

RUSSELL EDUCATION TRUST
(A Company Limited by Guarantee)
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017
Company Registration Number: 07452885 (England and Wales)

RUSSELL EDUCATION TRUST

**FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017**

CONTENTS	PAGES
Reference and Administrative Details	1
Directors' Report	2
Governance Statement	7
Statement of Regularity, Propriety and Compliance	9
Statement of Directors' Responsibilities	10
Independent Auditors' Report	11
Statement of Financial Activities (incorporating Income & Expenditure Account)	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Financial Statements	16
Independent Reporting Accountants' Assurance Report on Regularity	28

RUSSELL EDUCATION TRUST

**REFERENCE AND ADMINISTRATIVE DETAILS
YEAR ENDED 31 AUGUST 2017**

Board of Directors	P Ward (Chair) K Lynch (CEO) D C Lynch J McDermott M Karaolis C Smyth C Brazil
Members	D Lynch Education London P Ward
Company Secretary	D Lynch
Key Management Personnel	K Lynch – RET Chief Executive P Jones – Bristol Free School Headteacher S Price – King’s School Headteacher R Ahearn – St Andrew the Apostle Headteacher C Mackinlay – 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 7EP
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 2017

The directors present their report and financial statements of the company for the year ended 31 August 2017.

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 published on 16 July 2014 (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 2017 was 2,357.

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 works alongside Memorandum and Articles of Association and 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 £5m on any one claim and is capped at a total of £5m for all claims in any year.

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. Education London is a specialist project management and school improvement company, best known for its comprehensive literacy, numeracy, subject specialist, expert teacher and Ofsted inspectors, advisors and consultants. The directors of Education London are Karen Lynch and Danny Lynch. Education London became known nationally in 2007 when it was appointed to the highly successful Department for Education, London Challenge programme as its sole Education Services Provider (2007-2011). As the programme ended, Education London decided to transfer some of its expertise, capacity and profits into the work of a new charity – Russell Education Trust – to establish new academies and free schools and to support those at social or educational disadvantage. This was approved by the Department for Education.

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. This calculation basis is implemented by Education London's and Russell Education Trust's accountants. Education London ceased trading in September 2017. Therefore, whilst Education London continues to operate as Russell Education Trust's sponsor it no longer

RUSSELL EDUCATION TRUST

DIRECTORS' REPORT YEAR ENDED 31 AUGUST 2017

supplies consultants to the Trust. Education London provided these contacts to Russell Education at nil cost. In future school improvement consultants will be engaged directly by the Trust which places an administrative burden on the Trust, which in the past had been dealt with by Education London at nil cost.

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
- 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 has ceased trading with effect from 1 September 2017.

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. Russell Education Trust'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 Russell Education Trust'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. Russell Education Trust 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. Russell Education Trust will only support free schools when a new school is needed in the proposed locality and its establishment significantly extends parental

RUSSELL EDUCATION TRUST

DIRECTORS' REPORT YEAR ENDED 31 AUGUST 2017

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 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 Russell Education Trust 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. Russell Education Trust aims to contribute to the development of training for teachers and head teachers.
5. Russell Education Trust 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. Russell Education Trust 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. Russell Education Trust's (RET) strategic aim was to have five new secondary schools open by September 2015. The chronology of the opening of the five RET schools is as follows:
 - Bristol Free School – September 2011
 - Becket Keys Church of England School – September 2012
 - King's School – September 2013
 - St Andrew the Apostle School – September 2013
 - Turing House School – September 2015
2. Bristol Free School was oversubscribed for both the 2013, 2014 and 2015 intake. In 2016 it increased its intake to 200 and in 2017 it was again oversubscribed. 117 of the school's founding year group sat their GCSE examinations in summer 2016 with 66 per cent of them gaining A*-C grades in both English and Maths. In 2017 the school built upon its successful start with another solid set of GCSE results. 68% of students gained at least a 4 in GCSE English Language; 64% in GCSE English Literature; and 68% in Maths. 25% of all students gained an equivalent to an A grade in English, with 20% of the entire cohort achieving a similar feat in Maths. BFS has the second highest EBACC % in North Bristol. The school will receive its first set of A Level results in August 2018.
3. 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's first year group took their GCSE examinations in summer 2017 and achieved exceptional results with 75% of students achieving at least 5 A* to C including English and Mathematics; 45% of grades awarded at A* to B; and 21% of grades awarded at A* and A or 7,8 and 9. RET is working with the Education and Skills Funding Agency to ensure the effective delivery of the construction of a new sports hall at Becket Keys School. This project commenced in 2017.
4. 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 Ofsted inspection in May 2015 which identified the school as Outstanding in All Areas. The school's first year group will sit its first set of examinations in summer 2018 and it is expecting an exceptional set of results. The school and Trust are working closely with the Education and Skills Funding Agency to finalise the acquisition of a permanent site for the school.
5. 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. The school was judged by Ofsted to be Good with Outstanding Features. The school is expecting a strong set of results when its first year group sits its first set of examinations in summer 2018. The school has an identified permanent site and work is well underway to complete the design of the new school, with planning permission achieved in 2017, and works scheduled to commence on site in 2018.
6. 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, London. The acquisition of a permanent site has been delayed but the ESFA has identified a second temporary site for use by the school through to 2020 when the newly built school on a permanent site will be available. The Trust expects works to commence on the permanent site in 2018.

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) FRS102, they have considered the

RUSSELL EDUCATION TRUST

DIRECTORS' REPORT YEAR ENDED 31 AUGUST 2017

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 King's School, 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. 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 in the context of RET having worked with the ESFA's capital team since 2011, and the Trust's experience of having been excluded from key decisions by the ESFA and its advisers.

The introduction of the ESFA's new arrangements also increased the Trust's concerns, based on its experience working with the ESFA across a range of capital projects, regarding the capacity of the ESFA to effectively manage capital projects to time and to budget. Regrettably, the Trust's concerns have proved prescient and in 2016-17 the Trust has had to step in on a number of occasions where the performance of the ESFA and its advisers did not meet the professional expectations of the Trust. The Trust's risk register includes a number of risks that Trustees rated as High in terms of probability and impact; all of these risks relate to the ESFA's management of capital works.

The Trust remains disappointed that its proposals for alternative project management arrangements were rejected by the ESFA in 2016. Nevertheless, the Trust works constructively with the ESFA to ensure the delivery of schemes and the associated project management is as effective as possible. The need to shadow manage the ESFA and their technical advisers places a very significant financial burden upon the Trust.

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 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

Bristol Free School was the first of the RET schools to open when its founding year group joined in September 2011. The school had a strong set of results in summer 2016 and 2017. Students at St Andrew the Apostle and King's School will sit public examinations in summer 2018 and the Trust is anticipating a strong set of results at both schools.

Pupil recruitment is extremely strong at the Trust's schools. All four schools are oversubscribed in 2017-18 and initial indications are that all four schools will be oversubscribed in 2018-19. The recruitment of 6th form students at Bristol Free School has been very challenging due to the strong local market for post 16 education in Bristol and the relatively high level of SEN students in the school's first two year groups. The Trust is expecting a significant increase in 6th form numbers in 2018-19 as the current year 11 is larger and a higher proportion of students are more suited to A Level studies.

The Trust faced initial student recruitment challenges for St Andrew the Apostle School and King's School in 2013-14 and 2014-15 as parental confidence in the likelihood of the schools opening fell away due to the failure of the Education and Skills Funding Agency to effectively manage the capital works.

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

Russell Education Trust's income is mainly derived from Department for Education grants. Each year the Trust's schools receive revenue and capital grants and the Trust also receives revenue funding towards the costs of opening free schools.

RUSSELL EDUCATION TRUST

DIRECTORS' REPORT YEAR ENDED 31 AUGUST 2017

Total Income (excluding Fixed Asset Funds) of £13,123k was partially offset by expenditure (excluding Fixed Asset Funds) of £13,097k and transfers of £74k creating an in-year surplus of £100k on the Restricted and Unrestricted Funds, which is increased to £307k after £207k of pensions adjustments.

There is a cumulative deficit on the Unrestricted and Restricted Funds (excluding Fixed Assets and Pension Reserve) although there is a small surplus after allowing for the 2013-14 and 2014-15 Pupil Number Adjustments that in reality will be met from future years grant income through adjustments agreed with the Education and Skills Funding Agency.

The surplus in 2016-17 is despite the ESFA's unreasonable refusal to provide Post Opening Grant funding for the new pupil places created at Bristol Free School in 2016-17. The school had originally opened as an 11-16 school at the DfE's suggestion in 2011 with a commitment by the Department that the school would subsequently become an 11-18 school. The Trust has requested that Post Opening Grant funding is provided to Bristol Free School for creating these additional school places, and as is set out in the ESFA's Free Schools funding guidance. However, the ESFA Director of Academies Funding responded to the Trust and asserted that Post Opening Grant is fixed at the point of opening and will not be recalculated for Bristol Free School. There is no such statement regarding the fixing of Post Opening Grant in any version of the ESFA's Free Schools funding guidance ever published and the Trust does not believe this approach was ever the intention of ministers when they established the Free Schools programme. As a result of the ESFA's decision Bristol Free School was therefore underfunded by £75k in 2016-17 and will be underfunded by £100k in 2017-18. Unlike every other Free School with post 16 provision, Bristol Free School has been left to establish a sixth form with no revenue support from the DfE.

Restricted fixed asset income for the year is £799k and total fixed asset expenditure during the year is £1,947k.

Net pension liabilities at 31 August 2017 are £600k. 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 Trust will continue to review its reserves position as it moves into a phase when it is not planning to either open a free school or incorporate another academy into the Multi Academy Trust. As the Trust's schools increase their pupil numbers and therefore their GAG funding levels it anticipates consolidating its reserves position.

The Board of Directors have examined the Trust's requirements for reserves in light of the main risks to the organisation. It has established a policy to retain sufficient funds to meet unforeseen expenditure and to continue to finance the investment programme in schools.

Investment Policy

In the short term cash balances are strong and it looks like these balances will continue to 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.

Plans for Future Periods

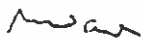
The Trust is working with the governing body of RET Becket Keys Church of England Free School Trust, Chelmsford Diocese and the Department for Education to explore how the school could be included within the RET Multi Academy Trust. A similar process was concluded in 2013-14 for Bristol Free School and 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:



P Ward

Chair

20 December 2017

RUSSELL EDUCATION TRUST

GOVERNANCE STATEMENT YEAR ENDED 31 AUGUST 2017

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.

Mrs K Lynch 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 2017. Attendance during the year at meetings of the current Board members was as follows:

Trustee	Meetings attended	Out of a possible
P Ward (Chair)	2	3
K Lynch (Chief Executive and Accounting Officer)	3	3
J McDermott	2	3
D Lynch	3	3
C Brazil	3	3
M Karaolis	2	3
C Smyth	2	3

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

- Receive and consider advice from CEO and Head of Finance and Operations (HF&O) and then advise the Board on matters related to finance, buildings/premises and general purposes;
- Consider the MAT's indicative funding, notified annually by the ESFA, and to assess its implications for the MAT;
- Consider and recommend acceptance/non-acceptance of the MAT's budget including staffing levels, at the start of each financial year;
- 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;
- Review the monitoring reports from the internal finance team about each school and approve any necessary action, up to and including removal of financial delegation;
- Review the schools' internal audit reports commentary by HF&O;
- Receive, consider and approve the end of year accounts prior to sending on to the full Board for their information and approval;
- Receive and consider the auditors' report; to recommend acceptance to the full Board, including any recommendations for action arising from them;
- Recommend to the Board the appointment or reappointment of the auditors;
- Review the MAT's list of preferred suppliers and oversee procurement arrangements; and
- Consider policies and procedures.

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

Governor	Meetings attended	Out of a possible
P Ward (Chair)	3	3
D Lynch	3	3
K Lynch (Chief Executive and Accounting Officer)	3	3
C Brazil	3	3

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:

RUSSELL EDUCATION TRUST

GOVERNANCE STATEMENT YEAR ENDED 31 AUGUST 2017

- 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 retendering of energy contracts 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 a new salary forecasting model facilitating improved staff cost control. This has contributed to 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.

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 2017 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 2017 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.

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 purchasing and asset registers.

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.

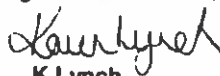
Review of Effectiveness

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 20 December 2017 and signed on its behalf by:


Mr P Ward
Chair


K Lynch
Accounting Officer

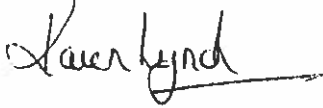
RUSSELL EDUCATION TRUST
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
YEAR ENDED 31 AUGUST 2017

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 2016.

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 2016.

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



K Lynch
Accounting Officer

20 December 2017

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 2016 to 2017;
- 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 20 December 2017 and signed on its behalf by:


P Ward
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 2017 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 2016 to 2017 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 2017 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 2016 to 2017.

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:

RUSSELL EDUCATION TRUST
INDEPENDENT AUDITORS' REPORT

- 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 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.

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

20 December 2017

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)
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Total 2016 £000
Income and endowments from:						
Donations and capital grants	3	48	-	799	847	5,479
Charitable activities:						
- Funding for the academy trust's education operations	4	-	12,037	-	12,037	9,279
Other trading activities	5	429	609	-	1,038	563
Total		477	12,646	799	13,922	15,321
Expenditure on:						
Charitable activities:						
- Academy trust's education operations	6, 7	378	12,719	1,947	15,044	11,939
Total		378	12,719	1,947	15,044	11,939
Net income / (expenditure)		99	(73)	(1,148)	(1,122)	3,382
Transfers between funds		-	74	(74)	-	-
Net income / (expenditure) for the year		99	1	(1,222)	(1,122)	3,382
Other recognised gains and losses:						
Actuarial gain on defined benefit pension scheme	24	-	207	-	207	(292)
Net movement in funds		99	208	(1,222)	(915)	3,090
Total funds brought forward	15	144	(1,364)	17,321	16,101	13,011
Total funds carried forward	15	243	(1,156)	16,099	15,186	16,101

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

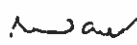
All of the academy's activities derive from continuing operations during the above two financial periods.

A comparative Statement of Financial Activities for the year ended 31 August 2016 is shown in note 2 to the financial statements.

RUSSELL EDUCATION TRUST
BALANCE SHEET AT 31 AUGUST 2017

	Notes	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	11		16,092		17,314
Current assets					
Debtors	12	1,149		1,730	
Cash at bank and in hand		828		3,218	
		<u>1,977</u>		<u>4,948</u>	
Liabilities					
Creditors: amounts falling due within one year	13	<u>(1,736)</u>		<u>(4,984)</u>	
Net current assets/(liabilities)			<u>241</u>		<u>(38)</u>
Total assets less current liabilities			16,633		17,278
Creditors: amounts falling due after more than one year	14		(547)		(663)
Net assets excluding pension liability			15,786		16,615
Defined benefit pension scheme liability	24		<u>(600)</u>		<u>(514)</u>
Net assets			<u>15,186</u>		<u>16,101</u>
Funds of the Trust:					
Restricted funds					
- Fixed asset fund	15		16,099		17,321
- General fund	15		(556)		(850)
- Pension reserve			<u>(600)</u>		<u>(514)</u>
Total restricted funds			<u>14,943</u>		<u>15,957</u>
Unrestricted income funds					
- General fund	15		<u>243</u>		<u>144</u>
Total unrestricted funds			<u>243</u>		<u>144</u>
Total funds			<u>15,186</u>		<u>16,101</u>

The financial statements were approved by the directors and authorised for issue on 20 December 2017 and are signed on their behalf by:


P Ward
 Chair


K Lynch
 Accounting Officer

Company Number: 07452885

RUSSELL EDUCATION TRUST

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities			
Net cash (used in) / provided by operating activities	19	(2,465)	2,369
Cash flows from / (used in) investing activities	20	75	(307)
Cash flows from / (used in) financing activities	21	-	-
Change in cash and cash equivalents in the reporting period		(2,390)	2,062
Cash and cash equivalents at 1 September 2016		3,218	1,156
Cash and cash equivalents at 31 August 2017		828	3,218

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

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 year for which it is receivable and any unspent amount is reflected as a balance in the restricted fund.

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

Sponsorship Income

Sponsorship income provided to the free school 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.

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

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

of the academy trust apportioned to charitable activities.

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 and 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.

During 2016-17 the Trust amended its accounting policy for the depreciation of fixtures & equipment and plant & machinery. These assets had previously been depreciated at a 15% straight line rate. The 20% straight line methodology that is now employed is a better reflection of the actual lifecycle of the assets. The additional depreciation to reflect this accounting policy change is £102k and this is included in the 2016-7 accounts.

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.

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 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

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on 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.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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 2015-16 is provided below to allow comparisons with the 2016-17 SoFA.

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2016 £000
Income and endowments from:					
Donations and capital grants	3	13	-	5,466	5,479
Charitable activities:					
- Funding for the academy trust's education operations	4		9,279	-	9,279
Other trading activities	5	225	338	-	563
Total		238	9,617	5,466	15,321
Expenditure on:					
Charitable activities:					
- Academy trust's education operations	6, 7	152	10,016	1,771	11,939
Total		152	10,016	1,771	11,939
Net income / (expenditure)		86	(399)	3,695	3,382
Transfers between funds		-	(85)	85	-
Net income / (expenditure) for the year		86	(484)	3,780	3,382
Other recognised gains and losses:					
Actuarial losses on defined benefit pension scheme	24	-	(292)	-	(292)
Net movement in funds		86	(776)	3,780	3,090
Total funds brought forward	15	58	(588)	13,541	13,011
Total funds carried forward	15	144	(1,364)	17,321	16,101

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

3. Donations and Capital Grants

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2017	Total 2016
	£000	£000	£000	£000	£000
Capital grants	-	-	799	799	5,466
Donations	48	-	-	48	13
	<u>48</u>	<u>-</u>	<u>799</u>	<u>847</u>	<u>5,479</u>

The income from donations and capital grants was £847k (2016: £5,479k) of which £48k was unrestricted (2016: £13k), £nil restricted (2016: £nil) and £799k restricted fixed assets (2016: £5,466k).

4. Funding for Trust's Educational Operations

	Unrestricted Funds	Restricted General Funds	Total 2017	Total 2016
	£000	£000	£000	£000
DfE / ESFA revenue Grants				
- General Annual Grant (GAG)	-	10,260	10,260	8,037
- Start Up Grants	-	385	385	482
- Pupil Premium	-	420	420	128
- Other DfE/ESFA Grants	-	-	-	-
	<u>-</u>	<u>11,065</u>	<u>11,065</u>	<u>8,647</u>
Other Government Grants				
- SEN Grant	-	116	116	120
- VASIS grants	-	856	856	512
	<u>-</u>	<u>972</u>	<u>972</u>	<u>632</u>
Total	<u>-</u>	<u>12,037</u>	<u>12,037</u>	<u>9,279</u>

Funding for the Trust's educational operations was £12,037k (2016: £9,279k) of which £nil was unrestricted (2016: £nil) and £12,037k restricted (2016: £9,279k).

5. Other Trading Activities

	Unrestricted Funds	Restricted General Funds	Total 2017	Total 2016
	£000	£000	£000	£000
Hire of Facilities	20	-	20	18
Trip and Club Income	374	609	983	480
Other Income	35	-	35	65
	<u>429</u>	<u>609</u>	<u>1,038</u>	<u>563</u>

Income from other trading activities was £1,038k (2016: £563k) of which £429k was unrestricted (2016: £195k) and £609k restricted (2016: £368k).

6. Expenditure

	Staff Costs	Premises	Other	Total 2017	Total 2016
	£000	£000	£000	£000	£000
Trust's education operations:					
- Direct costs	7,019	1,247	718	8,984	7,425
- Allocated support costs	2,171	2,190	1,699	6,060	4,514
	<u>9,190</u>	<u>3,437</u>	<u>2,417</u>	<u>15,044</u>	<u>11,939</u>

Net income / (expenditure) for the year includes:

	2017 £000	2016 £000
Depreciation	699	960
Fees payable to auditor - audit	26	39

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

7. Charitable activities – Educational Operations

	Total 2017 £000	Total 2016 £000
Direct costs – educational operations:	8,984	7,425
Support costs – educational operations	6,060	4,514
	15,044	11,939
Analysis of Support Costs		
Support staff costs	2,171	1,532
Depreciation	699	493
Technology costs	243	222
Premises costs	1,491	1,112
Other support costs	1,425	1,105
Governance costs	31	50
Total Support Costs	6,060	4,514

8. Staff

a. Staff Costs

	2017 £000	2016 £000
Wages and salaries	6,889	5,511
Social security costs	693	482
Pension costs	1,369	896
	8,951	6,889
Supply staff costs	239	129
	9,190	7,018

b. Staff Numbers

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

	2017 No.	2016 No.
Teachers	137	110
Administration and support	92	66
Management	6	6
	235	182

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

	2017 No.	2016 No.
£60,001 - £70,000	6	5
£70,001 - £80,000	3	3
£80,001 - £90,000	3	1
£90,001 - £100,000	1	1
£100,001 - £110,000	1	-
£130,001 - £140,000	1	1

c. 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 £659,231 (2016: £598,733).

9. Related Party Transactions - Directors' Remuneration and Expenses

The RET Chief Executive only receives 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. K Lynch (RET Chief Executive and Trustee) was paid £134,884 (2016: £132,998). There are no pension costs to disclose. Other related party transactions involving the directors are set out in note 25.

The following expenses were paid to trustees:

- D Lynch £97
- J McDermott £1,052
- K Lynch £3,751 (all in relation to her role as RET Chief Executive)

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

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 £5m on any one claim and is capped at a total of £5m for all claims in any year. The membership cost for the scheme is £25 per pupil per annum and the Governors and Officers cover is included within this cost.

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 2016	18,830	885	1,786	76	21,577
Additions	241	132	351	-	724
Disposals	-	-	-	-	-
At 31 August 2017	19,071	1,017	2,137	76	22,301
Depreciation					
At 1 September 2016	2,916	349	953	45	4,263
Charged in year	1,247	306	378	15	1,946
Disposals	-	-	-	-	-
At 31 August 2017	4,163	655	1,331	60	6,209
Net book values					
At 31 August 2017	14,908	362	806	16	16,092
At 1 September 2016	15,914	536	833	31	17,314

12. Debtors

	2017 £000	2016 £000
Trade debtors	301	83
VAT recoverable	84	285
Other debtor	5	5
Prepayments and accrued income	759	1,357
	1,149	1,730

13. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	436	1,014
Other taxation and social security	173	137
Pensions	386	271
Other creditors	456	393
Accruals and deferred income	285	3,169
	1,736	4,984

The balance of £456k for Other creditors includes £116k as a result of 2013-14 and 2014-15 Pupil Number Adjustments repayable to the ESFA in 2017-18. These arose out of the failure of the ESFA to effectively manage the capital works for St Andrew the Apostle and King's School. The repayment is in accordance with a repayment plan agreed by the Trust with the ESFA and £76k relates to St Andrew the Apostle and the remaining £40k relates to King's School.

The significant reduction in accruals and deferred income relates to £2.388m of works in relation to the expansion of Bristol Free School's facilities that had been accrued for in 2015-16 with payment settled during 2016-17.

Deferred Income

	2017 £000
Deferred income at 1 September 2016	183
Resources deferred in the year	192
Amounts released from previous years	(183)
Deferred income at 31 August 2017	192

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

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

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

	2017 £000	2016 £000
ESFA creditors	547	663
	547	663

The balance 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 these 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. An agreement has been reached with the ESFA on the repayment of the Pupil Number Adjustment. 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
2018-19	157	45	202
2019-20	110	55	165
2020-21	112	68	180
TOTAL	379	168	547

The 2017-18 repayment of the 2013-14 and 2014-15 PNAs amounted to £75,717 and is detailed in the Creditors due within one year section of this report. A repayment of £81,211 relating to these PNAs was also made by the Trust in 2016-17.

15. Funds

15.1 Analysis of Funds

	Balance at 1 September 2016 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	(1,017)	10,260	(9,913)	74	(596)
Start-up Grant	-	385	(385)	-	-
Pupil Premium	-	420	(420)	-	-
Other DfE/ESFA grants	213	-	(127)	-	86
Pension reserve	(514)	-	(293)	207	(600)
Activities for generating funds	(46)	609	(609)	-	(46)
Local authority grant	-	116	(116)	-	-
Other government grant	-	856	(856)	-	-
	(1,364)	12,646	(12,719)	281	(1,156)
Restricted fixed asset funds					
DfE / ESFA building grants	11,886	604	(1,622)	-	10,868
DfE/ESFA capital grants	74	40	-	-	114
Capital expenditure from GAG	191	-	-	(74)	117
Activities for generating funds	12	155	(164)	-	3
Voluntary Income	5,158	-	(161)	-	4,997
	17,321	799	(1,947)	(74)	16,099
Total restricted funds	15,957	13,445	(14,666)	207	14,943
Unrestricted funds					
General funds	144	477	(378)	-	243
Total unrestricted funds	144	477	(378)	-	243
Total funds	16,101	13,922	(15,044)	207	15,186

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

General Annual Grant

The 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 2017.

Other DfE/ESFA and government grants

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

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

Fixed asset fund

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

Pension reserve

The pension reserve is 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 2017 were as follows:

	2017 £000	2016 £000
Bristol Free School	119	302
RET Schools Central	(146)	(275)
St Andrew the Apostle School	(87)	(317)
King's School	(189)	(351)
Turing House School	(10)	(65)
Total before fixed assets and pension reserve	(313)	(706)
Restricted fixed asset fund	16,099	17,321
Pension reserve	(600)	(514)
Total	15,186	16,101

The deficits on King's School (£189k) and St Andrew the Apostle School (£87k) are as a result of the charging of the Pupil Number Adjustments for the two schools in 2014-15 (see note 14). The adjustments arose following issues with the management of the capital works, which is the responsibility of the ESFA, at the two schools immediately before they opened and continuing into 2014-15. The deficit on the central services fund balance was reduced in 2016-17 and is as a result of the cumulative pressures from opening five free schools in four years. As pupil numbers and therefore income in the schools increases then this deficit will be eliminated.

15.3 Analysis of Academies by Cost

	Teaching and education support £000	Other support staff costs £000	Education supplies £000	Other costs (excluding depreciation) £000	TOTAL £000
Bristol Free School	3,060	529	246	627	4,462
RET Schools Central	45	792	3	586	1,426
St Andrew the Apostle	1,721	395	143	940	3,198
King's School	1,271	333	131	516	2,251
Turing House School	922	122	54	283	1,382
Total before fixed assets and pension reserve	7,019	2,171	577	2,952	12,719

16. Analysis of Net Assets between Funds

Fund balances at 31 August 2017 are represented by:

	Unrestricted funds £000	Restricted general funds £000	Restricted fixed asset funds £000	2017 Total funds £000	2016 Total funds £000
Tangible fixed assets	-	-	16,092	16,092	17,314
Current assets	243	1,727	7	1,977	4,948
Current liabilities	-	(1,736)	-	(1,736)	(4,984)
Non-current liabilities	-	(547)	-	(547)	(663)
Pension scheme liability	-	(600)	-	(600)	(514)
Total net assets	243	(1,156)	16,099	15,186	16,101

17. Capital Commitments

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

18. Commitments under Operating Leases

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

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

	2017 £000	2016 £000
Land and Buildings		
Amounts due within one year	939	516
Amounts due between one and five years	122	142
Amounts due after five years	17	35
TOTAL	1,078	693

The increase in commitments under operating leases is due to the additional temporary accommodation at King's School which will be fully funded by the ESFA. Therefore, there is no net increase in the financial commitments of the Trust.

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

	2017 £000	2016 £000
Net (expenditure) / income	(1,122)	3,382
Depreciation	1,947	1,771
Capital grants from DfE and other capital income	(799)	(5,466)
Defined benefit pension scheme costs less contributions payable	235	80
Defined benefit pension scheme finance cost	58	(16)
Decrease / (increase) in debtors	580	(1,183)
(Decrease) / increase in creditors	(3,364)	3,801
Net cash (used in) / provided by operating activities	(2,465)	2,369

20. Cash Flows from Investing Activities

	2017 £000	2016 £000
Purchase of tangible fixed assets	(724)	(5,773)
Capital grants from DfE/ESFA	644	5,466
Other capital grants	155	
Net cash from / (used in) financing activities	75	(307)

21. Cash Flows from Financing Activities

	2017 £000	2016 £000
Interest received	-	-
Net cash outflow from capital expenditure and financial investment	-	-

22. Analysis of Cash and Cash Equivalents

	2017 £000	2016 £000
Cash in hand and at bank	828	3,218
Total cash and cash equivalents	828	3,218

The cash flow reduction of £2.390m is due to the timing of payments for capital works for Bristol Free School. There was a significant amount of capital work undertaken mainly during 2016-17. The Trust received the capital grant for these works during 2016-17 but these monies had not been paid to the contractor during 2016-17 as the work had not been fully completed. The works were certified, completed and all outstanding invoices were settled during 2017-18.

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

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £386,364 were payable to the schemes at 31 August 2017 (2016 £271,350) and are included within creditors.

1. Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019. The employee contribution rates for the TPS during 2016-17 were between 7.4% and 11.7%.

The pension costs payable to TPS for the period to 31 August 2017 amounted to £827,992.

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

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 2017 was £337,594 of which employee's contributions totalled £93,926 and employer's contributions totalled £243,668. 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.

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

2.a Principal Actuarial Assumptions

	2017 Range		2016 Range	
	From	To	From	To
Rate of increase in salaries - employer specific	2.7%	3.7%	3.2%	4.1%
Rate of increase for pensions in payment / inflation	2.2%	2.7%	1.8%	2.3%
Discount rate for scheme liabilities	2.5%	2.6%	2.0%	2.2%
Inflation assumption (CPI)	2.2%	2.7%	1.8%	2.7%

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:

	2017 Range		2016 Range	
	From	To	From	To
Retiring today				
Males	21.9	24.4	22.1	23.5
Females	24.3	26.0	24.4	26.0
Retiring in 20 years				
Males	23.8	26.7	24.2	25.9
Females	26.3	28.7	26.8	28.9

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

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

	2017 Fair Value £000	2016 Fair Value £000
Gilts	55	59
Equities	465	316
Other Bonds	100	56
Property	58	44
Alternative Assets	96	63
Cash	23	3
Total Market Value of Assets	797	541
Present value of scheme liabilities funded	(1,397)	(1,055)
Deficit in the scheme	(600)	(514)

2.d Amounts Recognised in the Statement of Financial Activities

	2017 £000	2016 £000
Current service cost	432	222
Past service costs	-	-
Net cost	432	222

2.e Movements in Present Benefit Obligations during the Year

	2017 £000	2016 £000
At 1 September	1,055	440
Current service cost	432	222
Employee contributions	70	54
Actuarial gain / loss	(183)	320
Benefits paid	(3)	(2)
Interest on pension liabilities	26	21
At 31 August	1,397	1,055

RUSSELL EDUCATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017

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

	2017 £000	2016 £000
At 1 September		
Expected return on assets	541	281
Actuarial gain / loss	(32)	36
Employer contributions	24	29
Employee contributions	197	145
Assets transferred in	70	54
Benefits paid	-	(2)
At 31 August	<u>(3)</u>	<u>(2)</u>
	<u>797</u>	<u>541</u>

25. Related Party Transactions

During the year £401,046 (2016: £156,417) was paid (at cost) to Education London Limited for school improvement services with no monies owing at year-end for these services.

Education London Limited provided a short term working capital loan of £65k in 2010-11 that is included within other creditors at the 2016-17 year end. Furthermore, £53k (2016: £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.

During the current year financial services to the value of £25,000 (2016: £25,000); core services of £91,615 (2016: £60,631), general support of £147,381 (2016: £96,609), and specific curriculum support services of £30,000 (2016: £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 £234,553 in 2016-17 (2016: £62,552). These additional services were procured by Education London and supplied to RET at cost, and then charged on by RET to Becket Keys at cost.

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.

As described in the Directors' Report, Education London ceased trading activity on 1 September 2017 and therefore in future years all school improvement services will be procured by the Trust directly, This will place an additional burden upon the Trust in terms of organising these services with a range of consultants and providers but unfortunately the cost of these services will not change because Education London always provided these services to Russell Education Trust at cost.

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	2017 £000	2016 £000
Bristol Free School	430	376
St Andrew the Apostle School	290	202
King's School	237	139
Becket Keys School (related trust)	529	275
Turing House School	77	94
Total	<u>1,563</u>	<u>1,086</u>

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 2017

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 2016 to 2017, 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 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to 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 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy 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 2017 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 LLP
Chartered Accountants
Reporting Accountant

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

20 December 2017