

Company Registration No. 07611347 (England and Wales)

THE MERCIAN TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2017



THE MERCIAN TRUST

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THE MERCIAN TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members

(As appointed by The Queen Mary's
Schools' Foundation)

Vivian Fairbank
Philip Sturrock MBE
John Vallance
John Punch
Rebecca Hearsey
Susan Blakemore
June Aubrook
Peter Stretton
William Stephens

Governors

Foundation Governors

Philip Sturrock MBE (Chairman)
Jane Bonner
Melanie Crooks (Resigned 25 September 2017)
John Vallance
John Wood (Resigned 13 February 2017)
James Wolffsohn (Resigned 31 August 2017)
Jaswinder Dhillon
Paul Lee
Neil Moseley
Timothy Lawrence
Ashvin Patel
Karen Reid

Staff Governors

Timothy Swain (Headmaster)
Kevin Parker
Alexander Hudson

Parent Governors

Jonathan Pepper (Resigned 27 September 2017)
Richard Kirk

During the year Messrs Swain, Patel, Lee, Moseley, Hudson and Kirk, and Ms Crooks were members of the Business committee. Messrs Swain, Vallance, Wolffsohn, Parker, Lawrence and Dr Dhillon, Mrs Bonner and Mrs Reid were members of the Pastoral and Curriculum committee.

Senior leadership team

- Headmaster	Timothy Swain
- Finance and Business Director	Philip Lines
- Head of School	Richard Langton
- Assistant Head	Michael Lax
- Assistant Head	Ram Saran
- Assistant Head	Rebecca Roberts-Gawen

Secretary and Clerk

Charles Underwood

Company registration number

07611347 (England and Wales)

THE MERCIAN TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Principal address Queen Mary's Grammar School
Sutton Road
Walsall
West Midlands
WS1 2PG

Registered office 26 Birmingham Road
Walsall
West Midlands
WS1 2LZ

Independent auditor Whitehouse Ridsdale
26 Birmingham Road
Walsall
West Midlands
WS1 2LZ

Bankers Lloyds Bank plc
The Bridge
Walsall
West Midlands
WS1 1LU

THE MERCIAN TRUST

GOVERNORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees present their annual report together with the audited financial statements and auditor's report of the trust for the period from 1st September 2016 to 31st August 2017.

The annual report serves the purposes of both a trustees' report and a directors' report under company law. The Trustees are sometimes also referred to in this annual report as "the Governors".

The Trust operated in the period from 1 September 2016 to 31 August 2017 as Queen Mary's Grammar School, and is also referred to as "the School" in this report. The School is a selective school academy, based in Walsall, for pupils aged 11 to 19. The School has 1011 (2016: 938) pupils on roll. The School has expanded in recent years, in line with changes in both the published admissions number (PAN) for 11-16 and the number of 16-19 students.

In preparation for forming a multi academy trust ("the MAT"), the trust changed its name from "Queen Mary's Grammar School (Walsall)" to "The Mercian Trust" on 6th July 2017.

Preparations for The MAT are in the final stages, and the MAT is expected to be formed early in 2018. Initially there will be five founding schools within the MAT as follows:

- Aldridge School
- Queen Mary's Grammar School
- Queen Mary's High School
- Shire Oak Academy
- Walsall Studio School

Outside the classroom, the School offers a range of life-enriching opportunities: time at a Field Centre in Wales; membership of one of, if not the, largest state school Combined Cadet Forces in the UK; individual and team sports; foreign exchanges and travel; participation in music, drama and many other activities. The School aims to prepare pupils to live life to the full.

Structure, governance and management

Constitution

The Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Trust. The charitable company was incorporated on 20 April 2011 and began operating as an academy trust on 1 June 2011.

The Trust has nine members who are appointed by the Queen Mary's Schools' Foundation ("the Foundation"), a charitable organisation (number 529001), founded to support three schools in Walsall: Queen Mary's Grammar School; Queen Mary's High School and Mayfield Preparatory School.

The Governors of the School act as trustees for the charitable activities of the Trust and are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Mercian Trust.

Details of the Governors who served throughout the period, except as noted, are included in the reference and administrative details on page 1.

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £1, for the debts and liabilities contracted before they ceased to be a member.

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GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Governors' indemnities

Since incorporation and until 31st March 2015, the Governors have been indemnified through a policy with Ecclesiastical Insurance Company as to their legal liability for financial loss arising out of negligence, accidental error or omission as part of their official duties. From 1st April 2015 the Governors agreed to join the Academies' Risk Protection Arrangement (RPA), a Government backed compensation scheme offered by the Education & Skills Funding Agency (ESFA) to Academies. The Governors elected to join the RPA after considering the level of compensation offered as well as the scheme's value for money.

Method of recruitment and appointment or election of governors

The Board of Trustees consists of the Headmaster (who is appointed ex officio), two staff governors, two parent governors and ten governors who are appointed by the Foundation.

Staff governors are elected by the paid members of staff employed by the School; the Clerk to The Governors conducts the process, inviting nominations. If there are more nominations than vacancies, the Clerk conducts a ballot of the staff and the person is appointed by a simple majority.

The parent governors are elected by the parents of all pupils currently on the School roll. The Clerk to The Governors conducts the process, inviting nominations proposed and seconded by two parents of the pupils on the roll. If there are more nominations than vacancies, the Clerk conducts a ballot of all parents of pupils currently on the roll, and the person is appointed by a simple majority. There is currently a vacancy for one parent governor.

The Foundation is a charitable organisation with a board of trustees comprising governors from all three schools in the Foundation (Queen Mary's Grammar School, Queen Mary's High School and Mayfield Preparatory School), and additional trustees with connections to the schools although not employed by them. The Foundation has overall responsibility for appointing Foundation governors, after nominations from the School or of its own volition. In appointing, the Foundation will give consideration to the skills mix of the Governors and to preserve the character of the School as a selective grammar school.

Policies and procedures adopted for the induction and training of governors

The Clerk to the Governors is responsible for inducting new governors, and supplies them with an Induction Pack including details of the Board of Trustees, the previous Minutes, the School Improvement Plan, and details of how to obtain further information about governor responsibility (e.g., the National Governance Association and Gov.uk websites) and details of responsibilities and duties. In addition, new governors are invited to a briefing session with senior leaders at the School.

Training continues throughout the academic year, with many meetings of the Governors and the Committees having training on the agenda. Areas covered have included for example: safeguarding, data management, e-safety and governors' roles in Ofsted inspections. Governors also have the opportunity to attend formal governor training sessions held by Walsall Local Authority, as well as access to the Walsall Association of Governors. In addition, the Governors have access to material from the National Governors' Association ("NGA") and have attended local conferences run by the NGA.

Organisational Structure

The Board of Trustees operated with two principal sub-committees: The Business (Finance & Property) and the Pastoral & Curriculum Committee. The Business Committee assumed the role of the Audit Committee. Other sub-committees dealt with specific issues (Admissions, Pay etc.) as required. The Governors also established Committees with a remit to deal with Staffing, Pupil Discipline and appeals from these, and also a Panel to deal with Complaints that could not be resolved internally. The Clerk had a remit to convene these Committees when required from eligible governors.

Responsibility for day to day leadership and management of the School was devolved to the Headmaster and the Senior Leadership Team (SLT). During the year, the SLT comprised the Headmaster, a Deputy Head, a Finance & Business Director and three Assistant Heads. During the course of the year, the Deputy Head was appointed to be Head of School (from 01 November 2016) and after the year end one of the Assistant Heads was appointed to be

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GOVERNORS' REPORT (CONTINUED)

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Interim Deputy Head. This was to enable the Headmaster and the Finance & Business Director to take up shadow positions as Chief Executive Officer and Chief Finance Officer of the planned MAT. In line with ESFA guidance the Headmaster (and CEO Designate) remained the School's Accounting Officer.

The SLT meets regularly (usually twice a week) to discuss all aspects of the School. From these meetings come recommendations for action which are considered by the relevant sub-committee and the Governors. Where a course of action required significant expenditure (capital projects, staffing), they refer any decision through the Business Committee to the Governors for authorisation.

During the year, new structures were established in parallel to the arrangements described above; this was intended to allow a smooth transition to functioning as a MAT. A Shadow Board of Trustees for the new MAT was established in readiness.

The Foundation employs a Clerk, who has a legal background and acts as Clerk to the Governors.

Related Parties and other Connected Charities and Organisations

The Clerk to the Governors maintains a register of Business Interests, including details of related parties, so as to identify potential conflicts of interest, if any. In the unlikely event of a potential conflict of interest, this enables the Governors to manage the matter in the most appropriate way. In addition, all agendas for meetings (including Committee meetings) have "Declarations of Interest" as a standing item.

The Foundation holds on trust, as a perpetual endowment, funds donated and investments made over the years since the founding of the School by the letters patent of Queen Mary in 1554, and subsequently the founding of Queen Mary's High School (for girls) and Mayfield Preparatory School. The endowment is used:

- To provide the School with benefits including funding of any kind as may be agreed from time to time between the governing bodies of the Foundation and the School
- To promote the education of pupils at the School who may be in need of financial support

The level of support has varied from year to year depending on the School's requirements. Three of the nine Foundation Trustees are governors of the School, and as well as having no overall control of the Foundation, they are bound by Charity and Trust Law to act in the interests of the School and the Foundation independently.

The Foundation owns the freehold land on which the School's site is based, which is let on a peppercorn rental to the School under a 125 year lease. Separate areas of the playing fields are leased to the School by the Foundation under a 10 year lease also at a peppercorn rent.

The School relies on, and is very grateful for, the goodwill and support of parents of pupils at the School, as well as alumni and their families. This support is provided respectively by the Queen Mary's Association and the Queen Mary's Club, and the Old Boys' Scholarship Fund, who donate funds from their fund raising activities to support the School.

Under the constitution of the School, the Board of Trustees includes three governors who are employed as staff at the school. The Headmaster is appointed "ex officio", while two staff governors are elected. These staff governors are not paid for their roles as governors, but as employees of the School under the normal terms and conditions applicable to teaching and non-teaching staff.

Other than this the Governors receive no payment for their services, but may in limited circumstances be reimbursed for out of pocket expenses incurred wholly and exclusively on behalf of the School's business.

Recruitment of staff who may be connected to the Governors is conducted in accordance with the School's recruitment policies and procedures and with the connected governor having no vote or influence over such appointment.

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GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Objectives and activities

Objects and aims

The objectives of the School are to support its pupils to:

- achieve their full academic potential and the examination success that will open doors to the very best Higher Education Institutions and international employers
- enrich their lives with a wide range of activities and experiences
- share the riches of their diversity and privileges with others

Strategy, Objectives and activities

The annual School Improvement Plan ("SIP") is based primarily on the framework modelled by Ofsted.

The SIP also looks for its inspiration to our Four Pillars, our Pastoral Charter and our School Motto.

The Four Pillars of our School are that we are:

- Academic in purpose
- International in Outlook
- Enterprising in Spirit
- Generous in Approach

Our work in these areas is to prepare our students to live life to the full.

Our Pastoral Charter states what we hold to be true:

- Human dignity matters
- Justice is an absolute priority
- Serving others is part of the School's DNA
- A sense of Community holds everything together
- Inclusion & diversity are fundamental principles
- Our approach must be holistic: what we do must be informed by who we are
- Generosity is the key to our motto: it often means getting your hands dirty
- Supporting others means we have to step out of our comfort zone
- There is always hope

Our work in this area is to build a community characterised by hope so that our pupils will make a positive contribution to the area in which they live and beyond.

Our School Motto – *Quas dederis solas semper habebis opes* – translates roughly to 'what you give will remain as your eternal riches'. In a culture which seems increasingly to favour self-serving attitudes, we aim to be counter-cultural, instilling a spirit of service in our pupils so that they can take their place as UK citizens.

The key objectives set out in the annual report of the Governors for the year ended 31 August 2017 were:

- To establish new structures for The Mercian Trust and to consolidate relationships and working partnerships between the five Founding Schools
 - To ensure effective succession planning for the leadership of QMGs and investigate MAT wide solutions for staffing challenges
 - To raise the School's profile as a Hub for the national Mandarin Excellence Programme
 - To revise admissions arrangements in order to promote social mobility and increase the life chances of disadvantaged children in the Borough of Walsall and beyond
 - To support the work of The Queen Mary's Club, The Old Boys' Scholarship Fund and The Foundation to make best use of the Field Centre in Wales
 - To achieve over 75% A*-B at A Level and over 80% A*/A (7-9) grades at GCSE
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GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

- To increase the size of the school to over 1000 and to ensure facilities are in place to accommodate this number of pupils
- To embed the teaching of new curricula and refine systems for assessment in line with national policies
- To develop a full programme to address the issue of mental health and wellbeing for pupils, staff and the wider community
- To provide outstanding enrichment opportunities, including international links
- To promote three strands of mentoring within the school

Commentary on the achievement of the above objectives and also other activities during the year is discussed under the achievements and performance section of this Strategic Report.

Public benefit

The School is mindful of the guidance on public benefit issued by the Charity Commission, and the requirements to comply with current legislation. The Governors are committed to ensuring access to the School of all candidates of whatever background through an entrance examination designed to assess candidates' ability. The School will continue to provide education to children and young people that:

- Is balanced and broadly based;
- Provides the spiritual, moral, cultural, mental and physical development of students at the School;
- Prepares students for the opportunities, responsibilities and experiences of later life;
- Promotes, sustains and increases individual and collective knowledge and understanding of specific areas of study, skills and expertise
- Works in partnership with others in order to share enthusiasm, experience and expertise as widely as possible in the Borough and beyond, not least to promote social mobility among disadvantaged children.

Strategic Report

Achievements and performance

At the time of writing, there are 1011 students in the School – an increase of 73 pupils on the previous year.

In the summer examinations of 2017, both A Level and GCSE cohorts achieved results that compared favourably with some of the best schools in the country.

At A Level, results were broadly in line with our (high) expectations of the cohort:

- 72% of grades at A* / A / B
- 99.8% pass rate
- 24 candidates scored three grade As or better
- 7 students achieved 4 A*/A grades
- 13 students secured places at Oxbridge and medical or dental schools
- 62% of students gained a place at either their first choice or at a "Russell Group" university

At GCSE, the results maintained last year's achievement of outstanding performance for Attainment 8 and improved on our Progress 8 record:

- 74% of all grades were A*/A or 7 to 9 (on the new scale)
- 100% of our pupils achieved A*-C or 4 to 9 in at least 5 subjects
- 61 pupils (2/3 of the cohort) scored A*/A in at least 6 legacy subjects
- 64 pupils scored 7 to 9 grades in both Maths and English
- 20 pupils scored A*/A or 7 to 9 in all of their subjects
- The attainment 8 average was 75.2 (up from 72.6 in 2016)
- The Progress 8 score was +0.69
- 92% of the Year 11 students continued into the Sixth Form

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GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Key Performance Indicators (KPIs)

The School has a very strong record in exam success which is borne out by the academic KPIs in the preceding paragraph.

Whilst difficult to measure in KPIs, the School aims to provide a broad education not just academic results, encouraging extra-curricular activities in the form of sports, clubs, UK and overseas trips, work experience opportunities, enterprise, community and family based activities.

The School takes pride in the fact that it is more than just a School. It is a flourishing community incorporating alumni, parents, clubs and associations, friends of the school and of course staff and the pupils.

The Governors monitor a number of KPIs which affect financial performance, namely:

- Government funding streams and other income levels
- Pupil numbers – both for 11-16 and also 16-19 (Sixth Form)
- Staff numbers compared to income
- Revenue surpluses
- Capital projects

The Governors also monitor carefully the progress made each year on the School Improvement Plan.

Highlights from 2016-17 included:

- Substantial progress was made during the year to create the proposed MAT. The proposed five founding schools have effectively been operating as a multi academy trust in a number of key areas including: sixth form curricula provision, continuous professional development programmes for staff, peer to peer support, and financial management and procurement.
- Since the year end, The Department for Education has approved the relevant legal documents and it is expected the MAT will be formed early in 2018. This will create a substantial multi academy trust, with five schools in the Walsall area, catering for over 5,000 students. This will position the MAT strongly for future development.
- The School continues to contribute to the development of mandarin across the UK through its participation in the Mandarin Excellence Programme (MEP). We have recruited a further school to join the MEP network and are acting as a hub to a second spoke school
- Major building projects were completed including a heating project and safeguarding/security enhancements. A project to replace the roof for the main hall, library and other classrooms was substantially complete at 31 August 2017 and a project to provide additional classrooms and a third storey on the Science Block for school expansion is in advanced stages of planning
- An exceptional programme of visits and foreign travel took place, including trips to China, Belgium, Spain, Borneo and Canada.
- The School's work in raising aspirations for disadvantaged pupils and encouraging cross cultural integration was furthered by our ambitious music project. This involves teaching a classical wind instrument to every member of Year 7. The scheme was extended to Queen Mary's High School, resulting in 270 pupils gaining sustained experience in practical music. This also resulted in a memorable joint concert between the two schools.
- An outstanding programme of fund-raising community events organised by the Queen Mary's Association (Parents' Association)
- The fifth year of Project Horizon: an ambitious scheme to launch a probe in to near space. This attracted continued national interest.
- A highly successful round of recruitment in to both Year 7 (with an increased PAN of 150) and in Year 12. The School is now bigger than at any time in its history
- Participation in the International Cadet programmes through the Combined Cadet Force
- All of the above was complemented by a hugely impressive range of enrichment activities at the Farchynys field centre, as well as through the CCF, Sport, Music, Drama and Clubs & Societies. A new framework has been established to allow more efficient management of the field centre in Wales, from which the School benefits. Other schools in the proposed MAT are also able to benefit from this.

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GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

- Our programme to support Mental Health and wellbeing was recognised by the Speaker of the House of Commons (we were runners-up in a national competition) and the School was congratulated in the House of Commons by both our local MP and the Leader of the House.
- All of the above activities demonstrate the School's commitment to addressing key educational priorities including social mobility, inclusion, integration as well as developing character and confidence for students to succeed as citizens of the UK

Going concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the School 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 Statement of Accounting Policies.

Financial Review

Most of the School's income comprises the General Annual Grant (GAG) from the DfE, which is restricted in use in furthering the objects of the Trust. GAG and the associated expenditure are therefore shown as restricted general funds in the Statement of Financial Activities.

On conversion to academy status, the surplus and all fixed assets of the former Queen Mary's Grammar School (a Voluntary Aided selective school) were transferred on 1 June 2011. These were shown as a transfer on conversion and have been included in the restricted fixed asset fund.

During the year the School received capital grants from public funds including the Academies Condition Improvement Fund (CIF), and Devolved Formula Capital grant. This included funding for the completion of a heating project which commenced in 2016, a safeguarding and security project and a new roofing project. In addition the School was successful in obtaining a funding commitment from the ESFA for an expansion project to provide additional science laboratories and classrooms. Funding will be received in 2018, with building work expected to commence in the summer of 2018.

The restricted fixed asset fund increased as a result of income for projects funded by the above capital funds. For accounting purposes the majority of the costs, by their nature, were regarded as repair and replacement, and therefore treated as maintenance costs (not capital additions). A corresponding transfer has been reflected between the fixed asset reserve fund and the restricted general fund. Fixed asset additions included equipment purchased for a safeguarding/security enhancement project, for which funding was received in the previous financial year in advance of the project.

In 2012, the Governors recognised the School would be adversely affected by changes in education funding. The impact was shown in a long term plan and as a result it was agreed to increase the School's PAN to offset the expected reductions in funding. In the year ended 31 August 2017, additional funding from the increased PAN and higher 16-19 student numbers more than offset reduced funding levels.

The Statement of Financial Activities showed an overall net deficit of £725,812 (2016: surplus of £1,977). This was after charging depreciation of £494,724 and an actuarial pension experience loss of £270,000.

The combined General Restricted and Unrestricted Funds before actuarial losses showed a net surplus of £49,968 in the 12 months ended 31 August 2017 (2016: net surplus of £61,273).

A review of the valuation of the LGPS pension plan has been carried out by actuaries, Barnett Waddingham. The deficit of plan liabilities compared to plan assets has increased to £1,970,000 (2016: £1,615,000). The actuarial experience loss for the year on the Local Government Pension Scheme was £270,000 (2016: £518,000). This significant loss was mainly due to the lower discount rate used to value pension liabilities, reflecting current expectations for long term current economic conditions.

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GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Reserves policy

At 31 August 2017, restricted reserves were £651,642 (2016: £554,158). Unrestricted reserves were £118,329 (2016: £80,845). Taking into consideration future funding trends, recent increases in pensions and national insurance costs, and a commitment to contribute towards the expansion project for new classrooms and science laboratories, the Governors believe the above levels of reserves are appropriate to protect the School's current and future financial position.

Furthermore they consider the reserves are adequate to provide sufficient working capital for the School to continue to operate within its financial resources, and to cover unexpected urgent work.

Investment policy

The Board of Trustees is responsible for setting investment policy. The day to day responsibility for managing this function is delegated to the School's Finance & Business Director. In the current economic climate of reducing income, with low interest rates, and in view of the major capital projects undertaken by the school, funds were held in the School's current account at year end.

Principal risks and uncertainties

Risk Management

The School has a duty to identify and review significant risks and to ensure that there are adequate controls over these risks to provide reasonable assurance to the Governors that risks are being managed and mitigated. The Governors have assessed the main areas of risk which the School faces and these are documented in the risk register. The main headings in the register are:

- Strategic and reputational issues
- Operational matters
- Compliance with legislation
- Financial risks

The Governors have overall responsibility for risk management, and choose to delegate management of these matters to the relevant Committee and in turn to senior management of the School.

Policies and management systems have been put into place to cover all the main aspects of these areas of risk. The key areas identified include:

- Performance and achievement
- Reputation as a high performing school
- Safeguarding and child protection
- Funding and long term viability
- Compliance with health & safety
- Management, recruitment and retention of staff
- Fraud, misuse of funds and safekeeping of assets

Performance and achievement

This is critical to the School's success. The Governors oversee the preparation of a School Improvement Plan, which sets the objectives for the short and longer term. Objectives set are specific, measurable, attainable, relevant and timely. These are constantly monitored and re-evaluated to ensure continuing relevance. The School's management also operates regular review of the quality of teaching and learning and makes regular progress checks on achievement of pupils.

The School's reputation

This is also critical as it enables the School to attract high performing pupils in Years 7 and 12, the main years for recruitment of students. The Governors are mindful to ensure that performance and achievement (as above) play

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GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

a part in this. However they are aware that the School's public perception depends on many other aspects. These include:

- pupil and staff behaviour, for which the School's policies are key to managing this risk
- publicity which is closely monitored by the Headmaster and the Governors
- suitability of partnerships with other organisations which are closely monitored by the Governors

Safeguarding and child protection

The Governors continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline. The School's Designated Safeguarding Officer is responsible for:

- ensuring there are adequate systems in place for identifying and reporting on pupil welfare and safety
- liaising with authorities to ensure the School fulfils its obligations for dealing with serious incidents
- planning, coordinating and organising training for staff and pupils on safeguarding matters
- ensuring that parents are fully informed of arrangements (and of their own responsibilities) through the Home School Agreement, which was thoroughly reviewed and revised in 2016-17

Funding and long term viability

The School is heavily reliant on Government funding with just over 80% of total revenue coming from public grants. Other income comes from a variety of sources such as catering, educational trips, materials for pupils and lettings.

The School has already experienced reductions in certain elements of grant funding and in basic per pupil funding, as well as increased pay related costs from pensions and national insurance. Further reductions in grant funding in real terms are also anticipated in both 11-16 and 16-19 education in the future.

The School's financial objectives are to manage its affairs to support the achievement of the overall strategic objectives as set out in the School's Improvement and the Governors' long term strategic plans. This covers both short-term and long term planning, managing revenues, costs, assets, liabilities, opportunities and risks to ensure the School remains in a good financial position to deliver its planned activities.

The risk from the reductions in basic per pupil funding at the same time as increasing costs over which the School has no control, has been and continues to be mitigated in several ways:

- Student numbers remain the key driver and the Governors have already increased the Published Admission Number (PAN) for 11-16 from 96 in September 2012 to 150 for September 2016. As the School is heavily oversubscribed this increases funding
- Although the number of pupils attending at age 16 – 19 can vary year on year, the total number of students has increased by over 50% since September 2012 to 341 in September 2017. The Governors continue to work hard to promote the School to attract new pupils to increase student numbers in the Sixth Form
- The Governors have been successful in attracting capital funding which improved the School's facilities, thus supporting recruitment and they will continue to seek new capital funds to increase pupil numbers
- The Governors are seeking to increase other revenues to reduce the impact of lower grant funding

In addition to seeking additional revenues, there is a focus on managing costs to achieve savings where possible without impacting on the effectiveness of provision of education. Where necessary the Governors will approve investment. Costs have fallen due to a previous investment in more energy efficient boilers, and other investments in bulk copiers and printing resources were made to reduce operational costs. In addition goods and services are procured in accordance with the Governors' tendering policy to ensure best overall value for money. The School's energy contracts were tendered in 2016 and as result the School has been able to benefit from historically low gas prices by entering into a three year contract.

Spend is very closely monitored against budgets to ensure adequate control of costs.

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GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Compliance with Health & Safety

Governors and staff are keenly aware of their responsibilities to ensure that the School provides a safe and comfortable place in which to study and work. The School has a robust set of Health & Safety Procedures, and has regular meetings involving governors, the Senior Leadership Team, staff and pupils. Expert external advice is provided through three independent audits, focusing on different areas, on an annual basis.

Management, retention and recruitment of staff

The success of the School is reliant on the quality of its staff and so the Governors monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning. The Governors oversee the management of the School's appraisal system which assesses staff performance and is linked to pay. The Governors appoint an independent committee to review performance and pay for the Headmaster/Senior Leadership Team (SLT). The Chair of Governors and the Headmaster are responsible for managing change and communication/dissemination of information to staff. Senior staff and governors are trained in safeguarding training for recruitment of new staff.

Fraud, misuse of funds and safekeeping of assets

The School has a qualified Finance & Business Director, responsible for managing finances. The Governors have agreed a programme of additional work with the auditors to review internal controls and processes as recommended by the Academies' Financial Handbook. This audit work includes ensuring that the School's financial policies are adhered to and reports are prepared for the Business Committee. The Governors are mindful of the negative publicity of instances of irregularities in a small number of other unconnected academies which has been reported in the press. They are therefore robust in setting internal controls, are diligent in setting the School's budget and monitor performance, revenue and expenditure closely.

The Governors also ensure that the School maintains insurance cover, including using the RPA scheme and are advised by an independent broker and covering the main aspects of the School's operations and assets.

Plans for future periods

The key objectives for the forthcoming year for the trust are most significantly focused on the establishment of the MAT. These include to:

- Firmly establish The MAT (including structures and governance)
- Facilitate convergence into one strong vision and culture for staff and students across the MAT, while still recognising the strengths of individual schools and students
- To work in collaboration with head teachers and Local Governing Bodies to ensure successful completion of all individual school improvement plans for 2017-18
- To secure a Progress 8 measure score across the MAT (excluding studio schools) equal to or better than 0.0, which will represent a significant improvement for two of the founding schools
- Prepare to open a new Alternative Provision Free School on the Shannon Mill Site by September 2018 – The Ladder School, which is already in pre-opening phase
- To expand the MAT by bringing in new schools (including expansion into the Primary Sector)
- To set up structures and personnel to allow for effective and efficient MAT Central Services
- To develop a high quality Professional Development Programme for aspiring Middle and Senior Leaders
- To secure a broad, balanced and cost-effective curriculum offer across the MAT for post 16 students
- To embed the success of the Mandarin Excellence Programme and secure further expansion of this programme across the MAT
- To secure regular use of the Welsh field centre by at least three MAT schools so as to encourage student development
- To complete the capital project to expand the Queen Mary's Grammar School site with additional classrooms and science labs to accommodate growth

THE MERCIAN TRUST

GOVERNORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Funds held as custodian trustee on behalf of others

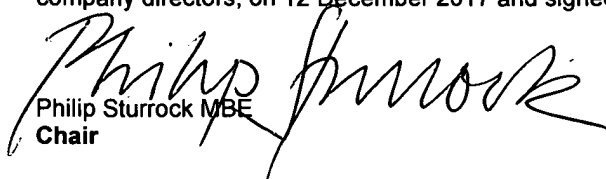
During the year ended 31st August 2017, the School did not hold any funds as custodian trustee on behalf of any other charitable organisation.

Auditor

In so far as the Governors are aware:

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

This Governors' report, incorporating a strategic report, approved by order of the Board of Trustees, as the company directors, on 12 December 2017 and signed on the Trustees' behalf by:


Philip Sturrock MBE
Chair

THE MERCIAN TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2017

Scope of responsibility

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

The Trustees have delegated the day-to-day responsibility to the Headmaster, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Mercian Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. Below are the statistics for attendance at meetings in the relevant period. Some Trustees will sit on many committees, and it is considered that attendance and contribution to the governance of the Trust is in order.

Full Governing Body

	Meetings attended	Out of a possible
Governor		
Philip Sturrock MBE (Chairman)	5	5
Timothy Swain (Headmaster)	5	5
Ashvin Patel	4	5
Jane Bonner	4	5
Melanie Crooks	5	5
John Vallance	5	5
James Wolffsohn	4	5
Kevin Parker	4	5
John Wood	1	2
Jaswinder Dhillon	3	5
Jonathan Pepper	2	5
Paul Lee	5	5
Karen Reid	4	5
Neil Moseley	4	5
Timothy Lawrence	4	5
Alexander Hudson	5	5
Richard Kirk	3	5

	Meetings attended	Out of a possible
Business Committee		
Timothy Swain (Headmaster)	3	3
Paul Lee	3	3
Melanie Crooks	3	3
Ashvin Patel	2	3
Neil Moseley	3	3
Alexander Hudson	3	3
Richard Kirk	3	3

THE MERCIAN TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Governance reviews

A full review of governance was conducted in the preceding year, and no weaknesses in the governing body were identified.

The Board of Trustees (also referred to as "the Governing Body") met in the summer term 2017 not only to conduct formal business but also to undertake a strategic review of the school, including the role and impact of the Governing Body. In view of the impending conversion of the school into part of the MAT and an inevitable overhaul of the Governing Body and its responsibilities, it was not considered appropriate to undertake a more formal (or external) review of governance, which was already considered strong. There were no substantial changes to the constitution of the Board of Trustees during the year.

Review of value for money

As accounting officer the Headmaster has responsibility for ensuring that the School 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 School's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer has delivered improved value for money during the year by:

- Managing the School's finances within a very tightly controlled budget, whilst not affecting the overall delivery of high quality teaching and learning or reducing extra-curricular activities
- Maintaining tight control over staff resources and curriculum offering to ensure the School is operating an efficient workforce and making the best use of limited funding resources. This included working jointly with Walsall Studio School and Queen Mary's High School to recruit in partnership and share resources to operate cost effectively and working alongside Aldridge School and Shire Oak Academy as partners forming the multi academy trust.
- This has included reviewing energy arrangements, biometric systems, insurances, etc to purchase more efficiently as a collective group, as well as working on joint programmes for 16-19 students, CPD and so on
- Benchmarking against similar schools to identify further improvements where possible
- Promoting the School and ensuring parents and pupils recognise the quality added value offering of the School to continue to attract pupils into Years 7 and 12 in a highly competitive local market place
- Procure educational resources in bulk orders to maximize discounts and where appropriate use public procurement networks such as ESPO to benefit from competitive frameworks
- Working collectively with Queen Mary's High School and three other schools and an exam board to secure a significant reduction in the costs of operating a combined entrance examination for pupils entering grammar schools in the area

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of School policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Mercian Trust for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and accounts.

THE MERCIAN TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Capacity to handle risk

The Trustees have reviewed the key risks to which the School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. They are of the view that there is a formal ongoing process for identifying, evaluating and managing the School's significant risks that has been in place for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Trustees.

The risk and control framework

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

- Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- Regular reviews by the Business Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- Setting targets to measure financial and other performance;
- Clearly defined purchasing (asset purchase or capital investment) guidelines;
- Delegation of authority and segregation of duties;
- Identification and management of risks.

The Governing Body has reviewed the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed a qualified accountant as Finance & Business Director to oversee the day to day management of the finance function and have instructed Whitehouse Ridsdale, the external auditor, to perform additional checks on a termly basis. This role includes giving advice on financial matters and performing a range of checks on the School's financial systems. On a termly basis reports are made to the Business Committee on the operation of systems and control and on the discharge of the Governing Body's financial responsibilities. The Business Committee considers these reports and acts on any recommendations and reports findings back to the governing body.

In the year under review, Whitehouse Ridsdale reported in accordance with the agreed schedule. No material issues arose from the checks. The areas tested included:

- Payroll procedures and controls;
- Purchasing procedures including tendering, authorisation and payment;
- General financial procedures and compliance with agreed policies and controls;
- Management of large capital programmes and other significant contracts;
- Recording and completeness of income;
- Regularity issues, including register of interests and governance;
- IT systems and controls, including online payments.

Review of effectiveness

As accounting officer, the Headmaster has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- The work of the SLT, the Finance & Business Director and the Finance Officer in the School who have responsibility for development and maintenance of the internal control framework
- The periodic reviews by the School's external auditors
- The financial management and governance self-assessment process
- The work of the School's external auditors in connection with their audit of the annual report and financial statements and in management letters / other reports to the Business Committee

THE MERCIAN TRUST

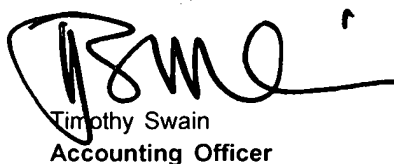
GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

During the year to 31st August 2017, the accounting officer was advised of the implications of the result of their review of the system of internal control by the Business Committee, which carries out the role of an Audit Committee, and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Trustees on 12 December 2017 and signed on its behalf by:


Philip Sturrock MBE
Chair


Timothy Swain
Accounting Officer

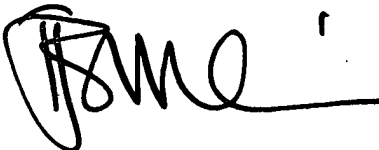
THE MERCIAN TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2017

As accounting officer of The Mercian Trust I have considered my responsibility to notify the School board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the School and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the School's Board of Trustees are able to identify any material irregular or improper use of funds by the School, or material non-compliance with the terms and conditions of funding under the School'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.



Timothy Swain
Accounting Officer

12 December 2017

THE MERCIAN TRUST

STATEMENT OF GOVERNORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2017

The Governors (who act as trustees for The Mercian Trust and are also the directors of The Mercian Trust for the purposes of company law) are responsible for preparing the Governors' Report and the accounts in accordance with the Annual Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Governors to prepare accounts for each financial year. Under company law the Governors must not approve the accounts 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 accounts, the Governors 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring that grants received from ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the Board of Trustees on 12 December 2017 and signed on its behalf by:



Philip Sturrock MBE
Chair

THE MERCIAN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MERCIAN TRUST

Opinion

We have audited the accounts of The Mercian Trust for the year ended 31 August 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the accounts, 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 the accounts:

- 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 accounts' section of our report. We are independent of the School in accordance with the ethical requirements that are relevant to our audit of the accounts 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 Governors' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the Governors have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the School'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 accounts are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the accounts and our auditor's report thereon. The Governors are responsible for the other information. Our opinion on the accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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 our audit:

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

THE MERCIAN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MERCIAN TRUST (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of Governors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act. 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 auditors' 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Phillips (Senior Statutory Auditor)
for and on behalf of Whitehouse Ridsdale

12 December 2017

Chartered Accountants
Statutory Auditor

26 Birmingham Road
Walsall
West Midlands
WS1 2LZ

THE MERCIAN TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE MERCIAN TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 27 September 2016 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 The Mercian 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 The Mercian Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the The Mercian Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Mercian Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Mercian Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Mercian Trust's funding agreement with the Secretary of State for Education dated 27 May 2011 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 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 School's income and expenditure.

The work undertaken to draw to our conclusion includes:

- understanding the basis on which the School's Accounting Officer has made his Statement on Regularity, Propriety and Compliance on page 18
- obtaining specific written representations from the School's Accounting Officer to confirm that to the best of his knowledge there have been no irregular transactions
- considering (based on our understanding of the School's internal controls) the risk of irregular transactions occurring
- conducting detailed substantive procedures on samples of costs as we considered to be appropriate

THE MERCIAN TRUST

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2016 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.



Reporting Accountant
Whitehouse Ridsdale
26 Birmingham Road
Walsall
West Midlands
WS1 2LZ

Dated: 12 December 2017

THE MERCIAN TRUST

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	Unrestricted Funds £	Restricted funds: General Fixed asset £ £		Total 2017 £	Total 2016 £
Income from:						
Donations and capital grants	2	-	56,177	216,690	272,867	2,147,378
Charitable activities:						
- Funding for educational operations	3	333,411	4,857,011	-	5,190,422	4,139,413
Other trading activities	4	44,066	-	-	44,066	716,900
Investments	5	-	2,543	-	2,543	6,947
Total income		<u>377,477</u>	<u>4,915,731</u>	<u>216,690</u>	<u>5,509,898</u>	<u>7,010,638</u>
Expenditure on:						
Raising funds	6	33,486	4,224	-	37,710	632,461
Charitable activities:						
- Educational operations	7	306,507	5,126,769	494,724	5,928,000	5,858,200
Total expenditure	8	<u>339,993</u>	<u>5,130,993</u>	<u>494,724</u>	<u>5,965,710</u>	<u>6,490,661</u>
Net income/(expenditure)		37,484	(215,262)	(278,034)	(455,812)	519,977
Transfers between funds	18	-	227,746	(227,746)	-	-
Other recognised gains and losses						
Actuarial losses on defined benefit pension schemes	20	-	(270,000)	-	(270,000)	(518,000)
Net movement in funds		<u>37,484</u>	<u>(257,516)</u>	<u>(505,780)</u>	<u>(725,812)</u>	<u>1,977</u>
Reconciliation of funds						
Total funds brought forward		80,845	(1,060,842)	11,762,752	10,782,755	10,780,778
Total funds carried forward		<u>118,329</u>	<u>(1,318,358)</u>	<u>11,256,972</u>	<u>10,056,943</u>	<u>10,782,755</u>

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 27 to 48 form part of the financial statements.

THE MERCIAN TRUST

BALANCE SHEET

AS AT 31 AUGUST 2017

		2017		2016	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	12		11,238,357		11,603,749
Current assets					
Stocks	13	28,652		22,698	
Debtors	14	413,257		259,824	
Cash at bank and in hand		762,894		1,254,479	
		1,204,803		1,537,001	
Current liabilities					
Creditors: amounts falling due within one year	15	(406,838)		(742,995)	
Net current assets			797,965		794,006
Total assets less current liabilities			12,036,322		12,397,755
Creditors: amounts falling due after more than one year	17		(9,379)		-
Net assets excluding pension liability			12,026,943		12,397,755
Defined benefit pension liability	20		(1,970,000)		(1,615,000)
Net assets			10,056,943		10,782,755
Funds of the School:					
Restricted funds	18				
- Fixed asset funds			11,256,972		11,762,752
- Restricted income funds			651,642		554,158
- Pension reserve			(1,970,000)		(1,615,000)
Total restricted funds			9,938,614		10,701,910
Unrestricted income funds	18		118,329		80,845
Total funds			10,056,943		10,782,755

The accounts set out on pages 24 to 48 were approved by the Board of Trustees and authorised for issue on 12 December 2017 and are signed on its behalf by:


Philip Sturrock MBE
Chair

Company Number 07611347

THE MERCIAN TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Net cash used in operating activities	21		(581,486)		(1,439,276)
Cash flows from investing activities					
Dividends, interest and rents from investments		2,543		6,947	
Capital grants from DfE and ESFA		216,690		2,142,412	
Payments to acquire tangible fixed assets		(129,332)		(776,833)	
			89,901		1,372,526
Change in cash and cash equivalents in the reporting period			(491,585)		(66,750)
Cash and cash equivalents at 1 September 2016			1,254,479		1,321,229
Cash and cash equivalents at 31 August 2017			762,894		1,254,479

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

The Mercian Trust is a charitable company. The address of its principal place of business is given on page 2 and the nature of its operations are set out in the Governors' Report.

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

1.1 Basis of preparation

The accounts of the School, 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.

The Mercian Trust meets the definition of a public benefit entity under FRS 102.

1.2 Going concern

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

The Governors are in the final stages of forming a Multi Academy Trust. The legal entity for the MAT will be this company, The Mercian Trust. The School will continue to operate under the Multi Academy Trust.

1.3 Income

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

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

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

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

Sponsorship income

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

Donations

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

Other income

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

Donated goods, facilities and services

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

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

1.4 Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

Charitable activities

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

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

1.5 Tangible fixed assets and depreciation

Tangible fixed assets

The School has a 125 year lease for the property it operates from. The terms and conditions attached to the lease have been considered by the Governors and they have concluded that the risk and rewards of ownership have substantially transferred to the school and therefore a long leasehold buildings asset has been recognised within fixed assets and depreciated in line with the accounting policy. The valuation of the long leasehold buildings has also been considered by the Governors and included at what they consider a reasonable and reliable estimate of the current value.

Assets costing £2,500 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. The related grants are credited to the restricted fixed asset fund in the Statement of Financial Activities and carried forward in the balance sheet. Depreciation on such 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 School's depreciation policy. Where a fixed asset has been donated the asset is included at the fair value at the date of receipt.

The School has an art collection which was bequeathed to the School from the family of a former old boy. The nature of this collection makes it difficult to value and so the collection is recorded at cost, being £Nil.

Depreciation

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 balance basis over its expected useful life, as follows:

Fixed asset category	Nature of asset	Economic life Years
Leasehold buildings	Infrastructure improvements on long lease	125
	Permanent buildings	75
	Temporary buildings/short leasehold interest	10
Fixtures and fittings	Boiler	10
	Kitchen equipment/partitions	7
	Other fixtures and fittings	4
Computer equipment	Telephone/catering/copiers/access controls	5
	Other computer hardware/software	3
Motor vehicles	Minibuses	5

Long leasehold buildings are depreciated over the Governors' assessment of the remaining economic useful life of the buildings.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

1.6 Liabilities

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

1.7 Provisions

Provisions are recognised when the School 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.

1.8 Leased assets

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

1.9 Stock

Stock is valued at the lower of cost and net realisable value.

1.10 Taxation

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

1.11 Pensions benefits

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

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

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

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

1.12 Fund accounting

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

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

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

1.13 Cash at bank and in hand

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

1.14 Financial Instruments

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

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments.

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

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 15. Taxation and social security are not included in the financial instruments disclosure definition.

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

Concessionary loans are initially recognised and measured at the amount received or paid, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

1.15 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

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

The Governors have exercised judgement in estimating the expected useful life of the School's leasehold buildings and other fixed assets. These estimates are then used to calculate the depreciation cost of the assets.

Critical areas of judgement

The Governors estimated the value of the long leasehold buildings at the time the School converted to Academy status. Since this time the School has received substantial capital funding for building projects to address expansion needs and building condition needs. The Governors have assessed the nature of each project and determined the most appropriate treatment of expenditure as either capital or revenue related. In addition, taking into consideration the capital projects undertaken, the Governors have reviewed the valuation of the leasehold buildings and consider this to be a reasonable and reliable estimate of the current value.

2 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Capital grants	-	216,690	216,690	2,142,412
Other donations	-	56,177	56,177	4,966
	-	272,867	272,867	2,147,378

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

3 Funding for the School's educational operations

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
DfE / ESFA grants				
General annual grant (GAG)	-	4,147,664	4,147,664	4,049,114
Other DfE / ESFA grants	-	87,779	87,779	87,786
	-	4,235,443	4,235,443	4,136,900
Other government grants				
Local authority grants	-	5,785	5,785	2,513
Other funds				
Other incoming resources	333,411	615,783	949,194	-
Total funding	333,411	4,857,011	5,190,422	4,139,413

During the year a review of non grant income and related costs has been undertaken. This has resulted in income totalling £949,194 (2016: £676,560) previously presented as other trading activities being reclassified as funding for the School's educational operations. The related costs of raising these funds are now included under the charitable activities heading at note 7.

4 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Trips income	-	-	-	162,274
Curriculum income	-	-	-	53,234
Reimbursement of staff costs	-	-	-	166,213
Catering income	-	-	-	212,795
Facilities and services	-	-	-	65,011
School uniform sales	44,066	-	44,066	40,340
Music tuition	-	-	-	17,033
	44,066	-	44,066	716,900

5 Investment income

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Short term deposits	-	2,543	2,543	6,947

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

6 Raising funds

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Staff costs	-	4,224	4,224	148,289
Catering costs	-	-	-	218,665
Facilities and services	-	-	-	6,847
Trips costs	-	-	-	159,648
Curriculum costs	-	-	-	53,234
School uniform costs	33,486	-	33,486	28,745
Music tuition costs	-	-	-	17,033
	<u>33,486</u>	<u>4,224</u>	<u>37,710</u>	<u>632,461</u>

7 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Direct costs - educational operations				
Teaching and educational support staff	-	3,259,220	3,259,220	2,990,680
Learning resources	-	228,770	228,770	267,815
Technology costs	-	75,819	75,819	72,070
Depreciation	-	494,724	494,724	477,132
Other direct costs	-	-	-	7,758
Examination fees	-	127,717	127,717	-
Staff development	-	20,239	20,239	-
	<u>-</u>	<u>4,206,489</u>	<u>4,206,489</u>	<u>3,815,455</u>

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Support costs - educational operations				
Support staff costs	31,768	461,338	493,106	338,981
Recruitment	-	20,258	20,258	-
Premises	-	341,400	341,400	1,361,840
Utilities	6,000	121,869	127,869	107,471
Cleaning	-	92,327	92,327	87,386
Insurance	-	27,503	27,503	30,190
Catering	253,106	-	253,106	-
Trips	15,633	228,871	244,504	-
Governance costs	-	45,631	45,631	21,923
Other support costs	-	75,807	75,807	94,954
	<u>306,507</u>	<u>1,415,004</u>	<u>1,721,511</u>	<u>2,042,745</u>
Total costs	<u>306,507</u>	<u>5,621,493</u>	<u>5,928,000</u>	<u>5,858,200</u>

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

8 Expenditure

	Staff costs £	Non pay expenditure Premises £	Other costs £	Total 2017 £	Total 2016 £
Academy's educational operations					
- Direct costs	3,259,220	494,724	452,545	4,206,489	3,815,455
- Allocated support costs	493,106	589,099	639,306	1,721,511	2,042,745
	<u>3,752,326</u>	<u>1,083,823</u>	<u>1,091,851</u>	<u>5,928,000</u>	<u>5,858,200</u>
Other expenditure					
Raising funds	<u>4,224</u>	<u>-</u>	<u>33,486</u>	<u>37,710</u>	<u>632,461</u>
Total expenditure	<u>3,756,550</u>	<u>1,083,823</u>	<u>1,125,337</u>	<u>5,965,710</u>	<u>6,490,661</u>

Net income/(expenditure) for the year includes:

	2017 £	2016 £
Fees payable to auditor for:		
- Audit	8,000	7,750
- Other services	6,560	6,510
Operating lease rentals	1,109	958
Depreciation of tangible fixed assets	<u>494,724</u>	<u>477,132</u>

9 Staff costs

	2017 £	2016 £
Wages and salaries	2,851,748	2,719,782
Social security costs	284,831	231,752
Operating costs of defined benefit pension schemes	579,560	473,609
Staff costs	<u>3,716,139</u>	<u>3,425,143</u>
Supply staff costs	40,411	45,807
Staff restructuring costs - severance payments	-	7,000
Total staff expenditure	<u>3,756,550</u>	<u>3,477,950</u>

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

9 Staff costs

(Continued)

Staff numbers

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

	2017 Number	2016 Number
Teachers	51	52
Administration and support	24	21
Management	6	7
	<u>81</u>	<u>80</u>

Higher paid staff

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

	2017 Number	2016 Number
£60,001 - £70,000	-	2
£70,001 - £80,000	1	-
£80,001 - £90,000	1	-
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-
	<u>2</u>	<u>3</u>

Key management personnel

The key management personnel of the School comprise the Governors and the senior leadership 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 School was £573,799 (2016: £510,450).

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

10 Governors' remuneration and expenses

The Headmaster and staff Governors only received remuneration in respect of services they provided undertaking the roles of Headmaster and staff, and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the School in respect of their role as Governors.

The value of Governors' remuneration was as follows:

Mr T J Swain (Headmaster)

Remuneration £100,000 - £105,000 (2016: £95,000 - £100,000)

Employer's pension contributions £15,000 - £20,000 (2016: £15,000 - £20,000)

Mr K S Parker (Staff governor)

Remuneration £30,000 - £35,000 (2016: £30,000 - £35,000)

Employer's pension contributions £Nil - £5,000 (2016: £Nil - £5,000)

Mr A Hudson (Staff governor)

Remuneration £40,000 - £45,000 (2016: £40,000 - £45,000)

Employer's pension contributions £5,000 - £10,000 (2016: £5,000 - £10,000)

Mr T Lawrence (Foundation governor)

Remuneration £Nil - £5,000 (2016: £Nil - £5,000)

Employer's pension contributions £Nil (2016: £Nil)

During the year ended 31 August 2017 travel and subsistence expenses totalling £1,104 (2016: £407) were reimbursed to two staff governors (2016: one governor) in the role of employee and £418 (2016: £361) was reimbursed to one other governor (2016: one governor).

Other related party transactions involving the Governors are set out within the related parties note 23.

11 Governors' and officers' insurance

The academy trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides for indemnities up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

12 Tangible fixed assets

	Land and buildings	Computer equipment	Furniture and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 September 2016	12,601,631	331,383	674,256	33,004	13,640,274
Additions	-	116,396	12,936	-	129,332
At 31 August 2017	12,601,631	447,779	687,192	33,004	13,769,606
Depreciation					
At 1 September 2016	1,448,755	250,357	313,767	23,646	2,036,525
Charge for the year	349,395	61,207	80,379	3,743	494,724
At 31 August 2017	1,798,150	311,564	394,146	27,389	2,531,249
Net book value					
At 31 August 2017	10,803,481	136,215	293,046	5,615	11,238,357
At 31 August 2016	11,152,876	81,026	360,489	9,358	11,603,749

Land and buildings includes the 125 year long leasehold school site and the 10 year short leasehold playing fields, all charged at a peppercorn rent from 2011.

13 Stocks	2017 £	2016 £
School uniform/sportswear	28,652	22,698

14 Debtors	2017 £	2016 £
Trade debtors	12,647	86,257
VAT recoverable	54,655	54,112
Prepayments and accrued income	345,955	119,455
	413,257	259,824

15 Creditors: amounts falling due within one year	2017 £	2016 £
Trade creditors	62,668	209,887
Other creditors	34,880	24,182
Accruals and deferred income	309,290	508,926
	406,838	742,995

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

16	Deferred income	2017 £	2016 £
	Deferred income at 1 September 2016	44,439	637,630
	Amounts released from previous years	(12,295)	(601,397)
	Amounts deferred in the year	6,551	8,206
	Total deferred income at 31 August 2017	38,695	44,439
17	Creditors: amounts falling due after more than one year	2017 £	2016 £
	Other creditors	9,379	-

Other creditors include £1,443 falling due within one year and £9,379 falling due after more than one year for the balance of a Salix loan. The total amount advanced was £11,544. This loan was interest free, unsecured and repayable in equal annual instalments of £1,443 over a period of eight years to 1 September 2024.

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

18 Funds

	Balance at 1 September 2016 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual Grant	154,252	4,147,664	(4,025,369)	-	276,547
Other DfE/ESFA grants	157,838	87,779	(349,945)	227,746	123,418
Other incoming resources	242,068	680,288	(670,679)	-	251,677
	554,158	4,915,731	(5,045,993)	227,746	651,642
Pension reserve	(1,615,000)	-	(85,000)	(270,000)	(1,970,000)
	(1,060,842)	4,915,731	(5,130,993)	(42,254)	(1,318,358)
Restricted fixed asset funds					
DfE/ESFA capital grants	2,724,213	216,690	-	(227,746)	2,713,157
Voluntary capital income	9,907,465	-	-	-	9,907,465
Capital donations from private sector	1,167,599	-	-	-	1,167,599
Depreciation	(2,036,525)	-	(494,724)	-	(2,531,249)
	11,762,752	216,690	(494,724)	(227,746)	11,256,972
Total restricted funds	10,701,910	5,132,421	(5,625,717)	(270,000)	9,938,614
Unrestricted funds					
General funds	80,845	377,477	(339,993)	-	118,329
Total funds	10,782,755	5,509,898	(5,965,710)	(270,000)	10,056,943

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

Unrestricted funds represent those resources which may be used towards meeting any of the charitable objects of the academy at the discretion of the Governors.

Restricted fixed asset funds are resources which are to be applied to specific capital assets acquired or created.

Restricted general funds comprise all other restricted funds received and include grants from The Education and Skills Funding Agency / Department for Education.

The transfers between funds relate to capital grants received transferred to restricted general funds, used for revenue refurbishment projects, and GAG revenue grant received transferred to restricted fixed asset funds used for capital items.

At 31 August 2017, restricted revenue reserves were £651,642 (2016: £554,158). Unrestricted reserves were £118,329 (2016: £80,845). Taking into consideration continued funding cuts due in 2017, recent increases in pension and National Insurance costs and a commitment to contribute towards a major capital program, the Governors believe the above levels of reserves are appropriate to protect the School's current and future financial position.

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

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

19 Analysis of net assets between funds

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total 2017 £
Fund balances at 31 August 2017 are represented by:				
Tangible fixed assets	-	-	11,238,357	11,238,357
Current assets	118,329	1,067,859	18,615	1,204,803
Creditors falling due within one year	-	(406,838)	-	(406,838)
Creditors falling due after one year	-	(9,379)	-	(9,379)
Defined benefit pension liability	-	(1,970,000)	-	(1,970,000)
	<u>118,329</u>	<u>(1,318,358)</u>	<u>11,256,972</u>	<u>10,056,943</u>

20 Pensions and similar obligations

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

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

20 Pensions and similar obligations

(Continued)

The key elements of the valuation and subsequent consultation are:

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to the TPS in the period amounted to £361,277 (2016: £352,707).

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 19.3% for the employer and between 5.5% and 8.5% for employees at the School.

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

Total contributions made	2017 £000	2016 £000
Employer's contributions	121	139
Employees' contributions	34	31
Total contributions	155	170
Principal actuarial assumptions	2017 %	2016 %
Rate of increases in salaries	4.20	3.75
Rate of increase for pensions in payment	2.70	2.0
Discount rate	2.60	2.2
Inflation assumption (CPI)	2.70	2.0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

20 Pensions and similar obligations

(Continued)

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

	2017 Years	2016 Years
Retiring today		
- Males	21.8	23.1
- Females	24.3	25.8
Retiring in 20 years		
- Males	24.0	25.3
- Females	26.6	28.1

Sensitivity analysis

2017
£000

2016
£000

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

Discount rate + 0.1%	(66)	(54)
Discount rate - 0.1%	68	56
Mortality assumption + 1 year	106	66
Mortality assumption - 1 year	(102)	(64)
Long term salary increase +0.1%	16	-
Long term salary increase -0.1%	(16)	(164)
Pension increases and revaluation +0.1%	52	45
Pension increases and revaluation -0.1%	(51)	(44)

The School's share of the assets in the scheme

	2017 Fair value £000	2016 Fair value £000
Equities	712	520
Gilts	82	61
Other bonds	43	75
Cash	82	70
Property	56	56
Other	149	95
Total market value of assets	1,124	877
Actual return on scheme assets	162	130

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

20 Pensions and similar obligations

(Continued)

Amounts recognised in the Statement of Financial Activities	2017 £000	2016 £000
Current service cost (net of employee contributions)	172	110
Net interest cost	34	41
Total operating charge	206	151
Changes in the present value of defined benefit obligations	2017 £000	2016 £000
Obligations at 1 September 2016	2,492	1,684
Current service cost	172	110
Interest cost	55	68
Employee contributions	34	31
Change in financial assumptions	116	621
Change in demographic assumptions	(29)	-
Experience loss	276	-
Benefits paid	(22)	(22)
At 31 August 2017	3,094	2,492
Changes in the fair value of the School's share of scheme assets	2017 £000	2016 £000
Assets at 1 September 2016	877	599
Interest income	21	27
Return on plan assets (excluding amounts included in net interest)	141	103
Other actuarial loss	(48)	-
Employer contributions	121	139
Employee contributions	34	31
Benefits paid	(22)	(22)
At 31 August 2017	1,124	877
Defined benefit pension liability	1,970	1,615

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

21 Reconciliation of net income/(expenditure) to net cash flows from operating activities

	2017 £	2016 £
Net (expenditure)/income for the reporting period	(455,812)	519,977
Adjusted for:		
Capital grants from DfE/ESFA and other capital income	(216,690)	(2,142,412)
Investment income	(2,543)	(6,947)
Defined benefit pension costs less contributions payable	51,000	(29,000)
Defined benefit pension net finance cost/(income)	34,000	41,000
Depreciation of tangible fixed assets	494,724	477,132
Increase in stocks	(5,954)	(2,184)
Increase in debtors	(153,433)	(56,604)
Decrease in creditors	(326,778)	(240,238)
Net cash used in operating activities	(581,486)	(1,439,276)

22 Commitments under operating leases

At 31 August 2017 the total future minimum lease payments under non-cancellable operating leases were as follows:

	2017 £	2016 £
Amounts due within one year	1,109	1,109
Amounts due in two and five years	36	1,145
	<u>1,145</u>	<u>2,254</u>

23 Related parties

Owing to the nature of the School's operations and the composition of the Governing Body being drawn from local public and private sector organisations, transactions may take place with organisations in which the School has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures. In entering into these transactions, the School has complied with the requirements of the Academies Financial Handbook 2016.

The Queen Mary's Schools' Foundation (The Foundation - Charity No. 529001) holds on Trust, as a perpetual endowment, funds donated and investments made over the years since the founding of the School by the letters patent of Queen Mary in 1554, and subsequently the founding of Queen Mary's High School (for girls) ("QMHS") and The Mayfield Preparatory School.

The Foundation owns the freehold land on which the School's site is based, which is let on a peppercorn rental to the School under a 125 year lease, the terms of which were approved by the Department for Education. Separate areas of the playing fields are leased to the School by the Foundation under a 10 year lease also at a peppercorn rent. These leases were granted in 2011.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

23 Related parties

(Continued)

During the year Messrs. Sturrock and Vallance served as both governors of Queen Mary's Grammar School and trustees of The Foundation.

In the year ending 31 August 2017 The Foundation donated £51,146 (2016: £3,600) for the costs of running the School's entrance exam, a contribution to legal fees and for enrichment.

Under the constitution of the School, the Governing Body includes three governors who are employed as staff at the School. The Headmaster is appointed "ex officio", while two staff governors are elected. These staff are not paid for their roles as governors, but as employees of the School under the normal terms and conditions applicable to teaching and non-teaching staff. Details of remuneration of staff governors are included in note 10.

Under their contracts of employment two staff governors are entitled to be reimbursed for travel and subsistence and other expenses wholly and exclusively incurred on behalf of the School's activities. The total of such expenses for the year to 31 August 2017 was £1,104 (2016: £407). Expenses reimbursed for costs incurred wholly and exclusively on behalf of the School's activities, paid to one other governor amounted to £418 (2016: £361) in the same period.

The Headmaster's wife and sister-in-law have employment contracts as a Foreign Languages Assistant and a Teaching Assistant respectively at the School. Mr Swain's wife (Mrs C Swain) has been employed since 2009 and Mrs S Swain since 2010. The Headmaster was not involved in approving the terms of either appointment. Both were appointed prior to the School becoming an Academy. They are on the same terms and conditions as when they were appointed.

Both were paid on normal scale rates for their positions as follows:

Mrs C Swain	£Nil - £5,000 (2016: £Nil - 5,000)
Mrs S Swain	£10,000 - £15,000 (2016: £10,000 - £15,000)

The School received the following income from related parties:

	2017	2016
	£	£
Income from related parties		
Donations from The Foundation for entrance exam costs, legal fees and enrichment	51,146	3,600
Walsall Studio School (recharge of staff and expenses)	72,027	73,013
Queen Mary's High School (recharge of staff and expenses)	34,301	11,549
The Mayfield Preparatory School (recharge of expenses)	1,495	1,508
Aldridge School (recharge of staff and expenses)	47,671	-
Shire Oak Academy (recharge of staff and expenses)	47,454	-

Although not within the definition of related parties at 31 August 2017, income from Aldridge School and Shire Oak Academy for the recharge of staff costs and expenses associated with forming the MAT has been included in the above table.

Working closely with the Department for Education and The Vine Trust, the School has supported the establishment of the Walsall Studio School. Mr Swain is a governor of the Studio School, a company limited by guarantee and his role as governor is unpaid. The Schools work in partnership sharing teachers and jointly recruiting new staff to support delivery of the curriculum. In this way both Schools are able to increase teaching resources in a more flexible manner and share expertise.

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

23 Related parties

(Continued)

The School paid the following expenses and costs to related parties:

	2017	2016
Costs paid to related parties	£	£
Queen Mary's High School (recharge of staff/expenses)	2,520	1,612

Mr Underwood, Clerk to the Governors, is also Clerk to the Governors of:
Queen Mary's Schools Foundation
Queen Mary's High School
Mayfield Preparatory School
The Walsall Studio School

The School does not pay for Mr Underwood's services, as these are paid for by the Foundation.

24 Events after the end of the reporting period

Since the year end, the Governors have approved the Academy to join with four other schools in the borough of Walsall to form a multi academy trust (MAT). The MAT, known as The Mercian Trust, will initially comprise Aldridge School, Queen Mary's Grammar School, Queen Mary's High School, Shire Oak Academy, and Walsall Studio School. Approval for the formation of the MAT is subject to sign off from the Secretary of State for Education, which is expected to be obtained early in 2018.

25 Agency arrangements

The School distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2017 the School received £25,277 and disbursed £20,481 from the fund in addition to the School's cost of administering the fund of £1,263. An amount of £23,611 (2016: £20,078) is included in other creditors relating to undistributed funds that is repayable to the ESFA.

THE MERCIAN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

26 Comparative information year ended 31 August 2016

The table below shows the SOFA for the year ended 31 August 2016, with the results restated in accordance with FRS 102. It provides comparative information for all amounts presented in the SOFA, including the split between different classes of funds.

	Notes	Unrestricted Funds £	General £	Restricted funds: Fixed asset £	Total 2016 £
Income and endowments from:					
Donations and capital grants	2	-	4,966	2,142,412	2,147,378
Charitable activities:					
- Funding for educational operations	3	-	4,139,413	-	4,139,413
Other trading activities	4	335,179	381,721	-	716,900
Investments	5	-	6,947	-	6,947
Total income and endowments		335,179	4,533,047	2,142,412	7,010,638
Expenditure on:					
Raising funds	6	291,685	333,929	6,847	632,461
Charitable activities:					
- Educational operations		-	5,381,068	477,132	5,858,200
Total expenditure	8	291,685	5,714,997	483,979	6,490,661
Net income/(expenditure)		43,494	(1,181,950)	1,658,433	519,977
Transfers between funds		-	1,206,576	(1,206,576)	-
Other recognised gains and losses					
Actuarial gains/(losses) on defined benefit pension schemes	20	-	(518,000)	-	(518,000)
Net movement in funds		43,494	(493,374)	451,857	1,977
Reconciliation of funds					
Total funds brought forward		37,351	(560,621)	11,304,048	10,780,778
Total funds carried forward		80,845	(1,053,995)	11,755,905	10,782,755