	<b>Total</b>	Total
	£000	£000	<b>2004-2005</b>	2003-2004
			<b>£000</b>	£000
Direct provision of education	19	14	<b>33</b>	76
Education support costs	111	558	<b>669</b>	659
Grants payable	0	50	<b>50</b>	85
Management and administration	55	82	<b>137</b>	142
Costs of generating funds	0	6	<b>6</b>	6
Costs of termination of operations	60	6	<b>66</b>	0
	<u>245</u>	<u>716</u>	<u><b>961</b></u>	<u>968</u>
<b>Of which</b>				
DfES grant expenditure	185	610	<b>795</b>	727
Other DfES grant expenditure	0	0	<b>0</b>	12
Other expenditure	0	94	<b>94</b>	223
Costs of generating funds	0	6	<b>6</b>	6
Costs of termination of operations	60	6	<b>66</b>	0
	<u>245</u>	<u>716</u>	<u><b>961</b></u>	<u>968</u>

**7 General expenditure**

Included in expenditure in the income and expenditure accounts and in other costs above are

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
Educational supplies and services	<b>622</b>	579
Occupancy costs	<b>12</b>	15
Supplies and services	<b>17</b>	29
Service level agreements with LEA	<b>14</b>	14
Auditor's remuneration	<b>6</b>	6
Insurance	<b>4</b>	4
VAT	<b>35</b>	17
Closure costs (included in Note 8)	<b>6</b>	0
	<b>716</b>	664

**8 Costs of termination of operations**

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
Staff costs arising from Zone closure	<b>60</b>	0
Cost of post-Zone services provided by nominated successor body	<b>3</b>	0
Amounts transferred to nominated successor body to meet residual Zone liabilities	<b>0</b>	0
Other closure cost (removal costs)	<b>3</b>	0
	<b>66</b>	0

**9 Staff costs**

The average number of persons (including senior postholders) employed by the EAZ during the period expressed as full time equivalents was

	<b>2004-2005</b>	2003-2004
Management	<b>2</b>	2
Administration	<b>2</b>	3
Technicians	<b>2</b>	2
Programme staff	<b>3</b>	4
	<b>9</b>	11

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
<b>Staff costs for the above persons</b>		
Wages and salaries	<b>157</b>	259
Social security costs	<b>15</b>	23
Other pension costs (see note 14)	<b>10</b>	16
Allowances	<b>3</b>	6
Costs associated with Zone closure	<b>60</b>	0
<b>Total staff costs</b>	<b>245</b>	304

Costs associated with Zone closure comprised redundancy costs of £53,585, transformation and consultancy costs of £1,934 and early retirement benefit costs of £4,946. These costs are also included in Note 8

One employee earned more than £50,000 during 2004-2005. The total emoluments of this employee were in the following range

	<b>2004-2005</b>	2003-2004
£50,001 - £60,000	<b>0</b>	0
£60,001 - £70,000	<b>0</b>	1
£70,001 - £80,000	<b>0</b>	0
£80,001 - £90,000	<b>0</b>	0
£90,001 - £100,000	<b>1</b>	0

## 10 Emoluments of Trustees

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Emoluments of Trustees	<b>0</b>	0

The Trustees of the Forum did not receive any payment from the Forum in the form of remuneration or reimbursement in the course of their duties.

### *Interests in Transactions*

There were no party related transactions during the period.

## 11 Trustees' and Officers' insurance

In accordance with normal commercial practice the Forum has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Forum business. The insurance provides cover up to £1,000,000 on any one claim.

The Forum also insures against any losses of money or goods resulting from fraud or dishonesty by Forum employees. The insurance provides cover up to £250,000.

The EAZ has a policy with Zurich Municipal. This covers all money and property owned by the Zone. It covers the office contents up to £7,200 and in addition, computer equipment up to £30,000. The policy also covers personal accident claims made by any employees or Forum members.

The total cost for the insurance for all of the above for 2004-2005 was £3,512 (2003-2004 was £3,704).

## 12 Debtors

	<b>9 January</b>	31 March
	<b>2005</b>	2004
	<b>£000</b>	£000
Prepayments	<b>0</b>	9
Sundry debtors	<b>0</b>	0
	<b>0</b>	9

**13 Creditors: amounts falling due within one year**

	<b>9 January 2005 £000</b>	31 March 2004 £000
Sundry creditors	<b>0</b>	45
Audit fees	<b>0</b>	6
Accruals	<b>0</b>	0
	<b>0</b>	51

**14 Pensions and similar obligations**

	<b>2004-2005 £000</b>	2003-2004 £000
<b>Other pension costs comprise</b>		
Defined benefit scheme - regular cost	<b>10</b>	16
Defined contribution scheme	<b>0</b>	0

The Zone's employees belong to the following pension schemes

*Teachers' Superannuation Scheme (England and Wales)*

<b>Nature of scheme</b>	<b>Defined benefit</b>
Zone's contribution rate in 2004-2005	13.5%
Zone's contribution in 2004-2005	£6,603

The Teacher's Superannuation Scheme is an unfunded multi-employer scheme. Contributions are based on valuations made by the Government Actuary. The Actuary's last report was in March 2003 using data primarily from the period April 1996 to March 2001. As such the Zone is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

*Tyne & Wear County Superannuation Fund*

<b>Nature of scheme</b>	<b>Defined benefit</b>
Zone's contribution rate in 2004-2005	10.92%
Zone's contribution in 2004-2005	£2,756

Contributions are actuarially valued. The date of the last full actuarial valuation was 31 March 2004. The results of this valuation have not yet been published. The date of the previous valuation was 31 March 2001, at which date the scheme was 81% funded.

Any liabilities arising from the presence of a pension fund capitalisation deficit attributable to Zone staff, will be met by the Local Education Authority and not treated as a cost to the Zone.



**15 Restricted funds**

The incoming funds of the EAZ comprise the following balances of grants to be applied for specific purposes

	Balance at 1 April 2004 £000	Incoming resources £000	Expenditure gains, losses and transfers £000	<b>Balance at 9 January 2005 £000</b>	Total 31 March 2004 £000
DfES recurrent grant	2	865	(867)	<b>0</b>	2
Other	0	94	(94)	<b>0</b>	0
	<u>2</u>	<u>959</u>	<u>(961)</u>	<u><b>0</b></u>	<u>2</u>

DfES EAZ recurrent grant must be used for the normal running costs of the EAZ including salaries and related costs, overheads, repairs and maintenance and insurance. The EAZ is allowed to carry forward up to 10% of the grant for programme expenditure and 2% of grant for administrative expenditure.

**16 Unrestricted funds**

There was no balance of unrestricted funds in the current or prior years.

**17 Analysis of net assets between funds**

Fund balances at 9 January 2005 are represented by

	Unrestricted funds £000	Restricted funds £000	<b>Total 2004-2005 £000</b>	Total 2003-2004 £000
Current assets	0	0	<b>0</b>	53
Current liabilities	0	0	<b>0</b>	(51)
	<u>0</u>	<u>0</u>	<u><b>0</b></u>	<u>2</u>

**18 Capital commitments**

There was no capital commitments in the current or prior years.

**19 Lease commitments**

There was no lease commitments in the current or prior years.

**20 Contingent liabilities**

In the event, during the period of the Funding Agreement, of the sale or disposal by other means, of any asset for which a DfES grant was received, the Forum shall if it does not re-invest the proceeds, repay to the Secretary of State for Education and Skills the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Forum serving notice, the Forum may repay to the Secretary of State sums determined by reference to

- the value at that time of the EAZ's assets held for the purpose of the Forum; and
- the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

As at 9 January 2005 there were no contingent liabilities (nil at 31 March 2004).

**21 Reconciliation of net incoming resources to net cash inflow from operating activities**

	<b>9 January 2005 £000</b>	31 March 2004 £000
Net incoming resources	<b>(2)</b>	(46)
(Increase)/decrease in debtors	<b>9</b>	16
Increase/(decrease) in creditors	<b>(51)</b>	4
<b>Net cash inflow from operating activities</b>	<b>(44)</b>	(26)

## Accounts Direction given by the Secretary of State for Education and Skills, with the approval of the Treasury, in accordance with the School Standards and Framework Act

- 1 The Education Action Zone shall prepare accounts for the financial year ended 31 March 2000 and subsequent financial years comprising
  - a a Trustees' Report;
  - b a statement of financial activity and an income and expenditure account;
  - c a balance sheet;
  - d a cash flow statement; and
  - e a statement of total recognised gains and losses,including such notes as may be necessary for the purposes referred to in the following paragraphs.
- 2 The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
- 3 Subject to this requirement, the accounts shall be prepared in accordance with
  - a generally accepted accounting practice in the United Kingdom (UK GAAP), including the provisions of the Statement of Recommended Practice, Accounting by Charities. Forums shall not adopt Financial Reporting Standard, Small Entities;
  - b the disclosure and accounting requirements contained in 'The Fees and Charges Guide' (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;insofar as these are appropriate to Sunderland Education Action Zone and are in force for the financial year for which the statement of accounts is to be prepared.
- 4 The statement of financial activity, income and expenditure account and balance sheet shall be prepared under the historical cost convention. Assets and liabilities shall be included in the balance sheet at the following amounts
  - a fixed assets at cost (or valuation) less an appropriate provision for depreciation;
  - b fixed asset investments at market value;
  - c current assets (other than investments) at the lower of cost and net realisable value; and
  - d liabilities at their settlement value.
- 5 The value of contributions from business, both assets and services, should be brought into account at a reasonable estimate of their value to the Forum, i.e. they should be valued at what it would have cost the Forum to have purchased the required asset or service itself.
- 6 This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Secretary of State for Education and Skills.

*Barnaby Shaw*  
Head of Standards Division  
Department for Education and Skills

26 February 2002

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