

Company Registration No. 07338707 (England and Wales)

THE CHARTER SCHOOLS EDUCATIONAL TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018



THE CHARTER SCHOOLS EDUCATIONAL TRUST

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THE CHARTER SCHOOLS EDUCATIONAL TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members

E Amadi
S Bowler
E Brown
D Hill - (Resigned 09/11/18)
S Tucker - (Appointed 09/11/18)

Trustees

E Amadi (Vice Chair)
E Brown
A Crossman (Accounting officer to 31/08/18) (Resigned 31 August 2018)
D Gallie
C Hicks (Resigned 31 August 2018)
D Hill (Chair to 09/11/18)
H Jeffrey
K Osborne (Accounting officer from 01/09/18) (Appointed 1 September 2018)
S Russell
S Tucker (Chair from 09/11/18)

Senior management team

K Osborne - CEO from 1/09/2018
C Hicks - Head Teacher
A Crossman - Head Teacher

Company registration number

07338707 (England and Wales)

Registered office

The Charter Schools Educational Trust
Red Post Hill
London
SE24 9JH

Academies operated

The Charter School North Dulwich
The Charter School East Dulwich

Location

Southwark
Southwark

Head Teacher

C Hicks
A Crossman

Independent auditor

Wilkins Kennedy Audit Services
Greytown House
221-227 High Street
Orpington
Kent
BR6 0NZ

Bankers

Royal Bank of Scotland plc
Sheffield Attercliffe Branch
747 Attercliffe Road
Sheffield
S9 3RF

THE CHARTER SCHOOLS EDUCATIONAL TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2018

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The multi academy trust operates two inclusive secondary schools for pupils aged 11-19, predominantly serving communities in the London Borough of Southwark. The Charter School North Dulwich had a roll number of 1200 with a capacity of 1200. The Charter School East Dulwich had a roll number of 240 and a capacity of 240 in 2017/18.

Structure, governance and management

Constitution

The charitable company is known as The Charter Schools Educational Trust. The Charter Schools Educational Trust is a company limited by guarantee with no share capital (registration no. 07338707) which was incorporated on 6 August 2010. The Trust is an exempt charity and is regulated by the Department for Education (DfE).

The Trust's memorandum and articles of association are the primary governing documents. Members of the charitable company are nominated by their peers. The articles of association require the members of the company to appoint at least one Trustee to be responsible for the affairs of the charitable company.

The principal goal of The Charter Schools Educational Trust is to advance, for the public benefit, education in the United Kingdom by establishing and running schools that serve the needs of their local communities.

The charitable company receives funding under the terms of its Funding Agreement entered into with the Secretary of State for Education.

The trustees of The Charter Schools Educational Trust are also the directors of the charitable company for the purposes of company law. Details of the trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' liability

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

Method of recruitment and appointment or election of trustees

In line with the articles of association, the number of Trustees shall be not less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum. "Trustees" means the directors of the Trust (and "Trustee" means any one of those directors), subject to the definition of this term as set out in the articles.

Policies and procedures adopted for the induction and training of trustees

There is a rigorous process for recruitment with appropriate vetting. Skills are carefully considered. The training and induction provided for new Trustees depends on their existing experience. The Trust has adopted a common policy for the induction and training of both Trustees and governors who sit on the local governing bodies. Training is available by a mix of in house and by external agencies. Trustees and governors are signposted to policies, procedures, minutes and accounts that they will need to undertake their role. In addition, Trustees and governors have access to a wealth of on line guidance and support provided by leading professional organisations such as the NGA.

All Trustees are aware of their role and duties as company directors and charity trustees. This is in line with the Companies Act 2006 and all have accessed information from the Charity Commission guidance CC3 "The essential trust: what you need to know, what you need to do". Trustee training by Buzzacott has also been made available. Trustees at The Charter Schools Educational Trust are fully compliant in all aspects.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Trustees and Governors

The Charter Schools Educational Trust is the body legally responsible for the operation of each school within the group. The Trustees are listed in this report. The memorandum of association, articles of association and funding agreements form the basis of how each school is governed.

The Trust's schools each have a local governing body, the remit of which is to help the Trustees to hold to account their Head Teacher's for the achievement, safeguarding and wellbeing of the school's students. Trustees and governors are appointed according to their skills, experience and the contribution they can make to ensuring the Trust's activities are effective. New Trustees and Governors are interviewed by experienced Trustees or Governors, given a formal introduction to the Trust and an opportunity to meet with the relevant Head Teacher before their first full meeting.

During the year under review, the Trustees held four Board meetings.

Organisational structure

In accordance with the funding agreement with the Education Funding & Skills Agency (ESFA), an agency of the DfE, the Trustees have made governance arrangements as described above. The Trustees are responsible for ensuring that high standards of corporate governance are maintained.

Trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the schools by use of their budget and strategic development plans and making major decisions about the direction of the schools, their capital expenditure and senior staff appointments. They exercise their powers and functions with a view to fulfilling a largely strategic leadership role in the running of the schools, addressing such matters as:

- Setting the strategy for the Trust as a whole;
 - Setting the schools' values and standards of conduct;
 - Ensuring compliance with legal requirements;
 - Ensuring sound financial management and administration; Establishing and maintaining effective internal controls; The management of all resources;
- The monitoring of performance;
 - Helping the schools to be responsive to the needs of parents, carers and the community; and
 - Assessing and managing risk.

Arrangements for setting pay and remuneration of key management personnel

The Trust has an appropriate policy and Terms of Reference in place. The pay of the Head Teacher's of the Trust is determined by the Trust's Board in the Autumn Term. The Trust's Appointments and Remuneration Committee make recommendations for ratification by the Trust Board.

Related parties and other connected charities and organisations

There are no organisations that directly sponsor The Charter Schools Educational Trust. The Friends of The Charter School is a separate registered charity, governed independently of the Trust.

Transactions with connected organisations during the year under review have been disclosed in note 22, related party transactions. No related party transactions took place in the period of account other than certain trustee's remuneration and expenses as disclosed in note 11.

Objectives and activities

Objects and aims

The principal object and activity of the charitable company is the operation of The Charter School North Dulwich and of The Charter School East Dulwich to advance, for the public benefit, education for students of different abilities between the ages of 11 and 19.

The Trustees confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Schools' aims and objectives.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Objectives, strategies and activities

Our values are:

Inclusion

- Our schools are co-education, non-selective and are not linked to any faith.
- We celebrate diversity and difference.

Community

- Each of our schools serves its local community.
- We strive to create caring, responsible citizens.
- We actively engage with students, their parents and the wider community.

Excellence

- We enable every child to achieve their potential regardless of their starting point.
- We value achievement in all aspects of school life.
- We prepare our students for the challenges and opportunities of society in the 21st Century.
- We embrace continuous improvement for those who study and work in our schools.

Public benefit

The Trustees have complied with their duty to have due regard to the guidance on public benefit issued by the Charity Commission in exercising their powers and duties.

Strategic report

Achievements and performance

The Trust remained focused on improving the education of children from the local community through its activities. The Charter School North Dulwich's ongoing Outstanding status, along with its accreditation as a World Class School and placement at Number 137 in The Times Top 500 Schools List for GCSE and A-Level attainment (up from 196 the previous year and 17th best comprehensive school) reflected the high standards and high outcomes which are characteristic of the Trust's work. The highly successful launch of The Charter School East Dulwich in September 2016, one of the most over-subscribed new schools in the country, is also evidence of the Trust's wider commitment to transforming the lives of young people in the local community through the power of inclusive education.

Key performance indicators

The Charter School North Dulwich, The Trust's more established secondary school, continued to perform very well in national measures, with a Key Stage 4 Attainment 8 score of 59.2 (up from 56.9 in 2017 and in comparison to the 2017 national average of 44.6). In the main accountability measure, Progress 8, the school scored +0.64 (up from +0.41 in 2017), which places it in the top 10% of all schools nationally. In addition, 67% of students achieved grades 5-9 in both English and Maths (the 2017 national figure was 39%) and 38% achieved the English Baccalaureate at Grade 5 or above (the national figure was 17%). At Key Stage 5 67% of all grades were at A*-B and the overall performance of students continued to place the school in the top 10% of all schools nationally in terms of both progress and attainment. The school was also very proud that so many students progressed to top universities, with one going to Oxbridge. Overall, The Charter School North Dulwich's performance is significantly above average in relation to all of the national standards for students' attainment and progress.

The Trust's new secondary school, The Charter School East Dulwich, has had an excellent first two years of operations. Students belonging to the school's founding cohort entirely avoided the nationally-recognised 'dip' in progress associated with the transition from primary to secondary school and in their Year 8. This was repeated by the second cohort. The school is heavily oversubscribed with the number of applicants seeking admission rising year on year. More than 95% of students, including those in receipt of the pupil premium, made Good or better progress across the curriculum, including in all Ebacc subjects. The Charter School East Dulwich consolidated its occupancy of high-quality temporary accommodation in Peckham and excellent progress has been made on the building of the new school which is on track to be opened in January 2019.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Going concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason the board of trustees continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies.

Financial review

The Trust has the following financial objectives:

- To generate sufficient levels of income to support the operations and asset base of the Trust schools;
- To ensure the charitable company sets a budget that provides sufficient and targeted resources to achieve the highest possible standards of educational attainment in the schools;
- To achieve an annual operating surplus at the Trust level;
- To use the pupil premium effectively to raise standards for all pupils in this category and to address any gaps in the achievement of these pupils when compared to that of their peers'
- To ensure there is sufficient capital expenditure to develop the charitable company's sites and environments to meet the challenges of teaching and learning in the 21st century; and
- To allocate carried forward funds for continued capital investment in order to improve achievement at its schools.

Sound financial control is ensured by the structure of governance including the Scheme of Delegation and committee terms of reference.

In the year ended 31 August 2018 the trust incurred the following surpluses / (deficits) before transfers on its key funds :-

| Unrestricted Funds | | Restricted General Funds | | Restricted Fixed Asset Funds | |
|--------------------|-------|--------------------------|-----------|------------------------------|---------|
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| £149k | £158k | (£237k) | (£1,560k) | (£623k) | (£205k) |

After transactions between funds and recognised gains / (losses) on the defined benefit pension scheme the Trust held the following funds as at 31 August 2018:-

| Unrestricted Funds | | Restricted General Funds (including pension liability) | | Restricted Fixed Asset Funds | |
|--------------------|-------|---|---------|------------------------------|--------|
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| £924k | £917k | (£1.2m) | (£1.4m) | £17.7m | £18.2m |

The majority of the charitable company's income for the year ended 31 August 2018 was obtained from the ESFA in the form of a general annual grant (GAG) and other grants. This income totalled £10.1m (2017: £9.5m) and represents 91% (2017: 88%) of the total income received in the year.

During the year ended 31 August 2018, total expenditure of £11.9m (2017: £12.4m) was not fully covered by recurrent grant funding from the ESFA together with income from other sources. The total charge relating to the pension liability of £224k (2017: £352k) and expenditure on the fixed asset fund of £693k (2017: £668k) relating largely to the annual depreciation charge contributed to a deficit of £711k (2017: £1.6m). The excess of expenditure over income for the year (excluding restricted fixed asset fund and before transfers between funds) was £88k (2017: £1.4m)

At 31 August 2018 the net book value of fixed assets was £17.7m (2017: £18.2m) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the students of the Trust.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Reserves policy

The policy of the Trust is to maintain a level of reserves that will be adequate to provide for continuing operation of The Charter School North Dulwich and to support the growth and development of The Charter School East Dulwich. The Trust will ensure that excessive reserve funds are not accumulated. As per our reserves policy, reserves are shown in these accounts as accruing to the multi-academy trust centrally; future expenditure of such reserves will flow through the schools.

During the accounting period the Trustees have reviewed the reserves of the Trust. This review encompassed the nature of income and expenditure streams, the need to match them with commitments and the nature of the reserves. The Trustees are satisfied that its reserves are sufficient for its current purposes. The level of reserves will be kept under review by the Trustees.

The reserves as at 31 August 2018 amounted to £17.5m (2017: £17.7m) which comprised primarily of restricted fixed asset reserves. The unrestricted reserves amounted to £924k (2017: £917k).

The charitable company has a pension scheme liability of £1.2m (2017: £1.4m) as at 31 August 2018 which is included in the restricted reserves. The disclosure does not mean that the liability is already committed and is no longer available to the Trustees to further the charitable company's objectives. Parliament has agreed, at the request of the Secretary of State for Education, in the event of academy closure, outstanding Local Government Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013. In the short term, the cash flow impact of having a pension scheme liability may be that employer contributions may increase in order to reduce the liability. The Trust will always pay the employer contribution rates set by the pension scheme administrators.

Sustainability

The charitable company is committed to sustainable development throughout all aspects of its operations. The charitable company will continue to strive to meet or exceed the Sustainable Development in Government targets.

Investment policy

The charitable company has procedures in place to regularly monitor cash flow and current account balances to ensure immediate financial commitments can be met (payroll and payments runs) and that the current account has adequate balances to meet forthcoming commitments. In practice, a working balance of one month's payroll circa £500k will be maintained.

The charitable company will normally seek to avoid its current account going overdrawn and will identify funds surplus to immediate cash requirements. The surplus funds are transferred to the charitable company's deposit account (for the time being) which bears a higher interest rate. The investment policy restricts future long term deposits to not exceed £500k with an individual banking institution.

The charitable company's current policy is to only invest funds in immediately accessible deposit accounts. Rates of return on investments are reviewed and alternative strategies considered at least annually.

The Trust Board will review annually any change in policy.

Principal risks and uncertainties

The Trustees have identified and assessed the major risks to which the charitable company is exposed. Formal risk management processes have been designed and implemented to mitigate those risks, including the provision of appropriate insurances, suitable financial procedures and other policies and procedures.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Financial and risk management objectives and policies

The Trustees have considered the risks and uncertainties faced by the Trust. These include: the risks posed by reductions in government funding and increasing costs; any and all risks to the reputation of the schools operated by the Trust; and the operational risks associated with the phased delivery of a permanent set of buildings for The Charter School East Dulwich.

The steps taken by the Trust to mitigate these risks include:

- Strong governance during transition with adherence to Academies Financial Handbook and guidance therein from the ESFA and supported by a planned programme of meetings
- To ensure stability of financial plans comprehensive budgeting and monitoring systems take place with an annual budget and periodic financial performance against forecast and of major purchase plans. Capital work and expenditure programmes are also closely monitored and reviewed by the Trust.
- The identification and management of risks with established risk registers at each school and a Trust risk register being implemented
- The appointment of Southwark Council's Regeneration – Capital Works department as delivery partner in respect of managing the building of The Charter School East Dulwich's permanent buildings.

Plans for future periods

The Trust plans further to enhance the performance of The Charter Schools and to drive forward with the successful growth of The Charter School East Dulwich.

Auditor

In so far as the trustees are aware:

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

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

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 11/12/19 and signed on its behalf by:



S Tucker

Chair from 09/11/18

THE CHARTER SCHOOLS EDUCATIONAL TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2018

Scope of responsibility

As trustees we acknowledge we have overall responsibility for ensuring that The Charter Schools Educational Trust has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board of trustees has delegated the day-to-day responsibility to the Head Teacher. A Crossman, 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 The Charter Schools Educational Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities.

The Trust's main board has met 4 times during the year. The Trust's main committees the education standards committee and the budget and audit committee met three times in the year, other committees met at least once. The Trust and its two LGB's have a calendar of meetings agreed in advance and met at least four times during the accounting period. All committees and LGB's report back to the Trust. The responsibilities of the Trust and its committees are clearly set out in the Terms of Reference and the Trust's decision matrix.

The board of trustees has formally met four times during the year. Attendance during the year at meetings of the board of trustees was as follows:

| Trustees | Meetings attended | Out of possible |
|---|-------------------|-----------------|
| E Amadi (Vice Chair) | 4 | 4 |
| E Brown | 4 | 4 |
| A Crossman (Accounting officer to 31/08/18) (Resigned 31 August 2018) | 4 | 4 |
| D Gallie | 2 | 4 |
| C Hicks (Resigned 31 August 2018) | 4 | 4 |
| D Hill (Chair to 09/11/18) | 4 | 4 |
| H Jeffrey | 4 | 4 |
| K Osborne (Accounting officer from 01/09/18) (Appointed 1 September 2018) | 0 | 0 |
| S Russell | 4 | 4 |
| S Tucker (Chair from 09/11/18) | 4 | 4 |

The key change in board composition over the last year was:

- Kieran Osborne joined board as CEO and Trustee
- Alex Crossman and Christian Hicks both stepped down as Trustees

The Trust board this year has undertaken a Leadership and Governance working party to explore how new schools joining the MAT would join the Trust board; how the LGBs and Trustees are incorporated into the current Trust board structure, and any changes that would be required; how the new Trust board would look in terms of the number of trustees, their roles, who from each school would join and how delegation/accountability would work going forward.

The Trust also held an external consultant governance review, which led to the recruitment of the CEO Kieran Osborne, as well as significant change in the composition of the board; including the recruitment of a new trustee with educational experience.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Review of value for money

As accounting officer during the year, A Crossman, has responsibility for ensuring that the Trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the Trust has delivered improved value for money during the year by:

- Improving the resilience of internal controls through the adoption of internal audit procedures;
- reviewing the Trust procurement policy; and
- consolidating the process of re-tendering for all major contracts across the multi-academy trust

K Osborne was appointed accounting officer with effect from the 10/09/2018 and had taken on these responsibly from that date.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of 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 The Charter Schools Educational Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The risk and control framework

The Trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Budget and Audit committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Trustees have considered the need for a specific internal audit function and has decided to appoint Wilkins Kennedy as internal auditor. The reports are received by the Budget and Audit Committee and reported as appropriate to the Trust.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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

- Testing of control systems
- Testing of control account/ bank reconciliation
- Review of policies and procedures and adherence thereon
- Review of governance and training of Governors

Wilkins Kennedy reports to the Governing body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities. The role is carried out by a separate team at Wilkins Kennedy with no connection to the external audit team, this is to ensure the reviews are carried out independently.

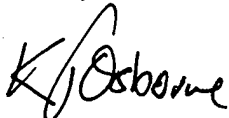
Review of effectiveness

The Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor;
- the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Budget and Audit Committee and will ensure continuous improvement of the system is in place.

Approved by order of the board of trustees on 11/12/18 and signed on its behalf by:



K Osborne
Accounting officer from 01/09/18



S Tucker
Chair from 09/11/18

THE CHARTER SCHOOLS EDUCATIONAL TRUST

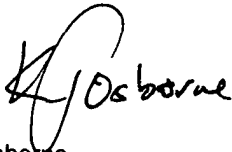
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

FOR THE YEAR ENDED 31 AUGUST 2018

As accounting officer of The Charter Schools Educational Trust I have considered my responsibility to notify the Trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the 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 2017.

I confirm that I and the Trust's board of trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2017.

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



K Osborne
Accounting Officer

11/12/18

THE CHARTER SCHOOLS EDUCATIONAL TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2018

The trustees (who are also the directors of The Charter Schools Educational Trust for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees 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 trustees are required to:

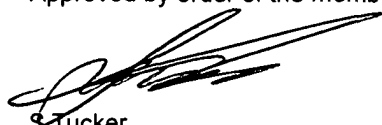
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the 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 trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring that grants received from ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the board of trustees on 11/12/18 and signed on its behalf by:



S. Tucker

Chair from 09/11/18

THE CHARTER SCHOOLS EDUCATIONAL TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHARTER SCHOOLS EDUCATIONAL TRUST

FOR THE YEAR ENDED 31 AUGUST 2018

Opinion

We have audited the financial statements of The Charter Schools Educational Trust for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the 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.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHARTER SCHOOLS EDUCATIONAL TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHARTER SCHOOLS EDUCATIONAL TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Wilkins Kennedy Audit Services

Michelle Wilkes (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy Audit Services

17.12.18

Statutory Auditor

Greytown House
221-227 High Street
Orpington
Kent
BR6 0NZ

THE CHARTER SCHOOLS EDUCATIONAL TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CHARTER SCHOOLS EDUCATIONAL TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY

FOR THE YEAR ENDED 31 AUGUST 2018

In accordance with the terms of our engagement letter dated 18 September 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Charter Schools Educational Trust during the period 1 September 2017 to 31 August 2018 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 The Charter Schools Educational Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the The Charter Schools Educational Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Charter Schools Educational Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Charter Schools Educational Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Charter Schools Educational Trust's funding agreement with the Secretary of State for Education dated 1 September 2010 and the Academies Financial Handbook, extant from 1 September 2017, 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 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 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 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion as well as additional testing based on our assessment of risk of material irregularity.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CHARTER SCHOOLS EDUCATIONAL TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Wilkins Kennedy Audit Services

Reporting Accountant

Wilkins Kennedy Audit Services
Greytown House
221-227 High Street
Orpington
Kent
BR6 0NZ

Dated: 19/12/18

THE CHARTER SCHOOLS EDUCATIONAL TRUST

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 AUGUST 2018

| | Notes | Unrestricted Funds £'000 | Restricted funds: General £'000 | Fixed asset £'000 | Total 2018 £'000 | Total 2017 £'000 |
|--|-------|--------------------------------|------------------------------------|----------------------|------------------------|------------------------|
| Income and endowments from: | | | | | | |
| Donations and capital grants | 3 | 9 | - | 70 | 79 | 470 |
| Charitable activities: | | | | | | |
| - Funding for educational operations | 4 | - | 10,605 | - | 10,605 | 9,895 |
| Other trading activities | 5 | 473 | - | - | 473 | 395 |
| Investments | 6 | 2 | - | - | 2 | 4 |
| Total | | <u>484</u> | <u>10,605</u> | <u>70</u> | <u>11,159</u> | <u>10,764</u> |
| Expenditure on: | | | | | | |
| Charitable activities: | | | | | | |
| - Educational operations | 9 | 335 | 10,842 | 693 | 11,870 | 12,371 |
| Total | 7 | <u>335</u> | <u>10,842</u> | <u>693</u> | <u>11,870</u> | <u>12,371</u> |
| Net income/(expenditure) | | 149 | (237) | (623) | (711) | (1,607) |
| Transfers between funds | 17 | (142) | 13 | 129 | - | - |
| Other recognised gains/(losses) | | | | | | |
| Actuarial gains on defined benefit pension schemes | 19 | - | 455 | - | 455 | 1,301 |
| Net movement in funds | | 7 | 231 | (494) | (256) | (306) |
| Reconciliation of funds | | | | | | |
| Total funds brought forward | | 917 | (1,398) | 18,190 | 17,709 | 18,015 |
| Total funds carried forward | | <u>924</u> | <u>(1,167)</u> | <u>17,696</u> | <u>17,453</u> | <u>17,709</u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

| Comparative year information Year ended 31 August 2017 | Notes | Unrestricted Funds £'000 | Restricted funds: General £'000 | Fixed asset £'000 | Total 2017 £'000 |
|---|-------|--------------------------------|---------------------------------------|----------------------|------------------------|
| Income and endowments from: | | | | | |
| Donations and capital grants | 3 | 7 | - | 463 | 470 |
| Charitable activities: | | | | | |
| - Funding for educational operations | 4 | - | 9,895 | - | 9,895 |
| Other trading activities | 5 | 395 | - | - | 395 |
| Investments | 6 | 4 | - | - | 4 |
| Total | | <u>406</u> | <u>9,895</u> | <u>463</u> | <u>10,764</u> |
| Expenditure on: | | | | | |
| Charitable activities: | | | | | |
| - Educational operations | 9 | <u>248</u> | <u>11,455</u> | <u>668</u> | <u>12,371</u> |
| Total | 7 | <u>248</u> | <u>11,455</u> | <u>668</u> | <u>12,371</u> |
| Net income/(expenditure) | | 158 | (1,560) | (205) | (1,607) |
| Transfers between funds | 17 | (440) | 1,208 | (768) | - |
| Other recognised gains/(losses) | | | | | |
| Actuarial gains on defined benefit pension schemes | 19 | - | 1,301 | - | 1,301 |
| Net movement in funds | | (282) | 949 | (973) | (306) |
| Reconciliation of funds | | | | | |
| Total funds brought forward | | <u>1,199</u> | <u>(2,347)</u> | <u>19,163</u> | <u>18,015</u> |
| Total funds carried forward | | <u>917</u> | <u>(1,398)</u> | <u>18,190</u> | <u>17,709</u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

BALANCE SHEET

AS AT 31 AUGUST 2018

| | | 2018 | 2017 |
|--|-------|---------------|---------------|
| | Notes | £'000 | £'000 |
| Fixed assets | | | |
| Tangible assets | 13 | 17,696 | 18,190 |
| Current assets | | | |
| Debtors | 14 | 392 | 338 |
| Cash at bank and in hand | | 1,079 | 1,074 |
| | | <u>1,471</u> | <u>1,412</u> |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 15 | (547) | (495) |
| Net current assets | | <u>924</u> | <u>917</u> |
| Net assets excluding pension liability | | <u>18,620</u> | <u>19,107</u> |
| Defined benefit pension scheme liability | 19 | (1,167) | (1,398) |
| Net assets | | <u>17,453</u> | <u>17,709</u> |
| Funds of the Trust: | | | |
| Restricted funds | 17 | | |
| - Fixed asset funds | | 17,696 | 18,190 |
| - Pension reserve | | (1,167) | (1,398) |
| Total restricted funds | | <u>16,529</u> | <u>16,792</u> |
| Unrestricted income funds | 17 | <u>924</u> | <u>917</u> |
| Total funds | | <u>17,453</u> | <u>17,709</u> |

The financial statements on pages 18 to 40 were approved by the trustees and authorised for issue on 11/12/18 and are signed on their behalf by:

S. Tucker

Chair from 09/11/18

Company Number 07338707

THE CHARTER SCHOOLS EDUCATIONAL TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|---------------|---------------|
| Cash flows from operating activities | | | |
| Net cash provided by/(used in) operating activities | 20 | 138 | (827) |
| Cash flows from investing activities | | | |
| Dividends, interest and rents from investments | | 2 | 4 |
| Capital grants from DfE Group | | 32 | 275 |
| Capital funding received from sponsors and others | | 38 | 188 |
| Purchase of tangible fixed assets | | (199) | (91) |
| Net cash (used in)/provided by investing activities | | (127) | 376 |
| Cash flows from financing activities | | | |
| Finance costs | | (6) | - |
| Net cash used in financing activities | | (6) | - |
| Net increase/(decrease) in cash and cash equivalents in the reporting period | | 5 | (451) |
| Cash and cash equivalents at beginning of the year | | 1,074 | 1,525 |
| Cash and cash equivalents at end of the year | | <u>1,079</u> | <u>1,074</u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

The Charter Schools Educational Trust is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the trustees' report.

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

1.1 Basis of preparation

The financial statements of the 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 financial statements 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.

The financial statements are presented in Sterling (£) which is also the functional currency of the trust and rounded to the nearest thousand pounds.

The Charter Schools Educational Trust meets the definition of a public benefit entity under FRS 102.

1.2 Going concern

The trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the 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.

1.3 Income

All incoming resources are recognised when the Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of financial activities in the period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

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

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

Sponsorship income

Sponsorship income provided to the Trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Trust has provided the goods or services.

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Trust's accounting policies.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable activities

These are costs incurred on the Trust's educational operations, including support costs and costs relating to the governance of the Trust apportioned to charitable activities.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

1.5 Tangible fixed assets and depreciation

Assets costing £5k or groups of assets costing £30k or more containing items over £1k are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

| | |
|--------------------------------|--|
| Land and buildings | Buildings over the remaining useful economic life of the building, Land is not depreciated |
| Computer equipment | 33% on cost |
| Fixtures, fittings & equipment | 20% on cost |
| Motor vehicles | 25% on cost |

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

1.6 Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

1.7 Leasing commitments

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

1.8 Financial instruments

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

Financial assets

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

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

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

Financial liabilities

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

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

1.9 Taxation

The 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 Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.10 Pensions benefits

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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 projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

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

1.11 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency/Department for Education.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

2 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2018. 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 judgement

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 1.5 for the useful economic lives for each class of assets.

Bad debts

Debtors are regularly reviewed for recoverability, any debts which in the opinion of management are not recoverable are provided for as a specific bad debt.

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Donations and capital grants

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2018 £'000 | Total 2017 £'000 |
|-----------------|--------------------------------|------------------------------|------------------------|------------------------|
| Capital grants | - | 70 | 70 | 463 |
| Other donations | 9 | - | 9 | 7 |
| | <u>9</u> | <u>70</u> | <u>79</u> | <u>470</u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

4 Funding for the Trust's educational operations

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2018 £'000 | Total 2017 £'000 |
|--------------------------------|--------------------------------|------------------------------|------------------------|------------------------|
| DfE / ESFA grants | | | | |
| General annual grant (GAG) | - | 9,713 | 9,713 | 9,117 |
| Other DfE group grants | - | 380 | 380 | 356 |
| | - | 10,093 | 10,093 | 9,473 |
| Other government grants | | | | |
| Local authority grants | - | 512 | 512 | 422 |
| Total funding | - | 10,605 | 10,605 | 9,895 |

5 Other trading activities

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2018 £'000 | Total 2017 £'000 |
|--------------------|--------------------------------|------------------------------|------------------------|------------------------|
| Hire of facilities | 71 | - | 71 | 59 |
| Music services | 72 | - | 72 | 72 |
| Trip income | 264 | - | 264 | 209 |
| Other income | 66 | - | 66 | 55 |
| | 473 | - | 473 | 395 |

6 Investment income

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2018 £'000 | Total 2017 £'000 |
|---------------------|--------------------------------|------------------------------|------------------------|------------------------|
| Short term deposits | 2 | - | 2 | 4 |

7 Expenditure

| | Staff costs £'000 | Non Pay Expenditure Premises £'000 | Other £'000 | Total 2018 £'000 | Total 2017 £'000 |
|----------------------------------|----------------------|--|----------------|------------------------|------------------------|
| Academy's educational operations | | | | | |
| - Direct costs | 7,392 | 564 | 849 | 8,805 | 8,688 |
| - Allocated support costs | 1,354 | 877 | 834 | 3,065 | 3,683 |
| | 8,746 | 1,441 | 1,683 | 11,870 | 12,371 |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

7 Expenditure

(Continued)

| Net income/(expenditure) for the year includes: | 2018 £'000 | 2017 £'000 |
|---|-------------------|-------------------|
| Fees payable to auditor for: | | |
| - Audit | 16 | 13 |
| - Other services | 2 | 3 |
| Depreciation of tangible fixed assets | 693 | 668 |
| Bank and loan interest | 6 | - |
| Net interest on defined benefit pension liability | 32 | 46 |
| | <u> </u> | <u> </u> |

8 Central services

No central services were provided by the Trust to its academies during the year and no central charges arose. However staff working in Finance, HR and the CEO are recharged between the schools.

9 Charitable activities

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2018 £'000 | Total 2017 £'000 |
|----------------------------------|--------------------------------|------------------------------|------------------------|------------------------|
| Direct costs | | | | |
| Educational operations | 310 | 8,495 | 8,805 | 8,688 |
| Support costs | | | | |
| Educational operations | 25 | 3,040 | 3,065 | 3,683 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 335 | 11,535 | 11,870 | 12,371 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | | | 2018 £'000 | 2017 £'000 |
| Analysis of support costs | | | | |
| Support staff costs | | | 1,354 | 1,097 |
| Depreciation | | | 129 | 104 |
| Technology costs | | | 216 | 138 |
| Premises costs | | | 748 | 1,757 |
| Other support costs | | | 590 | 567 |
| Governance costs | | | 28 | 20 |
| | | | <u> </u> | <u> </u> |
| | | | 3,065 | 3,683 |
| | | | <u> </u> | <u> </u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

10 Staff

Staff costs

Staff costs during the year were:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Wages and salaries | 6,529 | 6,298 |
| Social security costs | 671 | 635 |
| Pension costs | 1,127 | 1,154 |
| Staff costs | 8,327 | 8,087 |
| Agency staff costs | 336 | 204 |
| Staff restructuring costs | 22 | 64 |
| Staff development and other staff costs | 61 | 62 |
| Total staff expenditure | 8,746 | 8,417 |

Staff restructuring costs comprise:

| | | |
|---------------------|----|----|
| Redundancy payments | 22 | 64 |
|---------------------|----|----|

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £22k (2017: £64k). Individually, the payments were: £16k and £6k.

Staff numbers

The average number of persons, by headcount, employed by the Trust during the year was as follows:

| | 2018 Number | 2017 Number |
|----------------------------|----------------|----------------|
| Teachers | 96 | 94 |
| Administration and support | 68 | 66 |
| Management | 11 | 11 |
| | 175 | 171 |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

10 Staff

(Continued)

Higher paid staff

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

| | 2018 Number | 2017 Number |
|---------------------|----------------|----------------|
| £60,000 - £70,000 | 5 | 6 |
| £70,001 - £80,000 | 5 | 2 |
| £80,001 - £90,000 | - | 1 |
| £90,001 - £100,000 | 1 | 1 |
| £110,001 - £120,000 | 1 | 1 |

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2018, pension contributions for these staff amounted to £132k (2017: £139k)

Key management personnel

The key management personnel of the Trust comprise the trustees and the senior management team as listed on page 1.

The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Trust was £251k (2017: £243k), relating to 2 members of the key management team (2017: 2).

11 Trustees' remuneration and expenses

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

The value of trustees' remuneration and other benefits were in the following ranges:

C Hicks (Head Teacher and Trustee)

Remuneration £115,000 - £120,000 (2017: £110,000 - £115,000)

Employers Pension Contributions £15,000 - £20,000 (2017: £15,000 - £20,000)

A Crossman (Head Teacher and Trustee)

Remuneration £100,000 - £105,000 (2017: £95,000 - £100,000)

Employers Pension Contributions £15,000 - £20,000 (2017: £15,000 - £20,000)

During the year ended 31 August 2018, there were no travel and subsistence expenses reimbursed to governors.

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

12 Trustees and officers insurance

In accordance with normal commercial practice, the Trust has insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £10m (2017: £10m) on any one claim.

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

13 Tangible fixed assets

| | Land and buildings | Computer equipment | Fixtures, fittings & equipment | Motor vehicles | Total |
|-----------------------|-----------------------|-----------------------|--------------------------------------|-------------------|--------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| At 1 September 2017 | 21,932 | 206 | 500 | 27 | 22,665 |
| Additions | - | 22 | 150 | 27 | 199 |
| At 31 August 2018 | 21,932 | 228 | 650 | 54 | 22,864 |
| Depreciation | | | | | |
| At 1 September 2017 | 3,900 | 155 | 393 | 27 | 4,475 |
| Charge for the year | 564 | 36 | 86 | 7 | 693 |
| At 31 August 2018 | 4,464 | 191 | 479 | 34 | 5,168 |
| Net book value | | | | | |
| At 31 August 2018 | 17,468 | 37 | 171 | 20 | 17,696 |
| At 31 August 2017 | 18,032 | 51 | 107 | - | 18,190 |

14 Debtors

| | 2018 £'000 | 2017 £'000 |
|--------------------------------|---------------|---------------|
| Trade debtors | 2 | 13 |
| VAT recoverable | 179 | 170 |
| Other debtors | 7 | - |
| Prepayments and accrued income | 204 | 155 |
| | 392 | 338 |

15 Creditors: amounts falling due within one year

| | 2018 £'000 | 2017 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | - | 83 |
| Other taxation and social security | 182 | 181 |
| Other creditors | 16 | 39 |
| Accruals and deferred income | 349 | 192 |
| | 547 | 495 |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

| 16 | Deferred income | 2018 £'000 | 2017 £'000 |
|----|--|-------------------|-------------------|
| | Deferred income is included within: | | |
| | Creditors due within one year | 94 | 55 |
| | | <u> </u> | <u> </u> |
| | Deferred income at 1 September 2017 | 55 | 8 |
| | Released from previous years | (55) | (8) |
| | Resources deferred in the year | 94 | 55 |
| | | <u> </u> | <u> </u> |
| | Deferred income at 31 August 2018 | 94 | 55 |
| | | <u> </u> | <u> </u> |

At the balance sheet date the trust was holding funds for schools trips relating to the next financial year.

| 17 | Funds | Balance at 1 September 2017 £'000 | Income £'000 | Expenditure £'000 | Gains, losses and transfers £'000 | Balance at 31 August 2018 £'000 |
|----|-------------------------------------|--|-------------------|----------------------|--|--|
| | Restricted general funds | | | | | |
| | General Annual Grant (GAG) | - | 9,713 | (9,726) | 13 | - |
| | Other DfE / ESFA grants | - | 380 | (380) | - | - |
| | Other government grants | - | 512 | (512) | - | - |
| | Pension reserve | (1,398) | - | (224) | 455 | (1,167) |
| | | <u>(1,398)</u> | <u>10,605</u> | <u>(10,842)</u> | <u>468</u> | <u>(1,167)</u> |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | Restricted fixed asset funds | | | | | |
| | DfE group capital grants | - | 70 | - | (70) | - |
| | General fixed assets | 18,190 | - | (693) | 199 | 17,696 |
| | | <u>18,190</u> | <u>70</u> | <u>(693)</u> | <u>129</u> | <u>17,696</u> |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | Total restricted funds | 16,792 | 10,675 | (11,535) | 597 | 16,529 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | Unrestricted funds | | | | | |
| | General funds | 917 | 484 | (335) | (142) | 924 |
| | | <u>917</u> | <u>484</u> | <u>(335)</u> | <u>(142)</u> | <u>924</u> |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | Total funds | 17,709 | 11,159 | (11,870) | 455 | 17,453 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

17 Funds

(Continued)

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

General Annual Grant: Income received from the ESFA to cover the normal running costs of the schools.

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

Other DfE/ESFA grants: This includes the pupil premium, rates relief, universal free school meals, MAT funding and sports funding grant.

Other government grants: This includes SEN funding, pupil premium High Needs and additional bulge class funding.

DfE / ESFA capital grants: This relates to DFC

The transfer of funds relates to the purchase of fixed assets during the period, and the overspend on GAG.

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

| | Balance at 1 September 2016 £'000 | Income £'000 | Expenditure £'000 | Gains, losses and transfers £'000 | Balance at 31 August 2017 £'000 |
|-------------------------------------|--|-----------------|----------------------|--|--|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | - | 9,117 | (10,325) | 1,208 | - |
| Other DfE / ESFA grants | - | 356 | (356) | - | - |
| Other government grants | - | 422 | (422) | - | - |
| Pension reserve | (2,347) | - | (352) | 1,301 | (1,398) |
| | <u>(2,347)</u> | <u>9,895</u> | <u>(11,455)</u> | <u>2,509</u> | <u>(1,398)</u> |
| Restricted fixed asset funds | | | | | |
| DfE group capital grants | 563 | 463 | - | (1,026) | - |
| General fixed assets | 18,600 | - | (668) | 258 | 18,190 |
| | <u>19,163</u> | <u>463</u> | <u>(668)</u> | <u>(768)</u> | <u>18,190</u> |
| Total restricted funds | <u>16,816</u> | <u>10,358</u> | <u>(12,123)</u> | <u>1,741</u> | <u>16,792</u> |
| Unrestricted funds | | | | | |
| General funds | <u>1,199</u> | <u>406</u> | <u>(248)</u> | <u>(440)</u> | <u>917</u> |
| Total funds | <u>18,015</u> | <u>10,764</u> | <u>(12,371)</u> | <u>1,301</u> | <u>17,709</u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

17 Funds

(Continued)

A current year 12 months and prior year 12 months combined position is as follows:

| | Balance at 1 September 2016 £'000 | Income £'000 | Expenditure £'000 | Gains, losses and transfers £'000 | Balance at 31 August 2018 £'000 |
|-------------------------------------|--|-----------------|----------------------|--|--|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | - | 18,830 | (20,051) | 1,221 | - |
| Other DfE / ESFA grants | - | 736 | (736) | - | - |
| Other government grants | - | 934 | (934) | - | - |
| Pension reserve | (2,347) | - | (576) | 1,756 | (1,167) |
| | <u>(2,347)</u> | <u>20,500</u> | <u>(22,297)</u> | <u>2,977</u> | <u>(1,167)</u> |
| Restricted fixed asset funds | | | | | |
| DfE group capital grants | 563 | 533 | - | (1,096) | - |
| General fixed assets | 18,600 | - | (1,361) | 457 | 17,696 |
| | <u>19,163</u> | <u>533</u> | <u>(1,361)</u> | <u>(639)</u> | <u>17,696</u> |
| Total restricted funds | <u>16,816</u> | <u>21,033</u> | <u>(23,658)</u> | <u>2,338</u> | <u>16,529</u> |
| Unrestricted funds | | | | | |
| General funds | 1,199 | 890 | (583) | (582) | 924 |
| | <u>1,199</u> | <u>890</u> | <u>(583)</u> | <u>(582)</u> | <u>924</u> |
| Total funds | <u>18,015</u> | <u>21,923</u> | <u>(24,241)</u> | <u>1,756</u> | <u>17,453</u> |

Total funds analysis by academy

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Fund balances at 31 August 2018 were allocated as follows: | | |
| The Charter School North Dulwich | 1 | 1 |
| The Charter School East Dulwich | 1 | 1 |
| Central services | 922 | 915 |
| Total before fixed assets fund and pension reserve | 924 | 917 |
| Restricted fixed asset fund | 17,696 | 18,190 |
| Pension reserve | (1,167) | (1,398) |
| Total funds | <u>17,453</u> | <u>17,709</u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

17 Funds

(Continued)

Total cost analysis by academy

Expenditure incurred by each academy during the year was as follows:

| | Teaching and educational support staff £'000 | Other support staff costs £'000 | Educational supplies £'000 | Other costs excluding depreciation £'000 | Total £'000 |
|----------------------------------|---|---------------------------------------|----------------------------------|---|----------------|
| The Charter School North Dulwich | 5,938 | 968 | 159 | 1,752 | 8,817 |
| The Charter School East Dulwich | 1,388 | 234 | 60 | 480 | 2,162 |
| Central services | 5 | 152 | - | 41 | 198 |
| | <u>7,331</u> | <u>1,354</u> | <u>219</u> | <u>2,273</u> | <u>11,177</u> |

18 Analysis of net assets between funds

| | Unrestricted Funds £'000 | Restricted funds: General £'000 | Fixed asset £'000 | Total Funds £'000 |
|--|--------------------------------|---------------------------------------|----------------------|-------------------------|
| Fund balances at 31 August 2018 are represented by: | | | | |
| Tangible fixed assets | - | - | 17,696 | 17,696 |
| Current assets | 1,471 | - | - | 1,471 |
| Creditors falling due within one year | (547) | - | - | (547) |
| Defined benefit pension liability | - | (1,167) | - | (1,167) |
| Total net assets | <u>924</u> | <u>(1,167)</u> | <u>17,696</u> | <u>17,453</u> |

| | Unrestricted Funds £'000 | Restricted funds: General £'000 | Fixed asset £'000 | Total Funds £'000 |
|--|--------------------------------|---------------------------------------|----------------------|-------------------------|
| Fund balances at 31 August 2017 are represented by: | | | | |
| Tangible fixed assets | - | - | 18,190 | 18,190 |
| Current assets | 917 | 495 | - | 1,412 |
| Creditors falling due within one year | - | (495) | - | (495) |
| Defined benefit pension liability | - | (1,398) | - | (1,398) |
| Total net assets | <u>917</u> | <u>(1,398)</u> | <u>18,190</u> | <u>17,709</u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

19 Pension and similar obligations

The Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Borough of Southwark. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £Nil (2017: £39k) were payable to the schemes at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed 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 (currently 16.48%))
- 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%

During the previous year the employer contribution rate was 16.48%. The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. 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 the TPS in the period amounted to £735k.

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

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

19 Pension and similar obligations

(Continued)

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 13.5% for employers and 5.5% to 12.4% for employees.

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

| Total contributions made | 2018 £'000 | 2017 £'000 |
|--|-------------------|-------------------|
| Employer's contributions | 189 | 141 |
| Employees' contributions | 93 | 90 |
| Total contributions | 282 | 231 |
| Principal actuarial assumptions | 2018 % | 2017 % |
| Rate of increase in salaries | 3.5 | 3.4 |
| Rate of increase for pensions in payment/inflation | 2.0 | 1.9 |
| Discount rate for scheme liabilities | 2.8 | 2.5 |
| Inflation assumption (CPI) | 2.0 | 1.9 |

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

| | 2018 Years | 2017 Years |
|----------------------|---------------|---------------|
| Retiring today | | |
| - Males | 22.5 | 22.5 |
| - Females | 26.2 | 26.1 |
| Retiring in 20 years | | |
| - Males | 24.2 | 24.1 |
| - Females | 28.0 | 27.9 |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

19 Pension and similar obligations

(Continued)

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

| | 2018 £'000 | 2017 £'000 |
|-------------------------------|-------------------|-------------------|
| Discount rate + 0.1% | (138) | (134) |
| Discount rate - 0.1% | 142 | 1425 |
| Mortality assumption + 1 year | 149 | 140 |
| Mortality assumption - 1 year | (149) | -140 |
| CPI rate + 0.1% | 47 | 92 |
| CPI rate - 0.1% | (46) | (92) |
| | <u> </u> | <u> </u> |

Defined benefit pension scheme net liability

| | | |
|--------------------|-------------------|-------------------|
| Scheme assets | 4,051 | 3,511 |
| Scheme obligations | (5,218) | (4,909) |
| | <u> </u> | <u> </u> |
| Net liability | (1,167) | (1,398) |
| | <u> </u> | <u> </u> |

The Trust's share of the assets in the scheme

| | 2018 Fair value £'000 | 2017 Fair value £'000 |
|------------------------------|-----------------------------|-----------------------------|
| Equities | 2,634 | 2,029 |
| Bonds | 717 | 621 |
| Cash | 12 | 7 |
| Property | 688 | 562 |
| Other assets | - | 292 |
| | <u> </u> | <u> </u> |
| Total market value of assets | 4,051 | 3,511 |
| | <u> </u> | <u> </u> |

The actual return on scheme assets was £297,000 (2017: £18,000).

Amount recognised in the Statement of Financial Activities

| | 2018 £'000 | 2017 £'000 |
|------------------------|-------------------|-------------------|
| Current service cost | 381 | 447 |
| Interest income | (91) | (68) |
| Interest cost | 123 | 114 |
| | <u> </u> | <u> </u> |
| Total operating charge | 413 | 493 |
| | <u> </u> | <u> </u> |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

19 Pension and similar obligations

(Continued)

| Changes in the present value of defined benefit obligations | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| At 1 September 2017 | 4,909 | 5,646 |
| Current service cost | 381 | 447 |
| Interest cost | 123 | 114 |
| Employee contributions | 93 | 90 |
| Actuarial gain | (249) | (1,351) |
| Benefits paid | (39) | (37) |
| At 31 August 2018 | 5,218 | 4,909 |

Changes in the fair value of the Trust's share of scheme assets

| | 2018 £'000 | 2017 £'000 |
|------------------------|---------------|---------------|
| At 1 September 2017 | 3,511 | 3,299 |
| Interest income | 91 | 68 |
| Actuarial (gain)/loss | 206 | (50) |
| Employer contributions | 189 | 141 |
| Employee contributions | 93 | 90 |
| Benefits paid | (39) | (37) |
| At 31 August 2018 | 4,051 | 3,511 |

20 Reconciliation of net expenditure to net cash flow from operating activities

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Net expenditure for the reporting period (as per the Statement of Financial Activities) | (711) | (1,607) |
| Adjusted for: | | |
| Capital grants from DfE/ESFA and other capital income | (70) | (463) |
| Investment income receivable | (2) | (4) |
| Finance costs payable | 6 | - |
| Defined benefit pension costs less contributions payable | 192 | 306 |
| Defined benefit pension net finance cost | 32 | 46 |
| Depreciation of tangible fixed assets | 693 | 717 |
| (Increase)/decrease in debtors | (54) | 78 |
| Increase in creditors | 52 | 100 |
| Net cash provided by/(used in) operating activities | 138 | (827) |

THE CHARTER SCHOOLS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

21 Commitments under operating leases

At 31 August 2018 the total of the Trust's future minimum lease payments under non-cancellable operating leases was:

| | 2018 £'000 | 2017 £'000 |
|-----------------------------------|---------------|---------------|
| Amounts due within one year | 3 | - |
| Amounts due in two and five years | 3 | - |
| | <u>6</u> | <u>-</u> |

22 Related party transactions

Owing to the nature of the Trust's operations and the composition of the Board of Trustees being drawn from local public and private sector organisations, it is possible that transactions will take place with organisations in which a member of the Board of Trustees may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

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

23 Members' liability

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