

RUSSELL EDUCATION TRUST
(A Company Limited by Guarantee)
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019
Company Registration Number: 07452885 (England and Wales)

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**RUSSELL EDUCATION TRUST
FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2019**

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RUSSELL EDUCATION TRUST
REFERENCE AND ADMINISTRATIVE DETAILS
YEAR ENDED 31 AUGUST 2019

Board of Directors	K Lynch (Chair) D Lynch J McDermott M Karaolis C Smyth C Brazil P Ward (retired 31 August 2019) I Gunn (appointed 7 October 2019) J Chambers C Mackinlay (appointed 1 September 2019) P Taylor (appointed 1 September 2019)
Members	D Lynch Education London P Ward
Company Secretary	D Lynch
Key Management Personnel	C Mackinlay – RET Chief Executive S King – Bristol Free School Headteacher S Price – King's School Headteacher M Vassiliou – St Andrew the Apostle Headteacher M O'Sullivan – Turing House Headteacher P Frayne – RET Head of Finance & Operations
Business Address	Manor House The Crescent Leatherhead Surrey KT22 8DY
Registered Office	Manor House The Crescent Leatherhead Surrey KT22 8DY
Company Registration Number	07452885
Independent Auditor	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW
Bankers	NatWest Leatherhead Branch 1 Bridge Street Leatherhead KT22 8BT
Solicitors	Brown Jacobson LLP Victoria Square House Victoria Square Birmingham B2 4BU
Schools within Multi Academy Trust	Bristol Free School King's School, Hove St Andrew the Apostle Greek Orthodox School, Barnet Turing House School, Teddington

RUSSELL EDUCATION TRUST

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2019

The directors present their report and financial statements of the company for the year ended 31 August 2019.

This report has been prepared in accordance with the Companies Act 2006 and also Part 8 of the Charities Act 2011 and serves the purpose of both a trustees' report under charity law and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the financial statements and comply with the company's Memorandum and Articles of Association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102).

The company was incorporated on 26 November 2010, the principal activity since incorporation was that of establishing and running new schools.

Russell Education Trust (the 'Trust' or 'RET') became a Multi Academy Trust on 1 September 2013 when a funding agreement, and supplemental funding agreements for RET St Andrew the Apostle School and RET King's School were signed by the Trust and the Department for Education. Bristol Free School subsequently transferred into the Multi Academy Trust with effect from 1 May 2014. RET Turing House School opened on 1 September 2015 following the signature of a supplemental funding agreement in March 2015.

When all of its four schools (which were delivered under the free schools programme and therefore not all year groups are currently filled) are at capacity its academies will have a combined pupil capacity of 4,550. The total number of pupils recorded in the school census in October 2019 was 3,014.

Structure, Governance and Management

Constitution

The Trust is a company limited by guarantee incorporated on 26 November 2010, is an exempt charity, and does not have share capital. The Charitable Company's Memorandum and Articles of Association are the primary governing document of the Trust. The Memorandum of Association established the objects and powers of the charitable company and it is governed under its Articles of Association.

The Russell Education Trust Memorandum and Articles of Association work alongside the Funding Agreements with the Secretary of State for Education, to which the Russell Education Trust is a party.

The trustees/directors who served during the year are included in the Reference and Administrative Details on page 1.

The members of the company comprise:

- Principal Sponsor – Education London Limited (CRN 04655433)
- Up to four persons appointed by the Principal Sponsor
- One person appointed by the Secretary of State for Education, (in the event that the Secretary of State appoints a person for this purpose)
- Chair of the directors
- Any person appointed by the other members, by unanimous agreement.

Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, such amount as may be required not exceeding £10.

Directors' Indemnities

In accordance with normal commercial practice, the academy trust has arranged for cover to protect directors and officers from the financial impact of claims arising from negligent acts, errors or omissions occurring whilst on trust business. The financial protection is through the Department for Education's Risk Protection Arrangement (RPA). The RPA scheme provides cover up to £10m.

Relationship between Principal Sponsor and Charity

Education London Limited (CRN 04655433) sponsors the exempt charity, Russell Education Trust (RET). Russell Education Trust is a Multi Academy Trust. As is the case when an approved academy sponsor has services supplied by a third party, a Deed of Agreement (Tripartite Agreement) sets out the relationship between Education London, Russell Education Trust and the Secretary of State. Under this agreement, all goods and services provided by Education London to Russell Education Trust are supplied on a strictly not-for-profit ("at cost") basis. The "at cost" calculation basis is the definition used by the Department for Education. Education London ceased trading in September 2017. Therefore, whilst Education London continues to operate as Russell Education Trust's sponsor it no longer supplies consultants to the Trust.

Method of Recruitment and Appointment of Directors

Directors serve for four years following which they are eligible for re-appointment. This time limit does not apply to the directors appointed by the Principal Sponsor.

Directors are recruited so that the following areas of expertise, experience and responsibility are represented on the Board:

- Senior local government leadership
- Management and leadership of charities
- Primary leadership in outstanding schools
- Secondary leadership in outstanding schools

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- Relevant and up to date experience of the Ofsted inspection of primary and secondary schools and local authorities
- Financial management and monitoring
- Management of the sponsor, Education London
- School improvement
- Project management
- Government education policy

Directors' Induction and Training

Most directors are already familiar with the work of the company. Additionally, new directors will be given an individual induction by the Chairman of the Board which covers:

- The obligations of members of the Board
- The current financial position of the company
- Future plans and objectives

Organisational Structure

Overall responsibility for finances and for all other aspects of the Trust continues to rest with the Board of Directors. The CEO's delegated responsibilities are outlined in a scheme of delegation. The board delegates a number of functions to the local governing bodies of Turing House School, Bristol Free School, King's School and St Andrew the Apostle School, and the governing body of the RET Becket Keys Church of England Free School Trust which is a connected trust.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The setting of pay for all staff, including key management personnel, is managed in accordance with the Trust's Pay Policy and performance management framework. Pay decisions are reviewed by either the local governing body or the RET Board to ensure external review of management decisions.

Connected Organisations, including Related Party Relationships

Russell Education Trust established RET Becket Keys Church of England Free School Trust (08096798) as a separate trust and the relationship between the two trusts is set out in the Articles and Funding Agreement of each. Education London is RET's sponsor and makes donations to associated academies as well as providing services 'at cost' under agreement with Russell Education Trust. This relationship is governed by a Tripartite agreement between RET, Education London and the Secretary of State. As described in the Structure, Governance and Management section of this report Education London ceased trading with effect from 1 September 2017 but continues to operate as Russell Education Trust's sponsor.

Trade Union Facility Time

The Trust employed more than 49 full time employees during the financial year and therefore it must disclose trade union facility time in accordance with the requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017. RET schools recognise the valuable support and advice trade unions provide to teaching and non-teaching staff. Many employees at the Trust's schools are trade union members with union representatives appointed, who where necessary provide advice to union members during work hours. During the year five employees were union representatives. Total time spent by these employees in fulfilling their role as union representatives during the year was not significant. The work of these representatives is undertaken with the support of the Trust and its school. Employees are where necessary referred to their union representatives to ensure they take appropriate advice in relation to employment matters. Each of the Trust's schools provides access to its meeting facilities to enable Trade Unions to hold meetings that take place outside of the school day.

Objectives and Activities

Objects

The objects of the company are to advance, for the public benefit, education in the United Kingdom, by sponsoring, establishing, developing and maintaining academy schools.

Objectives and Aims

Russell Education Trust works to establish and disseminate best practice and support the establishment of free schools and academies. In particular:

1. RET's approach is based on best practice in schools; in which each child's needs and aspirations are met in a stimulating and safe environment. We understand that excellent discipline and the security of each student to both express individuality and take responsibility at school are fundamental to personal, social and academic success.
2. In RET's schools, students will be taught exceptionally well, and trained and encouraged to progress to the jobs, training and higher education most suited to their talents and abilities, irrespective of their social or economic circumstances.
3. RET works with proposing groups to envision, propose and then plan free schools. We work with parents, communities and diocesan authorities to set up and run new free schools. RET will only support free schools when a new school is needed in the proposed locality and its establishment significantly extends parental choice (for example establishing a secondary or primary school where there is none; or opening a Church school for which there is very strong parental demand and diocesan support; or opening a coeducational non-faith

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school for which there is very strong parental demand). These schools are inclusive comprehensives with the highest possible academic standards, serving their locality and working as part of their local family of schools. Both RET and the founding groups with whom it works are firmly resolved that these free schools will all be judged to be good or outstanding by Ofsted and their communities within two years of opening.

4. RET aims to contribute to the development of training for teachers and head teachers.
5. RET aimed to have five secondary free schools open by 2015 (including Becket Keys school which is part of a connected trust), which was achieved with the opening of Turing House School in September 2015.
6. RET aims to improve the life chances of children from the most economically and socially disadvantaged groups, through improved teaching and extended extra-curricular opportunities.

Public Benefit

The directors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charitable company's objectives and aims and in planning future activities for the year. The directors consider that the charitable company's aims are demonstrably for the public benefit.

Strategic Report

A. Achievements and Performance

Overview and Activities

1. Bristol Free School has been consistently oversubscribed since it opened in 2011. Ofsted visited the school in 2018 and its judgement was that the school should be categorised as 'Requires Improvement'. The school, together with the Trust, had already started taking steps to address the challenges the school faced. This includes appointing a new headteacher who started in September 2018.

The success of the measures taken by the Trust and school was reflected in the summer 2019 results. The school's results in terms of progress (using the national Progress 8 figure) placed the school on a par with the city's Good and Outstanding schools. The core subjects of English, mathematics and science were among the many success stories. In mathematics 80.3% of students achieved grades 9-4 (equivalent to the old grades A* - C), 80.9% of students achieved 9-4 grades in English and more than 72.9% of separate science grades were graded at 9-4. The provisional Progress 8 score for the school was 0.27 which was a marked improvement on the 2018 results and is a reflection of the hard work of the school's staff and students. The school's A-Level results also improved significantly with the valued added/ progress score increasing from -0.18 to +0.39, average points per entry increasing from 25.66 to 33.16, and the overall number of students receiving 3 or more A levels at A* to C increasing from 19.6% to 38.5%.

2. Becket Keys Church of England School is part of a connected trust. High standards have been achieved at Becket Keys and the school has been oversubscribed every year since 2013. The exceptional standards achieved were validated by the Ofsted inspection report in May 2014 which identified the school as Outstanding in all areas.

The school received its third set of GCSE results in August 2019, and these were very strong. The school's Progress 8 Score is anticipated to be around +0.32 (confirmed figure will be published in January). This means the school's students are getting about a third higher grades across 8 subjects compared to the national average. This places Becket Keys in the top 10-15% of schools in the country. Furthermore, Attainment 8 Score for the entire cohort is 56.3 (top 5% in the country). 80% of students achieved at least 5 A*-C/9-4, including English and Mathematics. The school received its first set of A-Level results in August 2019, and these were strong. 87 students sat A-Level exams with 37% achieving grade A*-B, 59% A*-C and 96% being awarded A*-E.

3. After working with the Classical Education Trust and the office of the Archbishop of Thyateira and Great Britain RET opened St Andrew the Apostle in September 2013. This was the country's first and is still the only Greek Orthodox secondary school. The high standards achieved by the school were recognised in the school's latest Ofsted inspection in 2018 which identified the school as Good.

The school's summer 2019 results were exceptional. 49% of all Year 11 students achieved the gold standard EBACC measure and the school's English results were equally outstanding with 84% achieving a grade 4 or higher in English Language and 63% achieving a grade 5 or higher. 72% of the school's students achieved a grade 4 in maths and 60% a grade 5. 69% of students achieved a grade 4 and 51% in double award science.

The school's excellent results also need to be placed in the context of a challenging site, with the works to the site not always managed by the ESFA to the standard the Trust believes its students, parents and teachers deserve. The Trust continues to work closely with the Comer Group, London Borough of Barnet and Education and Skills Funding Agency to finalise the acquisition of a permanent site for the school on North London Business Park.

4. RET worked with local parents to open King's School in September 2013. The school had its first Ofsted inspection in May 2015 and the hard work of the staff and students was rewarded with an excellent Ofsted inspection outcome of Good with outstanding features. The second cohort of students achieved an excellent set of GCSE results with 76% of the cohort achieving 9-4 grades in English and Maths. Students results across the core subjects were especially strong, with 87% in English and 83% in Maths at grade 4 or above. The average grade for the school's students per exam was above a grade 5; 25% of all grades were the prestigious top grades 7, 8 and 9. Students at all levels of prior attainment made very good progress across the curriculum and once again King's students made progress in excess of national averages.

Like St Andrew the Apostle, the strong set of results needs to be seen in the context of the challenges that the school's former temporary site forced the school to deal with.

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5. Turing House School opened on 1 September 2015 following close co-operation between the Trust and parent proposers. The school has made a very successful start on a temporary site in Teddington and in September 2018 it opened a second temporary site in Hampton which is approximately 2 miles from the existing temporary site. The Trust was disappointed that the ESFA failed to get a planning application for the permanent site submitted by the agreed target of Autumn 2018. However, Richmond Council's Planning Committee approved the planning application for the school's permanent home at a special planning meeting on July 10th. As the site is on Metropolitan Open Land that decision now needs to be referred back to the London Mayor for review. The school continues to supervise the work of the ESFA to try and ensure that it meets the targeted opening of the site.

The school's founding pupils have made a successful start, and this was reflected in the Ofsted judgement in 2018 which rated the school as Good, with outstanding features. The school's founding year group commenced their first year of GCSE studies in September 2018 and, following exceptional outcomes in their GCSE Religious Studies taken in 2019, the Trust and school are expecting a strong set of results in summer 2020.

6. There have been a number of changes to the key management personnel of the Trust due to the retirement of a number of employees and trustees. Mrs Karen Lynch, who was the CEO of the Trust, retired in August 2019 and was succeeded by Mr Colin Mackinlay, who was the headteacher of Turing House School. Mr Philip Ward, who has served as the Chair of Russell Education Trust since its creation as a Multi Academy Trust, resigned as Chair in August 2019 and Mrs Lynch succeeded Mr Ward as Chair of the Trust's Board. The arrangements ensure there is continuity in the Trust's approach and allows it to build upon the achievements of Mr Ward and Mrs Lynch. Mr Rob Ahearn, headteacher of St Andrew the Apostle School, also retired in August 2019 having led the school from its opening right through to its second set of GCSE results in summer 2019.

Risk Management

The directors hold responsibility for the management of the risks faced by the company. In light of the Corporate Governance guidance contained within the Charities Statement of Recommended Practice (SORP) FR5102, they have considered the major risks to which the company is exposed and continue to review regularly the financial and compliance controls necessary to mitigate those risks.

A key risk faced by the Trust concerns the acquisition of permanent sites and the associated capital works at St Andrew the Apostle School and Turing House School. In April 2016 the Trust was notified by the Education and Skills Funding Agency (ESFA) that new arrangements for new build projects were to be introduced with immediate effect. Henceforth the capital works for new build projects were to be managed by the ESFA and its appointed technical advisers on the Trust's behalf with limited input from the Trust and School. The Trust made representations to the ESFA that it did not believe that these new arrangements are compliant with the Academies Financial Handbook because decisions made during the design process, to which the Trust and its schools may or may not be involved, will have long term implications for school revenue budgets. The Academies Financial Handbook precludes trusts from entering into arrangements for which the associated financial liabilities are unknown.

The Trust's concerns are also in the context of its experience working with the ESFA across a range of capital projects. The Trust continues to have concerns regarding the capacity of the ESFA to effectively manage capital projects to time and to budget and regrettably the Trust regularly has had to step in where the performance of the ESFA and its advisers do not meet the reasonable expectations of the Trust. The Trust bears the financial burden of shadow managing the ESFA's project managers and technical advisers to protect the interests of both the Trust and the taxpayer. The Trust's risk register includes several risks that Trustees rated as 'High' in terms of probability and impact; all these risks relate to the ESFA's management of capital works.

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. It includes:

- Trust Financial Procedures;
- Delegation of authority and segregation of duties in each associated academy's financial procedures;
- Directors' review of projected new schools' costs;
- Directors' review of proposed and actual procurement (e.g. ICT provider);
- Identification and management of other risks through the use of risk registers; and
- Internal audit arrangements.

The Trust has a risk register in place for each school that identifies the risks being managed by each school, categorises the risks according to their likelihood and impact, and identifies the mitigating actions being taken. The schools' management teams review the risk registers and they are also reviewed by local governing bodies and the RET board. There is also a strategic risk register that identifies those risks being managed corporately by the Trust.

The RET Board considered the need for a specific internal audit function and took the decision to provide an internal audit function using a peer review model under which qualified accountants from across Russell Education Trust review compliance with each school's internal controls. The scope of work was set by the RET Finance and Buildings Committee.

Key Performance Indicators

All the Trust's schools obtained a strong set of GCSE results in Summer 2019, and A-Level results for Bristol Free School. More detail on these results is included within the Overview and Activities section above.

Pupil recruitment is extremely strong at the Trust's schools. All four schools are likely to be oversubscribed for years 7 to 11 in 2018-19 and initial indications are that all four schools will be oversubscribed in 2019-20; some schools significantly so. The recruitment of 6th form students

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at St Andrew the Apostle has been very challenging due to site related issues affecting the school. The school is working with the Trust to identify how 6th form recruitment for 2020-21 can be strengthened. The recruitment of 6th form students at Bristol Free School and Becket Keys School improved significantly in September 2019 which is testament to the hard work of the staff at these two schools.

Going Concern

After making appropriate enquiries, the Board has reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies in note 1 to the financial statements.

B. Financial Review

The Trust's income is mainly derived from Department for Education grants. Total income (excluding Fixed Asset Funds and the Pension Reserve) of £16,987k and transfers of £79k were partially offset by expenditure (excluding Fixed Asset Funds and the Pension Reserve) of £17,220k creating an in-year deficit of £154k on the Restricted and Unrestricted Funds (excluding the Pension Reserve). There is a cumulative deficit on the Unrestricted and Restricted Funds (excluding Fixed Assets and Pension Reserve) of £289k. At the end of the year under review the reserves balances for the Trust were as follows:

	Restricted Funds exc. Pension Reserve £000	Unrestricted General Funds £000	Total Free Reserves £000	Pension Reserve £000	Fixed Asset Reserve £000	Total Reserves £000
Reserves at 1 September 2018	(476)	341	(135)	(676)	14,743	13,932
Net movement in funds 2018-19	(616)	462	(154)	(1,040)	(1,140)	(2,334)
Reserves at 31 August 2019	(1,092)	803	(289)	(1,716)	13,603	11,598

The table below illustrates the position on Restricted and Unrestricted General Funds (excluding Fixed Assets and Pensions Reserve) for each of the RET schools and central services team at the end of the academic year. The table demonstrates that the £289k deficit on these reserves is financed by the outstanding £345k Pupil Number Adjustments payments that relate to King's School and St Andrew the Apostle School for which a repayment plan is agreed with the ESFA. These Pupil Number Adjustments relate to the 2013-14 and 2014-15 financial years, and as explained elsewhere in the report were due to the ESFA's difficulties in effectively managing the opening of the King's School and St Andrew the Apostle School buildings. The Trust received no benefit from the additional grant, but rather the two schools made staffing appointments to meet projected student numbers which were then undermined by the clear lack of progress of the capital projects at the two sites. The table below also shows the £289k deficit on Restricted and Unrestricted General Funds (excluding Pension Reserve and Fixed Assets Reserve) is reduced to a £15k deficit if the £274k balance for Becket Keys is added to the Trust's reserves; the intention is that Becket Keys will join the RET MAT in 2019-20.

	Bristol Free School £000	King's School £000	St Andrew the Apostle £000	Turing House School £000	RET Central Services £000	Russell Education Trust £000	Becket Keys £000	RET Group £000
Reserves at 1 September 2018	(53)	(116)	75	36	(78)	(136)	176	(40)
2018-19 Revenue (Deficit) / Surplus	54	136	(285)	(81)	23	(153)	98	55
Reserves at 31 August 2019	1	20	(210)	(45)	(55)	(289)	274	(15)
19-20 PNA Repayment	-	55	110	-	-	165	-	165
20-21 PNA Repayment	-	68	111	-	-	180	-	179
Adjusted Reserves at 31 August 2019	1	143	11	(45)	(55)	55	274	329

In-year surpluses were reported by all schools (including RET core services) except for St Andrew the Apostle School which faced financial pressures in 2018-19 because of the twin challenge of establishing a 6th form which opened in September 2018 and adding another building that in effect created a split site operation. The Trust has worked closely with colleagues in the school to ensure that the problems that the site created are not repeated in 2019-20. The Trust's central team and four schools set surplus budgets for 2019-20. The projected position on Restricted and Unrestricted Reserves (excluding Fixed Assets Reserve and Pension Reserve) reserves by the end of the 2019-20 academic year is shown in the table below.

	Restricted & Unrestricted Funds exc. Pension Reserve £000
Reserves at 1 September 2019 – (Deficit)/Surplus	(289)
Approved revenue budget for 2019-20:	
Bristol Free School	21
St Andrew the Apostle	130
King's School	20
Turing House	-
RET Central Services	86
Projected Reserves at 31 August 2020 – (Deficit)/(Surplus)	32

Restricted fixed asset income for the year is £341k and total fixed asset expenditure during the year is £1,402k. The Trust holds a small surplus balance of £32k on its capital reserves. To optimise the use of capital funding the Trust's Board has decided to pool capital funding across the

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Trust. The Trust has also made a successful application to receive Schools Capital Allocation funding in 2019-20 and will put in place arrangements to prioritise the application of this capital funding to school projects.

Net pension liabilities at 31 August 2019 are £1,716k. Whilst the Local Government Pension Scheme (LGPS) liabilities are recognised as a significant deficit within the Trust's restricted funds, there is not an immediate liability for the total amount, but rather the liability reflects the potential for increases in employer pension contributions in later years.

Reserves Policy

The General Unrestricted Fund reserve more than offsets the balance on General Annual Grant, and the Trust will keep the situation under review and transfer funds if it deems this necessary.

With the opening of King's School's new site in September 2019, planning approval by Richmond Council for Turing House's new site and the repayment of outstanding PNAs relating to the ESFA's mis-management of the opening works for King's School and St Andrew the Apostle School the Trust is moving towards a new phase in its development. In this context, and with regard to the risks facing the Trust and its schools, the Trust's Board has reviewed its reserves position and has set the following targets for the Trust's schools:

- **St Andrew the Apostle School:** Balanced position on reserves by 31 August 2021 and 3.5% of gross income held as reserves by 31 August 2024
- **King's School:** Maintain balanced position on reserves to 31 August 2021 and 3.5% of gross income held as reserves by 31 August 2024
- **RET central services:** £100k of reserves by 31 August 2021
- **Turing House School:** balanced position on reserves by 31 August 2022
- **Bristol Free School:** 3.5% of gross income by 31 August 2022

Investment Policy

In the short-term cash balances are adequate and it looks like these balances will grow. The Board has approved an investment policy with the focus upon minimising risk. Investments are restricted to accounts and investments held with UK banking institutions.

Fundraising Activities

RET schools raise a limited amount of funds to support their operating activities and enhancements to the school environments. The funds are raised through direct appeals to parents and occasional small-scale events that also serve to encourage the growth and development of the school communities. The Trust is mindful of the need not to pressurise parents and therefore avoids unreasonably intrusive or persistent fundraising approaches. Furthermore, requests for contributions always emphasise that any parental or community donations are voluntary. The Trust's Charging and Remissions Policy and Gifts and Hospitality Policy set a framework for the management of fundraising activities.

Plans for Future Periods

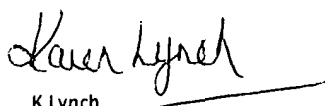
The Trust is working with the governing body of RET Becket Keys Church of England Free School Trust, Chelmsford Diocese and the Department for Education to explore how the school could be included within the RET Multi Academy Trust. A similar process was concluded in 2013-14 for Bristol Free School and therefore the Trust has the experience to effectively manage the legal and financial issues arising from the inclusion of Becket Keys within the RET Multi Academy Trust.

Provision of Information to Auditors

In so far as all of the directors are aware:

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

The directors' report, incorporating a strategic report, was approved by order of the Board of Trustees, as company directors, and signed on its behalf by:



K Lynch

Chair

18 December 2019

RUSSELL EDUCATION TRUST **GOVERNANCE STATEMENT** **YEAR ENDED 31 AUGUST 2019**

Scope of Responsibility

As directors, we acknowledge that we have overall responsibility for ensuring that Russell Education 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.

Mr Colin Mackinlay is the Trust's CEO and Accounting Officer. The Board has delegated the day to day responsibility to the CEO 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 agreements between Russell Education Trust and the DfE with regard to King's School, St Andrew the Apostle, Turing House School, and Bristol Free School, and in the financial handbooks of each of RET's associated academies. The CEO is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Directors' Report and in the Statement of Directors' Responsibilities. The board of directors/trustees has formally met three times during the year to 31 August 2019. Attendance during the year at meetings of the current Board members was as follows:

Trustee	Meetings attended	Out of a possible
P Ward	1	3
K Lynch	3	3
J McDermott	3	3
D Lynch	3	3
C Brazil	2	3
M Karaolis	3	3
C Smyth	-	3
J Chambers	3	3

The Finance Committee is a subcommittee of the main board and its purposes are to:

General

- To consider the MAT's indicative funding, notified annually by the EFA, and to assess its implications for the MAT;
- To consider and recommend acceptance/non-acceptance of the MAT's budget including staffing levels, at the start of each financial year;
- To receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year, including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the MAT's priorities set out in the strategic plan;
- To review the regular budget monitoring reports from each school and approve the necessary action, up to and including removal of financial delegation;
- To review the MAT's list of preferred suppliers and oversee procurement arrangements;
- To consider policies;
- To advise the Board on the appointment, re-appointment, dismissal and remuneration of the financial statements auditor;
- To review the Trust's annual external financial statements and reports, and ensure they can be recommended to the Trust's Board for final approval; and
- To monitor the Trust's risk management arrangements and advise the Board on their adequacy and effectiveness.

Audit

- To consider and advise the Board regarding internal and external assessments of financial and corporate governance;
- To consider and advise the Board about any alleged fraud and irregularity reported by the Accounting Officer in accordance with the RET Anti-Fraud and Whistleblowing policies. The Committee is responsible for and ensuring that all such allegations of fraud and irregularity are properly investigated, and appropriate action taken;
- To ensure that the Trust's internal control systems meet, or exceed, the standards specified in the Academies Financial Handbook and complies in all other respects with these guidelines;
- To keep under review, the internal financial control of the Trust and establish a programme of work to address identified risks, the statement of internal control, and so far as is possible, provide assurance to external auditors;
- To determine the scope and objectives of the work of the internal audit service;
- To consider internal audit reports and the arrangements for their implementation and recommend to the Board actions as appropriate to respond to findings;
- To monitor the implementation of agreed recommendations relating to internal audit reports;
- To ensure the Trust is independently audited by an approved registered auditor;
- To monitor the implementation of agreed recommendations relating to the financial statements auditor's management letter; and
- To consider and advise the Board on the Trust's annual and long-term audit programme.

RUSSELL EDUCATION TRUST GOVERNANCE STATEMENT YEAR ENDED 31 AUGUST 2019

Attendance at Finance Committee meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
P Ward	1	2
D Lynch	2	2
K Lynch	2	2
C Brazil	2	2

Review of Value for Money

As Accounting Officer the CEO 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 appropriate. The Accounting Officer for the Trust has delivered improved value for money during the year by:

- Sharing expertise, experience and data within the Trust, as well as accessing economies of scale when undertaking shared purchases. Cost savings from vendors include the tendering of software services across the MAT resulting in tailored solutions for individual schools, facilitating significant long-term cost reductions;
- Enhancing the budget monitoring process through the development of improvements to the budget setting and monitoring processes. This has contributed to the Trust's culture of rigorous expenditure management; and
- Improving the efficiency and effectiveness of each school's administrative functions through detailed reviews of support staff functions.

As described elsewhere in this document, the Board and Accounting Officer has serious concerns regarding the capacity of the ESFA's capital team. These concerns include the failure to achieve value for money when acquiring sites and managing the associated capital works which in turn impacts on the Trust's revenue budget either through unfunded budget pressures from operating from temporary sites, some of which are also split sites, and the necessity of shadow managing the ESFA's capital team to ensure projects are managed to a level the Trust regards as a generally accepted standard.

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's 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 current system of internal control has been in place since September 2012 and for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of directors has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to manage those risks. The board of directors is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

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:

- Trust's Financial Procedures;
- Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- Delegation of authority and segregation of duties in each associated academy's Financial Procedures;
- Director review of projected new schools' costs;
- Director review of proposed and actual procurement (e.g. ICT provider);
- Identification and management of other risks through the use of risk registers. Additional detail is provided in the Risk and Control Framework section of the Directors' Report;
- Setting targets to measure financial and other performance; and
- Clearly defined purchasing (asset purchase or capital investment) guidelines.

The board of trustees has considered the need for a specific internal audit function and has decided to put in place an internal audit function. The service is delivered by qualified accountants from across Russell Education Trust's schools. The internal audit function reports directly to the trustees, who also set an annual scope of work for internal audit.

**RUSSELL EDUCATION TRUST
GOVERNANCE STATEMENT
YEAR ENDED 31 AUGUST 2019**

Internal audit'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 bank reconciliations and VAT.

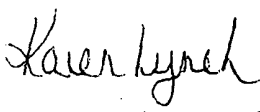
The internal audit function reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

Review of Effectiveness

Review of the effectiveness of the Trust's system of internal control is the responsibility of the CEO. During the year in question the review has been informed by:

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

Approved by order of the Board on 18 December 2019 and signed on its behalf by:


Mrs K Lynch
Chair


C Mackinlay
Accounting Officer

RUSSELL EDUCATION TRUST
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
YEAR ENDED 31 AUGUST 2019

Statement of Regularity, Propriety and Compliance

As Accounting Officer of Russell Education Trust, I have considered my responsibility to notify the academy trust governing body and the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the Funding Agreement in place between the academy trust and the Secretary of State. As part of my consideration, I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the academy trust governing body are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's Funding Agreement and the Academies Financial Handbook 2018.

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.



C Mackinlay
Accounting Officer

12 December 2019

RUSSELL EDUCATION TRUST STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who act as trustees for charitable activities of Russell Education Trust and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

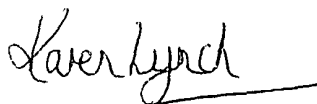
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards FRS102 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 directors 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 directors are responsible for ensuring that in its conduct and operation the Charitable Company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

The directors 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 on 18 December 2019 and signed on its behalf by:



K Lynch
Chair

RUSSELL EDUCATION TRUST

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RUSSELL EDUCATION TRUST

Opinion

We have audited the financial statements of Russell Education Trust for the year ended 31 August 2019 which comprise of the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and 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 2018 to 2019 issued by the Education and Skills Funding Agency.

In our opinion, Russell Education Trust financial statements (the "financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2019 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 2018 to 2019.

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 academy 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy 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 auditors' report thereon. The directors 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.

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 Directors' 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 Directors' 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 academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial

RUSSELL EDUCATION TRUST INDEPENDENT AUDITORS' REPORT

statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the academies 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 directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with part 3 of Chapter 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.



Colin Wright (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young LLP, Chartered Accountants

Statutory Auditor

19 December 2019

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW

RUSSELL EDUCATION TRUST
STATEMENT OF FINANCIAL ACTIVITIES
(Including Income and Expenditure Account and Statement of Recognised Gains and Losses)
FOR THE YEAR ENDED 31 AUGUST 2019

		Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2019 £000	Total 2018 £000
Income and endowments from:						
Donations and capital grants	3	44	-	341	385	629
Charitable activities:						
- Funding for the academy trust's education operations	4	-	15,684	-	15,684	14,055
Other trading activities	5	833	426	-	1,259	843
Total		877	16,110	341	17,328	15,527
Expenditure on:						
Charitable activities:						
- Academy trust's education operations	6, 7	415	17,188	1,402	19,005	17,033
Total		415	17,188	1,402	19,005	17,033
Net income / (expenditure)		462	(1,078)	(1,061)	(1,677)	(1,506)
Transfers between funds		-	79	(79)	-	-
Net income / (expenditure) for the year		462	(999)	(1,140)	(1,677)	(1,506)
Other recognised gains and losses:						
Actuarial gain on defined benefit pension scheme	24	-	(657)	-	(657)	252
Net movement in funds		462	(1,656)	(1,140)	(2,334)	(1,254)
Total funds brought forward	15	341	(1,152)	14,743	13,932	341
Total funds carried forward	15	803	(2,808)	13,603	11,598	13,932

The Statement of Financial Activities also complies with the requirements for an Income and Expenditure Account under the Companies Act 2006.

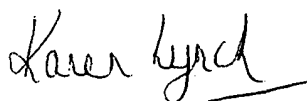
All of the academy's activities derive from continuing operations during the above two financial periods.

A comparative Statement of Financial Activities for the year ended 31 August 2018 is shown in note 2 to the financial statements.

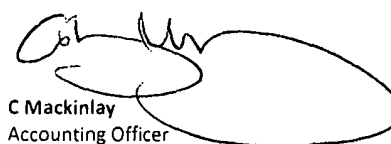
RUSSELL EDUCATION TRUST
BALANCE SHEET AT 31 AUGUST 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Tangible assets	11		13,574		14,740
Current assets					
Debtors	12	717		1,394	
Cash at bank and in hand	22	<u>1,175</u>		<u>1,469</u>	
		1,892		2,863	
Liabilities					
Creditors: amounts falling due within one year	13	<u>(1,972)</u>		<u>(2,650)</u>	
Net current (liabilities)/assets			<u>(80)</u>		<u>213</u>
Total assets less current liabilities			13,494		14,953
Creditors: amounts falling due after more than one year	14		(180)		(345)
Net assets excluding pension liability			13,314		14,608
Defined benefit pension scheme liability	24		<u>(1,716)</u>		<u>(676)</u>
Net assets			<u>11,598</u>		<u>13,932</u>
Funds of the Trust:					
Restricted funds					
- Fixed asset fund	15		13,603		14,743
- General fund	15		(1,092)		(476)
- Pension reserve			<u>(1,716)</u>		<u>(676)</u>
Total restricted funds			<u>10,795</u>		<u>13,591</u>
Unrestricted income funds					
- General fund	15		<u>803</u>		<u>341</u>
Total unrestricted funds			<u>803</u>		<u>341</u>
Total funds			<u>11,598</u>		<u>13,932</u>

The financial statements were approved by the directors and authorised for issue on 18 December 2019 and are signed on their behalf by:



K Lynch
Chair



C Mackinlay
Accounting Officer

Company Number: 07452885

RUSSELL EDUCATION TRUST

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Net cash (used in) / from operating activities	19	(400)	606
Cash flows from investing activities	20	106	35
Cash flows from financing activities	21	-	-
Change in cash and cash equivalents in the reporting period		(294)	641
Cash and cash equivalents at 1 September 2018		1,469	828
Cash and cash equivalents at 31 August 2019	22	1,175	1,469

RUSSELL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting Policies

Basis of Preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006. Russell Education Trust meets the definition of a public benefit entity under FRS 102. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going Concern

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

Income

All incoming resources are recognised when the trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants Receivable

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

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

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

The academy trust is benefiting from the ESFA's Free School programme. The funding for the programme is not recognised as a capital grant until there is unconditional entitlement from costs being incurred, and the development occurring on a site where the academy trust controls (through ownership, lease or licence) the site where the development is occurring. The expenditure is capitalised in assets under construction until the project is complete.

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. There was no sponsorship income received during the period.

Donations

Donations are recognised on a receivable basis 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 goods have been provided or on completion of the service.

Donated Services and Gifts in Kind

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'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be 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 academy trust's accounting policies.

Expenditure

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

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

Expenditure on Raising Funds

This includes all expenditure incurred by the academy 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 academy trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £500 or more 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 requiring 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 to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy. 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 lives, as follows:

• Long leasehold land & buildings	life of lease
• Fixtures & equipment	20% straight line
• Computer equipment & software	20% straight line
• Motor vehicles	20% straight line

Assets or buildings in the course of construction are included at cost, based on the value certified or other direct costs incurred to 31 August. Depreciation on these assets is not charged until they are brought into use.

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.

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 academy 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.

Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Leased Assets

Rentals under operating leases are charged on a straight-line basis over the lease term.

Financial Instruments

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

- **Financial assets**
Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 12. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.
- **Cash at bank**
This is classified as a basic financial instrument and is measured at face value. None are included in this model but if relevant the suggested disclosure could be as follows, with valuation in line with SORP 2015.
- **Financial liabilities**
Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 13 and 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

RUSSELL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

Taxation

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

Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 24, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme 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.

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

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 and include grants from the Education and Skills Funding Agency or the Department for Education.

Critical Accounting Estimates and Areas of Judgement

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

Critical assumptions for LGPS

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 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. 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.

For 2018-19 there have been some specific issues which have impacted on the actuarial assumptions and closing pension scheme liability of all LGPS employers:

1. The "McCloud/Sargeant judgement"

This relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements. Actuarial evidence suggested that the impact of making an allowance for this judgement would be material, and so the academy trust asked the actuary to make an allowance in the figures.

In order to quantify the constructive obligation, the actuary has made calculations using an approximate approach. One critical assumption under this method is that salaries will increase at least CPI plus 1.5%. Further, the approximate approach does not take into account the specific age profile of the employer's pension scheme members.

The impact of McCloud/Sargeant has been included within the past service cost and projected service cost, detailed in note 23.2.d and amounts to £59k.

2. Guaranteed Minimum Pension (GMP)

GMP is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April

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1978 and 6 April 1997. In October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs between genders is required. As a result of an on-going debate on how this impacts on public service pension schemes, there has been national debate about the point at which a past service cost is triggered. Briefing notes provided by the actuary have indicated that a 'trigger event' is yet to occur for the LGPS and so no allowance has been made for GMP in the LGPS liability included within these financial statements. It is, in any case, considered likely that any impact would be immaterial.

3. Discount rates

There has been a change in financial assumptions over the period, including the discount rate. The discount rate has been reduced significantly which has resulted in a less positive balance sheet position than if the discount rate at the start of the period had been used. The impact comes through as part of the actuarial movement shown on Statement of Financial Activities.

4. Mortality assumptions

Details of the changes in mortality assumptions are shown in note 23.2.b. The actuary calculations use a model prepared by the Continuous Mortality Investigation (CMI) which is updated on an annual basis, incorporating the latest mortality data in the national population. This year the mortality assumptions use an updated CMI model which now anticipates a significant reduction in projected life expectancies. The lower life expectancy assumptions result in a more positive balance sheet position than if the mortality rates at the start of the period had been used, and the impact comes through as part of the actuarial movement shown on Statement of Financial Activities.

2. Comparative SoFA

In accordance with the requirement under SORP 2015 the Trust must disclose the comparative information for all amounts presented in the SoFA. The trust's SoFA for 2017-18 is provided below to allow comparisons with the 2018-19 SoFA.

		Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000
Income and endowments from:					
Donations and capital grants	3	41	-	588	629
Charitable activities:					
- Funding for the academy trust's education operations	4	-	14,055	-	14,055
Other trading activities	5	356	487	-	843
Total		397	14,542	588	15,527
Expenditure on:					
Charitable activities:					
- Academy trust's education operations	6, 7	299	14,828	1,906	17,033
Total		299	14,828	1,906	17,033
Net income / (expenditure)		98	(286)	(1,318)	(1,506)
Transfers between funds		-	38	(38)	-
Net income / (expenditure) for the year		98	(248)	(1,356)	(1,506)
Other recognised gains and losses:					
Actuarial losses on defined benefit pension scheme	24	-	252	-	252
Net movement in funds		98	4	(1,356)	(1,254)
Total funds brought forward	15	243	(1,156)	16,099	15,186
Total funds carried forward	15	341	(1,152)	14,743	13,932

3. Donations and Capital Grants

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2019 £000	Total 2018 £000
Capital grants	-	-	341	341	588
Donations	44	-	-	44	41
	44	-	341	385	629

The income from donations and capital grants was £385k (2018: £629k) of which £44k was unrestricted (2018: £41k), £nil restricted (2018: £nil) and £341k restricted fixed assets (2018: £588k).

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4. Funding for Trust's Educational Operations

	Unrestricted Funds	Restricted General Funds	Total 2019	Total 2018
	£000	£000	£000	£000
DfE / ESFA revenue Grants				
- General Annual Grant (GAG)	-	13,548	13,548	12,395
- Start Up Grants	-	256	256	266
- Pupil Premium	-	514	514	506
- Other DfE/ESFA Grants	-	125	125	-
	-	14,443	14,443	13,167
Other Government Grants				
- SEN Grant	-	169	169	118
- VASIS grants	-	1,072	1,072	770
	-	1,241	1,241	888
Total	-	15,684	15,684	14,055

Funding for the Trust's educational operations was £15,684k (2018: £14,055k) of which £nil was unrestricted (2018: £nil) and £15,684k restricted (2018: £14,055k).

5. Other Trading Activities

	Unrestricted Funds	Restricted General Funds	Total 2019	Total 2018
	£000	£000	£000	£000
Hire of Facilities	13	-	13	28
Trip and Club Income	439	58	497	794
Other Income	380	368	748	21
	832	426	1,258	843

Income from other trading activities was £1,258k (2018: £843k) of which £832k was unrestricted (2018: £356k) and £426k restricted (2018: £487k).

6. Expenditure

	Staff Costs	Premises	Other	Total 2019	Total 2018
	£000	£000	£000	£000	£000
Trust's education operations:					
- Direct costs	10,289	965	877	12,131	10,531
- Allocated support costs	2,766	2,282	1,826	6,874	6,502
	13,055	3,247	2,703	19,005	17,033

Net income / (expenditure) for the year includes:

	2019 £000	2018 £000
Depreciation	1,401	1,906
Fees payable to auditor - audit	31	36

7. Charitable activities – Educational Operations

	Total 2019 £000	Total 2018 £000
Direct costs – educational operations:	12,131	10,531
Support costs – educational operations	6,874	6,502
	19,005	17,033
Analysis of Support Costs		
Support staff costs	2,766	2,536
Depreciation	437	666
Technology costs	358	293
Premises costs	1,845	1,618
Other support costs	1,433	1,348
Governance costs	35	41
Total Support Costs	6,874	6,506

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8. Staff

a. Staff Costs

	2019 £000	2018 £000
Wages and salaries	9,574	8,237
Social security costs	963	825
Pension costs	1,950	1,622
Apprenticeship levy	30	23
	<u>12,507</u>	<u>10,707</u>
Supply staff costs	509	332
Staff restructuring costs	29	-
	<u>13,055</u>	<u>11,039</u>

Staff restructuring costs comprise:

	2019 £000	2018 £000
Severance payments	29	nil

b. Non-statutory/non contractual staff severance payments

Included in staff costs are non-statutory/non-contractual severance payments totalling £nil (2018: £14,985).

c. Staff Numbers

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

	2019 No.	2018 No.
Teachers	175	174
Administration and support	102	112
Management	6	6
	<u>283</u>	<u>292</u>

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

	2019 No.	2018 No.
£60,001 - £70,000	4	6
£70,001 - £80,000	2	3
£80,001 - £90,000	5	4
£90,001 - £100,000	2	1
£100,001 - £110,000	-	1
£110,001 - £120,000	1	-
£130,001 - £140,000	1	1

d. Key Management Personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £614,742 (2018: £702,449).

9. Related Party Transactions - Directors' Remuneration and Expenses

One or more trustees has been paid remuneration with the academy trust. RET's current and former Chief Executive only received remuneration in respect of this role, and not in respect of services provided as a trustee. Other trustees did not receive any remuneration in respect of their services as trustees. The value of the trustee's remuneration was as follows:

K Lynch (RET Chief Executive and Trustee):
Remuneration £135,001 - £140,000 (2018: £135,001 - £140,000)
There are no pension costs to disclose.

During the period ended 31 August 2019, travel and subsistence expenses totalling £5,397 (2017: £11,573) were paid to 3 trustees (2018: 3 trustees).

10. Governors' and Officers' Financial Liabilities

In accordance with normal commercial practice, the academy has arranged for cover through the Department for Education's Risk Protection Arrangement (RPA) to protect governors and officers from the financial impact of claims arising from negligent acts, errors or omissions occurring whilst on academy business. The arrangement provides cover up to £10m. The membership cost for the scheme is £20 per pupil per annum and the Governors and Officers cover is included within this cost. It is not possible to quantify the trustees and officers' indemnity element from the overall cost of the RPA scheme membership.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

11. Tangible Fixed Assets

	Leasehold land and buildings £000	Furniture and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 September 2018	19,105	1,206	2,471	76	22,858
Additions	5	162	68	-	235
Disposals	-	-	-	-	-
At 31 August 2019	19,110	1,368	2,539	76	23,093
Depreciation					
At 1 September 2018	5,404	882	1,756	76	8,118
Charged in year	964	156	281	-	1,401
Disposals	-	-	-	-	-
At 31 August 2019	6,368	1,038	2,037	76	9,519
Net book values					
At 31 August 2019	12,742	330	502	-	13,574
At 1 September 2018	13,701	324	715	-	14,740

12. Debtors

	2019 £000	2018 £000
Trade debtors	40	147
VAT recoverable	123	156
Other debtor	19	5
Prepayments and accrued income	535	1,086
	717	1,394

13. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	508	744
Other taxation and social security	237	198
Pensions	260	543
Other creditors	544	799
Accruals and deferred income	423	366
	1,972	2,650

The balance of £544k for 'Other creditors' includes an ESFA creditor of £165k as a result of 2013-14 and 2014-15 Pupil Number Adjustments repayable to the ESFA in 2019-20. The repayment is in accordance with a repayment plan agreed by the Trust with the ESFA. Further details are shown in note 14 below.

Deferred Income

	2019 £000
Deferred income at 1 September 2018	275
Resources deferred in the year	280
Amounts released from previous years	(275)
Deferred income at 31 August 2019	280

Deferred income represents funds received in advance for school trips, and grants for business rates.

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

	2019 £000	2018 £000
ESFA creditor	180	345

The balance of £180k solely relates to 2013-14 and 2014-15 Pupil Number Adjustments for St Andrew the Apostle School and King's School. As set out in the Financial Review section of the Trustees' Report this relates to the lower than anticipated pupil numbers at the two schools. Ineffective project management by the ESFA led to parental concerns regarding progress on the sites during summer 2013 and confidence in the likelihood of the schools opening fell away and was difficult to rebuild. The ESFA refused to acknowledge that site issues had a bearing on parental confidence and forced the schools to repay the full amount of the pupil number adjustments, with an agreement reached with the ESFA on their repayment. The agreed profile for the repayment in more than one year is as follows:

	St Andrew the Apostle £000	King's School £000	TOTAL £000
2020-21	112	68	180

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

The 2019-20 repayment of the 2013-14 and 2014-15 PNAs amounts to £165k and is included in the Creditors due within one-year section of this report. A repayment of £202k relating to these PNAs was also made by the Trust in 2018-19.

15. Funds

15.1 Analysis of Funds

	Balance at 1 September 2018 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2019 £000
Restricted general funds					
General Annual Grant (GAG)	(389)	13,548	(14,117)	79	(879)
Start-up Grant	-	256	(256)	-	-
Pupil Premium	-	514	(514)	-	-
Other DfE/ESFA grants	(41)	125	(251)	-	(167)
Pension reserve	(676)	-	(383)	(657)	(1,716)
Activities for generating funds	(46)	426	(426)	-	(46)
Local authority grant	-	169	(169)	-	-
Other government grant	-	1,072	(1,072)	-	-
	(1,152)	16,110	(17,188)	(578)	(2,808)
Restricted fixed asset funds					
DfE / ESFA building grants	9,663	180	(1,228)	-	8,615
DfE/ESFA capital grants	162	161	-	-	323
Capital expenditure from GAG	79	-	-	(79)	-
Activities for generating funds	3	-	(13)	-	(10)
Voluntary Income	4,836	-	(161)	-	4,675
	14,743	341	(1,402)	(79)	13,603
Total restricted funds	13,591	16,451	(18,590)	(657)	10,795
Unrestricted funds					
General funds	341	877	(415)	-	803
Total unrestricted funds	341	877	(415)	-	803
Total funds	13,932	17,328	(19,005)	(657)	11,598

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

	Balance at 1 September 2017 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	(597)	12,395	(12,226)	38	(389)
Start-up Grant	-	266	(266)	-	-
Pupil Premium	-	506	(506)	-	-
Other DfE/ESFA grants	87	-	(127)	-	(41)
Pension reserve	(600)	-	(328)	252	(676)
Activities for generating funds	(46)	487	(487)	-	(46)
Local authority grant	-	118	(118)	-	-
Other government grant	-	770	(770)	-	-
	(1,156)	14,542	(14,828)	290	(1,152)
Restricted fixed asset funds					
DfE / ESFA building grants	10,868	536	(1,741)	-	9,663
DfE/ESFA capital grants	113	48	-	-	162
Capital expenditure from GAG	116	-	-	(38)	78
Activities for generating funds	4	4	(4)	-	3
Voluntary Income	4,998	-	(161)	-	4,836
	16,099	588	(1,906)	(38)	14,743
Total restricted funds	14,943	15,130	(16,734)	252	13,591
Unrestricted funds					
General funds	243	397	(299)	-	341
Total unrestricted funds	243	397	(299)	-	341
Total funds	15,186	15,527	(17,033)	252	13,932

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

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

General Annual Grant: must be used for the normal running costs of the Academy including salary costs, overheads, premises costs and curriculum costs. Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019.

Other DfE/ESFA and government grants: include funding received from the DfE and Local Education Authorities for specific purposes.

Fixed asset fund: includes grants received from the DfE and other sources to finance the purchase of tangible fixed assets.

Pension reserve: the element of the local government pension fund liability attributable to the Academy (note 24).

Transfer between funds: a transfer from unrestricted funds to the restricted fixed asset fund was necessary to fund capital expenditure carried out during the year.

15.2 Analysis of Academies by Fund Balance

Fund balances at 31 August 2019 were as follows:

	2019 £000	2018 £000
Bristol Free School	1	(54)
RET Schools Central	(55)	(78)
St Andrew the Apostle School	(210)	75
King's School	20	(115)
Turing House School	(45)	37
Total before fixed assets and pension reserve	(289)	(135)
Restricted fixed asset fund	13,603	14,743
Pension reserve	(1,716)	(676)
Total	11,598	13,932

The deficit on St Andrew the Apostle School of £210k is primarily because of the charging of the Pupil Number Adjustment for the school in 2013-14 and 2014-15 (see note 14). The pupil number adjustments arose following issues with the ineffective management of the capital works, which was the responsibility of the ESFA, immediately before the school opened and continuing into 2014-15. The lack of progress alarmed prospective parents with a significant impact upon pupil numbers in the school's founding years. The school also faced challenges 2018-19 as a result of taking on a second temporary site for which it received no additional funding. The deficit at Turing House School is as a result of the refusal of the ESFA to fully fund the split site operating costs of the school in 2018-19.

Bristol Free School's small surplus was diminished because of the refusal of the ESFA to fund set up costs in the 6th and 7th year after the school's opening. The ESFA's funding guidance makes clear that Free Schools should be funded at the rate of £500 per pupil place until all year groups are filled. The ESFA has refused to pay this funding to the school, the total value of which is in excess of £150k. Legal advice was sought by the Trust with the advice being that the ESFA could not be compelled to pay the funding to the school.

The deficit on the central services fund balance was reduced in 2016-17, 2017-18 and 2018-19. It arose because of the cumulative pressures from opening five free schools in four years, with a number of disappointing outcomes in terms of funding provided by the ESFA. As pupil numbers and therefore income in the schools increased this deficit has been reduced. The Trust is budgeting for the brought forward deficit to be eliminated in 2019-20.

15.3 Analysis of Academies by Cost

	Teaching & education support £000	Other support staff costs £000	Education supplies £000	Other costs (excluding depreciation) £000	TOTAL £000
Bristol Free School	3,223	729	280	683	4,915
RET Schools Central	478	632	-	408	1,518
St Andrew the Apostle	2,757	623	192	1,208	4,780
King's School	1,937	474	121	720	3,144
Turing House School	1,895	308	105	622	2,831
Total before fixed assets and pension reserve	10,290	2,766	698	3,434	17,188

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

16. Analysis of Net Assets between Funds

Fund balances at 31 August 2019 are represented by:

	Unrestricted funds	Restricted general funds	Restricted fixed asset funds	2019 Total funds	2018 Total funds
	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	13,574	13,574	14,740
Current assets	803	1,060	29	1,892	2,863
Current liabilities	-	(1,972)	-	(1,972)	(2,650)
Non-current liabilities	-	(180)	-	(180)	(345)
Pension scheme liability	-	(1,716)	-	(1,716)	(676)
Total net assets	803	(2,808)	13,603	11,598	13,932

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

	Unrestricted funds	Restricted general funds	Restricted fixed asset funds	2018 Total funds	2017 Total funds
	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	14,740	14,740	16,092
Current assets	341	2,517	3	2,863	1,977
Current liabilities	-	(2,650)	-	(2,650)	(1,736)
Non-current liabilities	-	(345)	-	(345)	(547)
Pension scheme liability	-	(676)	-	(676)	(600)
Total net assets	341	(1,152)	14,743	13,932	15,186

17. Capital Commitments

There are no capital commitments not provided for in the financial statements.

18. Commitments under Operating Leases

At 31 August 2019 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

Land and Buildings	2019	2018
	£000	£000
Amounts due within one year	565	605
Amounts due between one and five years	719	751
Amounts due after five years	-	56
TOTAL	1,284	1,413

£986k of the commitments under operating leases relate to the additional temporary accommodation at St Andrew the Apostle School which was negotiated by, and is fully funded by, the ESFA. Therefore, there is no financial commitment in relation to this lease upon the Trust.

19. Reconciliation of Net Income / (Expenditure) to Net Cash Flows from Operating Activities

	2019	2018
	£000	£000
Net (expenditure) / income	(1,677)	(1,506)
Depreciation	1,401	1,906
Capital grants from DfE and other capital income	(341)	(588)
Defined benefit pension scheme costs less contributions payable	365	309
Defined benefit pension scheme finance cost	18	19
Decrease / (increase) in debtors	677	(244)
(Decrease) / increase in creditors	(843)	(712)
Net cash (used in) / provided by operating activities	(400)	(606)

20. Cash Flows from Investing Activities

	2019	2018
	£000	£000
Purchase of tangible fixed assets	235	-
Capital grants from DfE/ESFA	(341)	(553)
Other capital grants	-	584
Voluntary capital income	-	4
Net cash from / (used in) financing activities	(106)	35

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

21. Cash Flows from Financing Activities

	2019 £000	2018 £000
Interest received	-	-
Net cash outflow from capital expenditure and financial investment	-	-

22. Analysis of Cash and Cash Equivalents

	2019 £000	2018 £000
Cash in hand and at bank	1,175	1,469
Total cash and cash equivalents	1,175	1,469

23. Members' Liabilities

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

24. Pension and Similar Obligations

Overview

The academy's employees belong to two principal pension schemes which are both defined-benefit schemes:

1. Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and
2. Local Government Pension Scheme (LGPS) for non-teaching staff which is managed by Essex Pension Fund.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £260k were payable to the schemes at 31 August 2019 (2018: £543k) and are included within creditors.

1. Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pensions Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website

Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation,

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The employer's pension costs paid to TPS in the period amounted to £1,818,699 (2018: £1,250,101).

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

2. Local Government Pension Scheme

Each Local Government Pension Scheme is a multi-employer funded defined-benefit scheme with the assets held in separate trustee-administered funds. The Trust is currently part of five different funds:

- London Borough of Barnet Pension Fund (St Andrew the Apostle School);
- Avon Pension Fund (Bristol Free School);
- East Sussex Pension Fund (King's School);
- London Borough of Richmond upon Thames Pension Fund (Turing House School); and
- Surrey County Council Pension Fund (Russell Education Trust central staff).

The total contributions made for the year ended 31 August 2019 was £504,287 (2018: £420,226) of which employee's contributions totalled £147,083 (2018: £116,389) and employer's contributions totalled £357,204 (2018: £303,838). The agreed contribution rates for future years are between 5.5% and 12.5% for employees and between 13.7% and 23.8% for employers.

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.

2.a Principal Actuarial Assumptions

	2019 Range		2018 Range	
	From	To	From	To
Rate of increase in salaries - employer specific	2.6%	3.6%	2.6%	3.3%
Rate of increase for pensions in payment / inflation	2.1%	2.7%	1.9%	2.3%
Discount rate for scheme liabilities	1.8%	1.9%	2.1%	2.8%
Inflation assumption (CPI)	2.0%	2.3%	1.9%	2.3%

2.b Mortality Expectations

The current mortality assumptions included sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 averaged across the funds are:

		2019 Range		2018 Range	
		From	To	From	To
Retiring today	Males	21.0	23.7	21.9	24.5
	Females	23.3	26.2	24.3	26.1
Retiring in 20 years	Males	22.1	26.3	23.8	26.8
	Females	24.9	29.0	26.3	28.9

2.c Estimated Share of Assets and Expected Rates of Return

The estimated share of assets in the schemes attributable to the Trust and the average expected rates of return across the schemes were:

	2019 Fair Value £000	2018 Fair Value £000
Gilts	1,017	174
Equities	203	606
Other Bonds	121	84
Property	102	84
Alternative Assets	319	160
Cash	56	57
Total Market Value of Assets	1,818	1,165
Present value of scheme liabilities funded	(3,534)	(1,841)
Deficit in the scheme	(1,716)	(676)

2.d Amounts Recognised in the Statement of Financial Activities

	2019 £000	2018 £000
Net interest cost	18	16
Current service cost	629	549
Past service cost	56	-
Administrative expenses	3	3
Net cost	701	568

RUSSELL EDUCATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

2.e Movements in Present Benefit Obligations during the Year

	2019 £000	2018 £000
At 1 September	1,841	1,397
Current service cost	636	549
Employee contributions	110	83
Actuarial loss / (gain)	721	(225)
Benefits paid	115	(3)
Past service cost	52	-
Interest on pension liabilities	59	40
At 31 August	3,534	1,841

2.f Movements in the Present Value of Defined Benefit Assets

	2019 £000	2018 £000
At 1 September	1,165	797
Administrative expenses	(3)	(3)
Expected return on assets	79	24
Actuarial gain	26	27
Employer contributions	326	240
Employee contributions	110	83
Benefits paid	115	(3)
At 31 August	1,818	1,165

25. Related Party Transactions

Education London Limited provided a short-term working capital loan of £65k in 2010-11 that is included within other creditors at the 2018-19 year-end. Furthermore, £53k arising from 2012-13 salaries chargeable to RET but borne by Education London remains repayable by RET to Education London. No additional liabilities falling to RET have arisen since RET became a Multi Academy Trust. All companies are related by common directors and Education London is the Principal Sponsor of Russell Education Trust. The relationships are more fully described in the Directors' Report.

During the current year financial services to the value of £25,000 (2018: £25,000); core services of £111,300 (2018: £98,707), general support of £179,049 (2018: £158,790), and specific curriculum support services of £30,000 (2018: £30,000) were provided by RET to Becket Keys School which is a connected trust. Furthermore, additional services were procured by the school through RET for maths, science, English school improvement consultants as well as specialist timetabling support, and the value of these at cost was £22,540 in 2018-19 (2018: £103,748).

26. Central Services

The academy trust has provided the following central services to its academies (including Becket Keys which is in a related trust) during the year:

- Corporate governance in line with the obligations imposed by company and charity law as well as by the DfE / ESFA
- School improvement
- Payroll support and training
- Governor support including clerking
- Premises project management
- ICT coordination and support
- Others as arising
- Finance and accounting
- Human resources

The Trust charges for these services using a flat percentage rate of 6.5% of the school's total budget in its first year of operations, which reduces by 0.5% per annum during the lifetime of the school to a minimum of 3.5%. The Trust also charges using a flat rate for finance, operations and bursarial services of £25k per annum and £30k per annum for specific curriculum support. All charges are subject to review by the governing bodies of the Trust's schools. The actual amounts charged during the year were as follows:

RET School	2019 £000	2018 £000
Bristol Free School	454	423
St Andrew the Apostle School	368	339
King's School	173	220
Becket Keys School (related trust)	368	416
Turing House School	169	105
Total	1,532	1,503

27. Ultimate Controlling Party

The directors consider there to be no ultimate controlling party.

RUSSELL EDUCATION TRUST
INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO RUSSELL EDUCATION
TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY
YEAR ENDED 31 AUGUST 2019

Independent Assurance Report on Regularity to the Governing Body of Russell Education Trust and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 12 June 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Russell Education 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 Russell Education Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Russell Education Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Russell Education Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective Responsibilities of Russell Education Trust Accounting Officer and the Reporting Accountant

The Accounting Officer is responsible, under the requirements of Russell Education Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook extant from 1 September 2018, 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 2018 to 2019. 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 2018 to 31 August 2019 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 2018 to 2019 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusion includes:

- Evaluation of the general control environment and operational effectiveness of the controls, policies and procedures;
- Confirmation that the internal delegations have been approved by the governing body, and conform to the limits set by the Department for Education;
- Review of the declaration of interests to ensure completeness;
- Review of minutes for evidence of declaration of interest;
- A sample of payments has been reviewed to confirm that each item has been appropriately authorised in accordance with the academy trust's delegated authorities;
- A sample of cash payments were reviewed for unusual transactions;
- A sample of expenditure items were reviewed against specific terms of grant funding within the funding agreement; and
- Formal representations have been obtained from the governing body and the Accounting Officer acknowledging their responsibilities for matters relating to regularity and propriety.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

UHY Hacker Young

UHY Hacker Young LLP
Chartered Accountants
Reporting Accountant

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19 December 2019