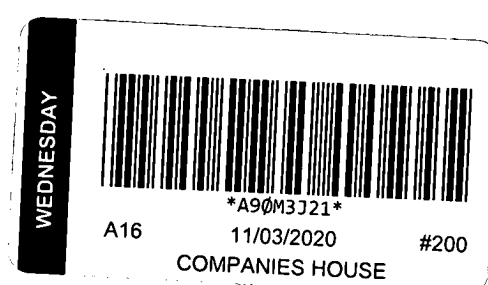


Company Registration Number: 07611347 (United Kingdom)

THE MERCIAN TRUST
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019



THE MERCIAN TRUST
(A Company Limited by Guarantee)

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THE MERCIAN TRUST
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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2019

Members

Vivian Fairbank
David Lomax
Brian Powell
John Punch
John Vallance

Trustees

William Hodson, Chair (from 8 May 2019)
Philip Sturrock MBE, Chair (until 7 May 2019) (resigned 7 May 2019)
The Revd. Beverley Boden (appointed 6 November 2018)
Jane Bonner
Melanie Crooks
Kevin Davis
Mark Harland
Rebecca Hearsey
Kevin Hubery (resigned 9 July 2019)
Caroline Jobling (appointed 11 September 2019)
Eddie Stride (appointed 14 March 2019)

Company registered number

07611347

Company name

The Mercian Trust

Registered office

C/O Whitehouse Ridsdale
26 Birmingham Road
Walsall
West Midlands
WS1 2LZ

THE MERCIAN TRUST
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE TRUST, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2019

Advisers (continued)

Principal office

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

Company secretary

Graham Charles Underwood (Resigned 25 November 2019)

Chief executive officer

Daniel Parkes

Senior management team

Timothy Swain, Chief Executive and Accounting Officer (Resigned 31 August 2019)
Dan Parkes, Walsall Studio School, Principal (Appointed Chief Executive & Accounting Officer from 1 September 2019)
Ray Beech, Shire Oak Academy, Principal
Conrad Bourne, Director of Social Mobility
Alison Bruton, Queens Mary's High School, Headteacher
Ian Bryant, Aldridge School, Headteacher
Chris Bury, The Ladder School, Principal
Lois Kelly, Trust, Director of School Improvement
Richard Langton, Queen Mary's Grammar School, Headmaster
Philip Lines, Chief Financial Officer
David Mountney, Trust, Educational Consultant

Independent auditor

Crowe U.K. LLP
Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

Bankers

Lloyds Bank plc
The Bridge
Walsall
West Midlands
WS1 1LU

THE MERCIAN TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The Trustees of The Mercian Trust ("the Trust") present their annual report together with the audited financial statements and auditor's report of the Trust for the year ended 31 August 2019. The annual report serves the purposes of both a Trustees' report and a directors' report under company law.

The Mercian Trust multi academy Trust was formed on 1 January 2018, following approval by the Secretary of State for Education. On 1 January 2019, the Trust opened its first new school, the Ladder School, a free school based in Walsall specialising in alternative provision.

The schools in the Trust are:

- Aldridge School
- Queen Mary's Grammar School (QMGS)
- Queen Mary's High School (QMHS)
- Shire Oak Academy
- Walsall Studio School (WSS)
- The Ladder School, Walsall

The Trust has 5,159 pupils on roll (2018: 5,055).

STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

The Trust is a company limited by guarantee and an exempt charity. The charitable company's articles of association are the primary governing documents of the Trust, and with the formation of the multi academy Trust on 1 January 2018, new articles were adopted then, which were approved by the Secretary of State for Education. These provided for five members as follows:

- Queen Mary's Schools Foundation
- Two persons appointed by Queen Mary's Schools Foundation
- Vine Trust Walsall
- One person appointed by Vine Trust Walsall

The Trust is governed by the Trustees who are appointed as follows:

- Two trustees appointed by the members
- Three trustees appointed by the Foundation
- Two trustees appointed by Vine Trust Walsall

In addition, the Trustees may co-opt additional trustees with the consent of a majority of the members.

The above appointees 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.

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

Under the Articles of Association of the Trust, the board of Trustees does not include employees of the Trust. The Chief Executive Officer (CEO) and the Chief Finance Officer (CFO) attend meetings, ex officio, but they are not Trustees.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

MEMBERS' LIABILITY

Each member of the Trust undertakes to contribute to the assets of the Trust 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 £10, for the debts and liabilities contracted before they ceased to be a member.

TRUSTEES' INDEMNITIES

The Trust and its schools are members of the Academies' Risk Protection Arrangement (RPA), a Government backed compensation scheme offered by the ESFA to Academies. The Trustees consider that the RPA offers sufficient compensation to cover the appropriate risks of the Trust as well as good value for money. This includes Trustees and Officers indemnity claims.

METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES

The Board of Trustees consisted of eight Trustees at the start of the year. Two were appointed by the members of the company, three were appointed by the Queen Mary's Schools Foundation and two by Vine Trust Walsall. One was co-opted by trustees.

Two new Trustees were co-opted by the Trustees during the year on 6 November 2018 and 14 March 2019. Two Trustees also retired in the period from May to July 2019, leaving eight Trustees at the end of the year. An additional Trustee has been appointed since the end of the year and the Board expects to appoint two further trustees in January 2020.

The Foundation (charity number 1175360) is a charitable organisation with a Board of Trustees comprising governors from three schools (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 Vine Trust, Walsall is a registered charity (charity number 1093838), which works in Walsall and other Black Country boroughs engaged in economic, environmental and social regeneration.

POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

The Chief Executive Officer (CEO) and chair of Trustees are responsible for inducting new Trustees, and supplies them with an Induction Pack including details of the Trustees, minutes of previous meetings, the Trust's strategic and governance plan, and details of how to obtain further information about governor responsibility (e.g., the National Governance Association and Gov.uk websites). The CEO also gives details of responsibilities and duties and invites new Trustees to a briefing session with the Trust's senior leaders.

Training continues throughout the academic year. Regular Trustee meetings may include training as part of the agenda. Alternatively, special training events are set up to meet particular needs. Areas covered have included for example: safeguarding, GDPR and the transition to Trust governance from single academy status.

Trustees 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.

ORGANISATIONAL STRUCTURE

The Board of Trustees operated with one principal sub-committee: The Business, Audit and Risk Committee (BAR). During the period trustees agreed the formation of a second sub-committee: The Achievement, Inclusion, Social Mobility and Safeguarding Committee (AIMS), to provide robust oversight of the Trust's work to improve educational standards and outcomes for students. The AIMS Committee held its first meeting in October 2019.

THE MERCIAN TRUST
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

Each school within the Trust maintains a Local Governing Body (LGB). These are appointed by the Trustees and are special sub-committees of the Trust. A Trust document, Rhythms of the Year, sets out agendas for each LGB meeting and arrangements for communications between the LGB and the board of Trustees – referred to as Keeping in Touch (KIT). Other panels are convened as required for dealing with matters of staffing, pupil discipline and appeals from these, and also a panel to deal with complaints that could not be resolved internally. The Clerk to the Board of Trustees has a remit to convene these panels as and when required from eligible Trustees.

Responsibility for day to day leadership and management of the Trust is devolved to the CEO and the Trust Executive New Team (TENT). During the year, members of the TENT included: the CEO, the CFO, the Head Teacher/Principal of each school within the Trust, the Director of School Improvement, the Director of Social Mobility and the lead for Initial Teacher Training and Professional Development.

During the year the TENT held meetings approximately every three weeks to discuss all aspects of the Trust's work. From these meetings come recommendations for action which are considered by the Trustees. Where a course of action requires significant expenditure (capital projects, staffing, etc.), they refer any decision through the BAR Committee, and since year end to the AIMS Committee, for scrutiny.

The CEO is the Accounting Officer of the Trust.

The Trust used the services of the Clerk to the Foundation during the course of the year and these services are charged at £Nil cost to the Trust.

PAY POLICY FOR KEY MANAGEMENT PERSONNEL

All of the Trustees carry out their work for the Trust on a pro bono basis but they have overall responsibility for setting the Trust's pay policy and reviewing the remuneration of senior management within the Trust.

The Trustees have established a separate Pay Committee to oversee this process, which comprises a majority of the Trustees. This Committee has delegated responsibility for reviewing pay proposals for staff and senior management.

The Pay Committee receives recommendations from each of the LGB's regarding performance management and pay for teaching staff and for the senior leadership teams, as well as for the Head Teacher / Principal in each school. The CEO presents the recommendations for senior management at the schools and also for the Trust central team.

The Committee also appoints an independent adviser, usually a Chief Executive from another multi academy Trust, or a senior figure in the sector to review the performance of the CEO and advise on recommendations of other key senior management where appropriate. This independent advice also includes advice on the setting of pay for the CEO.

In setting Executive Pay for senior management, including the CEO and the TENT, Trustees considered pay across the Trust, and other Trusts of a similar size in the area. Senior management pay is set within the guidelines set out by the Education and Skills Funding Agency (ESFA).

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

TRADE UNION FACILITY TIME

Relevant union officials

| | |
|---|---|
| Number of employees who were relevant union officials during the year | 9 |
| Full-time equivalent employee number | 9 |

Percentage of time spent on facility time

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0% | 6 |
| 1%-50% | 3 |
| 51%-99% | - |
| 100% | - |

Percentage of pay bill spent on facility time £

| | |
|---|------------|
| Total cost of facility time | 30,207 |
| Total pay bill | 23,093,254 |
| Percentage of total pay bill spent on facility time | 0.13 % |

Paid trade union activities

| | |
|---|--------|
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 0.13 % |
|---|--------|

Included in the above is the cost for an employee of the Trust, who is seconded to a local Trade Union. The cost of the employee is recharged to the Union.

CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS

The Trust 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 Trustees 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. Similar registers are maintained by each of the schools within The Trust and agendas of the meetings of the LGB's also have "Declarations of Interest" as a standing item.

Trustees 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 Trust's business.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

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

The Trust has identified the following related parties as set out below:

- The Queen Mary's Schools Foundation
- Vine Trust Walsall
- Farchynys Estate Management Ltd
- PTP Training Ltd
- Queen Mary's Association

Details of the financial value of transactions are included in note 26 of the notes to the financial statements. All transactions incurred by the Trust were charged at cost and in accordance with the Academies Financial Handbook.

Queen Mary's Schools Foundation

The Foundation is a charitable Trust and holds on trust, as a perpetual endowment, funds donated and investments made over the years since the founding of Queen Mary's Grammar 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 above schools with benefits including funding of any kind as may be agreed from time to time between the governing bodies of the Foundation and the schools
- To promote the education of pupils of the schools it supports who may be in need of financial assistance

The Foundation is able to appoint members and Trustees of the Trust, as described above. The Trust has not made any payments during the year to the Foundation.

During the year the Trust has received income in the form of donations from The Foundation relating to running the entrance tests for Queen Mary's Grammar School and Queen Mary's High School, as well as donations from parents for enrichment activities. The Foundation has also provided the services of a Clerk to the Governors of Queen Mary's Grammar School and Queen Mary's High School at no cost to the Trust.

The Foundation owns the freehold land on which the both Queen Mary's school sites are based. These are let at a peppercorn rental to the Trust under a 125-year lease for the main sites and 10 year leases for their playing fields, also at a peppercorn rent, and were approved by the Secretary of State for Education when the schools became academies in 2011 and transferred to the multi academy Trust in 2018.

Vine Trust Walsall

Vine Trust Walsall is a charitable Trust that is actively engaged in economic and social regeneration. The Trust is structured to run an inclusive mix of services and facilities, which respond to the needs of the communities it serves, with a Christian Ethos as the cornerstone.

Vine Trust Walsall is able to appoint members and Trustees of the Trust, as described above.

Vine Trust Walsall owns a number of subsidiaries including Vine Education Trust, Vines Catering and Vine Access Centres, which traded with Walsall Studio School. Vine Trust Walsall was instrumental in founding Walsall Studio School, including providing buildings in which the school operates. During the year the buildings were subject to a 125 year leases and short term licences approved by the Secretary of State for Education.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

Walsall Studio School's main site is the Goldmine Centre, owned by Vine Trust Walsall. This was agreed with the ESFA at the inception of the school in 2013. There is a plan to provide a longer term solution, which is being addressed by the ESFA. The School's original accommodation was the second floor of the Goldmine Centre, which is subject to a 125-year lease from Vine Trust Walsall to the school, at peppercorn rental. As the school has expanded it has needed additional space. The Trust has entered into separate licence agreements for this accommodation, which have been approved by the ESFA. During the year these included:

- 33a Lower Hall Lane (sixth form accommodation) – rent is charged by Vine Trust Walsall, and which is reimbursed to Walsall Studio School by the ESFA
- The auditorium and part of the 1st floor of the Goldmine Centre – rent is charged by the Vine Trust and reimbursed to Walsall Studio School by the ESFA

As a result, Vine Trust Walsall and subsidiaries provided building management services to the school during the financial year.

As the Trust took responsibility for HR, Finance and IT services during the year, charges reduced significantly compared to 2018. Vine Trust Walsall also provided catering, coaching/mentoring to students, and support in developing apprenticeships for alternative provision education.

On 13 September 2019, as a result of the planned expansion of the site on which Walsall Studio School is based, the Department for Housing, Communities and Local Government acquired the Goldmine Centre (the building in which the school operates). The Trust has now entered into a new 125 year lease on that site with the Secretary of State for Housing, Communities and Local Government (with the approval of the ESFA/Department for Education) at a peppercorn rental. As a result the School's dependency on services provided by Vine Trust Walsall has very significantly reduced since the end of the financial year.

PTP Training Ltd (PTP)

Based in Walsall, Performance Through People (PTP Training Ltd), or "PTP", has been providing training to companies and schools throughout the Midlands for over forty years. PTP was graded as 'Outstanding' by Ofsted for partnership engagement. PTP offer a wide range of services including:

- Apprenticeships: support for employers on how to make the most of the apprenticeship levy/funding
- Traineeships through a variety of skills academies
- Support for schools, including careers guidance, vocational qualifications and training for staff

PTP is a subsidiary of Walsall Business Services Ltd, a company limited by guarantee (formerly known as the East Mercia Chamber of Commerce & Industry and Walsall Chamber of Commerce & Industry). A member of the Trust is a member of Walsall Business Services and director of both Walsall Business Services and PTP. A trustee of the Trust is also director of PTP.

Shire Oak Academy and Aldridge School engaged apprentices through PTP via the apprenticeship levy. Charges are payable in accordance with the Government's published national rates for apprenticeship training.

During the year, Walsall Studio School had a service level agreement with PTP to provide information, advice and guidance (part of Careers, Education, Information and Guidance) and employability sessions to students at the school. It also provided work experience placement opportunities. This arrangement ceased in June 2019.

Farchynys Estate Management Ltd ("FEML").

In 1965 a group of old boys of Queen Mary's Grammar School acquired a property at Farchynys Hall, near Barmouth in Wales, to provide boys from the school with the opportunity to benefit from outward bound activities at a residential centre. This property, the Coach House, is owned by four trustees, appointed by Queen Mary's

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

Old Boys' Club. The facility is made available to Queen Mary's Grammar School and other schools in The Trust. With recent expansion at Queen Mary's Grammar School, the centre became too small. As a result, The Foundation, and the Queen Mary's (Old Boys') Club Scholarship Fund ("OBSF"), a linked charity of the Foundation, agreed to raise funds to acquire two additional buildings on an adjacent site. Thanks to generosity of old boys these were acquired in 2015. The Barn was acquired by The Foundation and is made available for the school's use. To provide greater control over the site, the adjacent Cottage was acquired by the OBSF as an investment for that charity.

The properties are owned by these separate bodies, but to manage the estate more effectively, it was agreed to establish a separate legal entity, Farchynys Estate Management Ltd. This company manages and pays for the maintenance of the properties, and manages the letting agent for the Cottage.

The objective of establishing FEML is to continue to provide the Trust with a fantastic residential centre, at minimal cost to encourage greater utilisation by pupils within the Trust. The Trust charges parents for board and lodging on the residential trips and pays these fees to FEML for the use of the Coach House and the Barn. The charges are at cost and in accordance with Academies Financial Handbook.

Queen Mary's Association ("QMA")

Queen Mary's Grammar School relies on, and is very grateful for, the goodwill and support of parents of pupils, as well as alumni and their families. Queen Mary's Association is a registered charity which was formed by parents to raise funds for the benefit of Queen Mary's Grammar School. The QMA and its activities are run by parents and provide valuable donations. There are five trustees of the QMA, all volunteers, and one of whom is related to a trustee of the Trust, who resigned on 21 May 2019. The Trust does not make payments to the QMA.

OBJECTIVES AND ACTIVITIES

OBJECTS AND AIMS

The Trust's mission is to provide the best education and life chances for the children and young people of Walsall and the surrounding area.

The Trust brings together different schools catering for a wide range of individual needs into one multi academy Trust in order to offer the broadest and best education to all pupils regardless of their socio-economic, cultural or ethnic background.

Leveraging the strengths of the participating schools, pupils of The Mercian Trust will be able to access the advantages and opportunities that each school brings – in teaching, leadership, breadth of curriculum, facilities, enrichment activities and community engagement.

This is summed up in the Trust's mission statement:

- Realise their potential
- Thrive in the world of work
- Make a positive contribution to the local, national and international community

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

OBJECTIVES, STRATEGIES AND ACTIVITIES

The Trust's strategic plan is based on the role of multi academy Trusts sets out four main areas of activity:

- Developing people
- School Improvement
- Governance and Risk Management
- Financial Health and Efficiency

The strategic plan builds upon the Trust's values:

- Opportunity and community
- Excellence and rigour
- Challenge and support
- Safety and well-being
- Acceptance and applause

The Trust's 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.

The key objectives set out in the annual report of the Trustees for the year ended 31 August 2018 were:

Strategy

- Embed the strategic plan for the Trust
- Ensure effective succession planning (including the appointment of a new CEO)

Growth and Sustainability

- Open the new Alternative Provision free school, the Ladder School
- Submit an application for a new Free School primary school (including significant nurture provision)
- Expand the Trust by bringing in new schools (including expansion into the primary sector)
- Improve recruitment at Year 12 through the introduction of relevant courses and allowing students to learn at different schools within the Trust (offering a greater breadth of curriculum)
- Complete existing capital projects and secure new funding to allow for PAN expansion at the selective grammar schools
- Embed the use of integrated curriculum financial planning within the Trust to improve efficiency

Outcomes

- Secure improved Progress 8 scores for all schools
- Demonstrate improved social mobility through: improved access and participation from pupils eligible for pupil premium at the two grammar schools; by the closing of the gap for pupils eligible for pupil premium at GCSE; and through destination data)

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

Quality Assurance and Compliance

- Introduce quality assurance events at each of the Trust schools
- Collaborate with neighbouring multi academy Trusts in evaluation exercises (at school & Trust levels)

Services Systems and Structures

- Set up structures and personnel to allow for effective and efficient Trust-wide central services
- Establish HR work within the Trust including the introduction of a suite of Trust-wide policies
- Embed a high-quality professional development programme for aspiring middle and senior leaders
- Submit a proposal for further development of efficient governance and leadership structures in the Trust

PUBLIC BENEFIT

The Trust is mindful of the guidance on public benefit issued by the Charity Commission, and the requirements to comply with current legislation. The Trustees are committed to ensuring access to Trust schools of all candidates of whatever background. The Trust's activities will continue to provide education to children and young people for the public benefit that:

- Is balanced and broadly based;
- Provides the spiritual, moral, cultural, mental and physical development of all students;
- 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 Walsall and beyond, not least to promote social mobility among disadvantaged children.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

At the time of writing, there are 5,159 students in the six schools of the Trust.

In the summer examinations of 2019, Trust Schools achieved the following results:

Key Stage 4 (KS4)

| | ALD | QMGS | QMHS | SOA | WSS |
|---|---------|--------------------|--------------------|---------------|--------|
| Progress 8 band | Average | Well Above Average | Well Above Average | Below Average | Exempt |
| Progress 8 score | -0.02 | 0.76 | 0.59 | -0.20 | -1.17 |
| % achieving grade 5 or above in English and maths | 44% | 97% | 97% | 37% | 8% |
| % achieving grade 4 or above in English and maths | 69% | 98% | 100% | 62% | 34% |

Key: ALD – Aldridge

SOA – Shire Oak Academy

QMGS – Queen Mary's Grammar School

WSS – Walsall Studio School

QMHS – Queen Mary's High School

All schools within the Trust remain in the same progress 8 banding from 2017/2018.

Walsall Studio School is exempt from Progress 8 banding. The Ladder School was formed on January 2019 and has no results to report yet.

The Trust's work to improve outcomes for disadvantaged students (documented in each school's published pupil premium strategy) is illustrated with the following results which are appropriate to each school:

| School | Category | DFE Published Measure | 2018 | 2019 | Improvement |
|--------|------------|---|-------|------|-------------|
| ALD | EN and MA | 9-5 En Ma together for Disadvantaged PP | 23% | 31% | ↑↑ |
| QMGS | Progress 8 | P8 Score for disadvantaged students | 0.31 | 0.76 | ↑↑ |
| QMHS | Progress 8 | P8 Score for disadvantaged students | -0.03 | 0.34 | ↑↑ |
| SOA | EN and MA | 9-4 En Ma together for Disadvantaged PP | 53% | 62% | ↑↑ |
| WSS | EN and MA | 9-4 En Ma together for Disadvantaged PP | 15% | 32% | ↑↑ |

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

Key Stage 5 (KS5)

| APS (Average Points Score) | ALD | QMGS | QMHS | SQA | WSS |
|-------------------------------|-------------|-------|-------|-------|---------|
| Academic APS as a grade | C | B | B- | C- | D |
| Academic APS | 29.35 | 38.63 | 36.68 | 27.52 | 21.33 |
| Applied General Average Grade | Merit | NA | NA | Merit | Merit + |
| Tech Level Average Grade | Distinction | NA | NA | NA | Merit |

Aldridge School increased from average academic grade C- in 2018 to C in 2019.
Walsall Studio School (which only has students from 14 to 16) increased from average academic grade D- in 2018 to D in 2019.
All other Trust schools maintained the same average grade as last year.

KEY PERFORMANCE INDICATORS

The Trustees set rigorous performance indicators for academic progress, which are reflected in performance management targets for individual Head Teachers in the Trust. It is pleasing to note that – in the headline Progress 8 measure, two of the five schools remained in the top quintile with a nationally significant figure which is > +0.5.

Whilst difficult to measure, the Trust aims to provide a broad education not just academic results, encouraging extra-curricular activities such as performing arts, sports, clubs, UK/over'seas trips, work experience, enterprise, community and family based activities. These are part of a curriculum that transforms lives. The Trust takes pride in the fact that it is more than just a collection of schools. It is a flourishing community.

The Trustees monitor a number of key performance indicators (KPI's) which affect performance, including:

- Attainment including Examination results
- Progress Scores and Bandings
- Government funding streams and other income levels
- Pupil numbers – both for 11-16 and also 16-19 (Sixth Form)
- Staff numbers and curriculum provision through an Integrated Curriculum Financial Planning ICFP tool
- Revenue surpluses
- Capital projects income and spend

The Trustees also monitor carefully the progress made each year on the Trust Strategic Plan.

Highlights from 2018-19 include:

- Successful recruitment of a new CEO
- Entering into funding agreement with the DFE and opening The Ladder School (Alternative Provision Free School) in temporary accommodation
- Securing Secretary of State approval for the development of the St Matthew's Learning Campus including the purchase of the freehold to The Goldmine Centre and the adjacent site for the development of a new permanent building for The Ladder School and a significant extension to Walsall Studio School
- Increasing student recruitment into Y12 (sixth form) across the Trust

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2019

- Completing ICFP planning as part of a Trust-wide review of curriculum
- Improving the average Progress 8 score for the Trust
- Improving outcomes for disadvantaged (pupil premium) students
- Embedding a Trust-wide approach to Quality Assurance in all schools including External QA events in collaboration with other MATs
- Securing additional funding to expand both selective schools in the Trust
- At the end of the year centralising the Trust's finance function and establishing a Head of IT to spearhead IT related initiatives
- Establishing effective HR advice and support across the Trust and the development of Trust-wide HR policies
- Successful delivery of a leadership development programme for aspiring middle leaders and senior leaders
- Developing the Trust's strategic relationship with Birmingham University including a partnership to provide staff access to a Masters in Educational Leadership programme.
- The Trust's first vision day (staff conference) entitled "Life to the Full in the Business of Education".

GOING CONCERN

After making appropriate enquiries, the Trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies on page 39.

FINANCIAL REVIEW

Most of the Trust'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, assets & liabilities and the business of the former Queen Mary's Grammar School (a voluntary aided selective school) were transferred on 1 June 2011. When the multi academy Trust was formed on 1 January 2018 the surpluses, assets, liabilities and businesses of the four schools joining the Trust were also transferred into the Trust.

The results reflect the Trust's first full 12 months' of trading since establishing the multi academy Trust (2018 included 12 months of Queen Mary's Grammar School and 8 months' of the schools joining the Trust).

As well as its annual allocation of Devolved Formula Capital grant, the Trust received capital grants from

- Academies Condition Improvement Fund (CIF) for two expansion projects at Queen Mary's Grammar School and replacement roofing and windows at Queen Mary's High School
- Selective Schools Expansion Funding for Queen Mary's Grammar School and Queen Mary's High School
- Additional capital grant announced by the Secretary of State in 2018

Three of the four CIF projects were completed by the end of the financial year, with the windows project completed shortly after the end of the year at Queen Mary's High School. Work has started on design and planning for the two SSEF projects.

In addition, there has been significant investment in building and sports facilities development at Shire Oak Academy and Aldridge School. These include health and safety related work, as well as improvements to the site and replacement and repair of windows and roofing, which have been funded out of in year or prior year

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reserves.

The Trust recognises that education funding is a significant risk to schools and academies across the country. As a result, there is a significant focus on increasing pupil numbers and managing and reducing costs. Pupil numbers increased in September 2018 and again in September 2019. This includes growth in some schools, offset by declines at other schools. The Trust has continued to promote a cross school approach to sixth form recruitment and curriculum and is sharing teaching in selected subjects in a "MAT block". As a result of a very detailed Integrated Curriculum Planning review, Aldridge and Shire Oak schools have reviewed the provision of education in ages 11 to 16 to improve efficiency without affecting quality of teaching and other schools have increased sharing of resources. The Trust has successfully tendered for a number of Trust wide contracts during the year, benefitting from pooling resources and increased buying power.

The Trust has carefully managed its finances during the year. Excluding the effects of the pension accounting, a deficit of £162,000 was budgeted, which included a significant amount of investment from reserves into the Trust's estate. The final result for the year was a higher operating surplus, but with increased investment in the estate, there was a decrease in funds of £26,438 (before pension and fixed asset reserves). The overall increase in funds was £806,676 (2018: increase of £3,264,743, including the transfers of the four schools into the Trust) before actuarial losses. This is set out in the table below:

| Reserves analysis | Unrestricted Revenue Reserve | Restricted Revenue Reserve | Total Revenue Reserves | Pension Reserve | Fixed asset Reserve | Total Reserves |
|--|-------------------------------------|-----------------------------------|-------------------------------|------------------------|----------------------------|-----------------------|
| | £ | Exc pension reserve £ | Exc pension reserve £ | £ | £ | £ |
| Net income / expenditure before other recognised losses | (109,912) | 83,474 | (26,438) | (1,125,000) | 1,958,114 | 806,676 |

Depreciation / amortisation charges of £1,706,485 were included in the Statement Of Financial Activities (2018: £1,323,473, which included 12 months for Queen Mary's Grammar School and 8 months for the schools joining the Trust). This reflects increased depreciation following investment in the estate and other fixed assets during 2018 and 2019.

A review of the valuation of the Local Government Pension Scheme (LGPS) pension plans has been carried out by actuaries, Barnett Waddingham as at 31 August 2019. The overall net deficit of the Trust's pension arrangements within the LGPS has increased to £11,511,000 (2018: £8,809,000).

This includes allowance for the recent Court of Appeal judgement in relation to the McCloud Sargeant cases, which relate to age discrimination within the Judicial and Fire Pension Schemes respectively. The Government has released a statement to confirm that it expects to amend all public service schemes, including the LGPS. This has had a significant effect on past service costs and on future projected service cost, increasing liabilities by £206,000 on past service costs, or 1.1% of total liabilities and 3.2% of projected service cost. In addition the most significant movements include a £2,867,000 increase in liabilities as a result of changes in financial assumptions, with the most significant part of this due to a lower discount rate used of 1.85% (2018: 2.65%). This was offset by a £992,000 reduction in liabilities due to a change in demographic assumptions based on a reduced life expectancy assumption. Further details are set out in note 23 to the financial statements.

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The overall Statement of Financial Activities showed net increase of £806,676 before the actuarial loss on defined benefit pension schemes (2018: net income of £50,529,869, which included the transfers of the four schools into the Trust). This included net income of £1,958,114 in the fixed asset reserve fund (2018: £55,313,428) and net expenditure of £1,125,000 in the pension reserve (2018: (£8,301,000)).

After charging a further actuarial loss on LGPS pension schemes of £1,577,000 (2018: gain of £1,462,000) the overall net movement in funds was a net decrease of £770,324 (2018: net increase of £51,991,869).

RESERVES POLICY

The Trustees have agreed a reserves policy which recognises ongoing spending plans need to closely match funding. They recognise there are risks and uncertainties, which may lead to unexpected costs and there may be a need to fund capital projects. The Trustees consider it good practice to maintain an appropriate level of reserves to cater for such items, while balancing this with a need not to hold onto excessive reserves.

Revenue reserves

At 31 August 2019, restricted revenue reserves were £1,865,182 (2018: £1,781,708) and unrestricted reserves were £2,143,094 (2018: £2,253,006). Included in restricted revenue reserves was a sports restricted reserve of £254,138 (2018: £357,372) which is required to be reinvested in sports projects following the sale of playing fields at Aldridge School during 2018.

In addition, the Trustees have agreed 50% of the free revenue reserves of the five founding academies at the date of formation of the MAT can be used for a period of up to five years from that date specifically for the corresponding academies. This reflects a balance to ensure funding received by those academies is being used for pupils at the academies when the MAT was formed, and protecting the future of the Trust. At 31 August 2019, these designated reserves were £1,305,000 (2018: £1,551,000).

In addition to amounts reserved for specific capital or ongoing projects the Trustees believe it is appropriate to maintain a minimum level of free revenue reserves of at least 5% of recurring grant income to cater for risks and uncertainties, unexpected costs or shortfalls in income; working capital needs and the potential need for capital investment. Such reserves were £2,449,000 at 31 August 2019 or 7.5% of recurring grant income (2018: £2,100,000 or 7.8% of recurring grant income).

Pension Reserve

The defined benefit scheme reserve has a deficit balance, the effect of which is the MAT pays higher employer contributions over a period of years. These are met from future income. While the deficit will not be eliminated in the short term, there should be no direct impact on free revenue reserves.

Fixed Asset Reserve

The fixed asset reserve fund reflects funding received for assets of a capital nature, less accumulated depreciation. Capital funding is received from the ESFA from time to time, but may not be sufficient to cover all capital needs and the Trust may therefore be required to fund expenditure out of its free revenue reserves. In the unlikely event of a disposal of a specific academy's land & buildings (subject to approval by the Secretary of State for Education), the Trustees have agreed that proceeds from would be reinvested in the academy to which these assets relate (unless otherwise directed by the Secretary of State).

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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 Trust's CFO in consultation with the individual schools and taking into account the returns from interest rates compared to cash requirements.

In view of current low interest rates, and the major capital projects being undertaken across the Trust funds were held in current accounts at year-end.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Trust 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 Trustees that risks are being managed and mitigated.

The Trustees have assessed the main areas of risk, which the Trust faces and these are documented in the risk register. The main headings in the register are:

- Strategic Plan
- Educational Standards
- Public Profile
- Finance
- Safeguarding
- Health and safety
- Personnel
- Fraud, misuse of funds and safekeeping of assets.

The Trustees have overall responsibility for risk management, and choose to delegate management of these matters to the BAR Committee and, in turn, to the CEO and the TENT. Policies and control procedures have been put into place to cover all the above-mentioned areas of risk.

Strategic Plan

The strategic planning risks identified included:

- The Trust does not function as a single entity effectively or efficiently.
- Individual schools maintain autonomy to the detriment of the functioning of the Trust
- Failure to meet Trust objectives
- The Trust site/estate is not developed in a timely manner to meet Trust objectives
- Insufficient pupil numbers leaving the Trust financially unsustainable
- Post 16 provision not meeting the requirements of students (or their parents' expectations) leading to insufficient recruitment and financial insecurity

To address these, the Trustees have established processes to ensure:

- There is a clear strategic plan
- Good communication, including regular meetings between CEO and Head Teachers/Principals
- The creation of a Trust central team
- An appropriate scheme of delegation is in place

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- Experienced resources to support the Trust drawn from Trustees, a central Trust team and senior leaders in the schools within the Trust
- Regular visits to schools by the Director of School Improvement
- Planning for future growth
- Regular monitoring of trends in pupil numbers, budget information and employment costs
- A robust expansion strategy

Education Standards

Risks identified in this area by the Trustees include:

- Schools failing to make nationally expected progress (according to measures in force)
- Insufficient progress on post Ofsted action plans following inspections rated as RI or Inadequate
- Schools failing to make progress to close the gap for disadvantaged children
- Teacher recruitment and retention is insufficient to drive up standards

As a result, the following key processes have been established:

- The Trust has set up a separate committee to review educational standards (AIMS) at the start of 2019
- A robust performance management process in place
- Termly data drops will be arranged
- CEO/ Director of School Improvement attending senior leadership meetings in schools
- Regular visits by the Director of School Improvement with recommendations, and review by an experienced Trustee or independent review where appropriate
- A robust pupil premium strategy with monitoring by central Trust leaders
- Development of a school improvement package, (including school visits/intervention support)
- Consideration of shared staffing structures between schools including best practice transfer

Public Profile

This is critical as it ensures future (financial) viability of the schools in the Trust. Trustees monitor recruitment at the appropriate admission points for each school, including the sixth form.

Areas of focus include:

- Pupil and staff behaviour, for which the individual schools' policies are key to managing this risk
- Publicity, which is closely monitored by the CEO, head teachers, LGB's and the Board of Trustees
- Suitability of partnerships with other organisations which are closely monitored by the Trustees

Safeguarding

The Trustees 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. Each school's Designated Safeguarding Lead (DSL) is responsible for:

- Ensuring there are adequate systems in place for identifying and reporting on pupil welfare and safety
- Liaising with authorities to ensure that schools fulfil their 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 individual schools' home school agreements

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The Trust's Director of School Improvement is the Trust's lead for safeguarding. There is a nominated Trustee for safeguarding.

Finance

The Trust is heavily reliant on Government funding with 90% of total revenue (excluding capital funding) forecast to come from public grants. Other income comes from a variety of sources such as catering, educational trips, materials for pupils and facilities lettings.

The Trust has already experienced reductions in elements of grant funding and basic per pupil funding, as well as increased pay related costs from pensions/national insurance. The Government has funded additional costs of higher than expected pay awards and increased pension contributions for teachers, but not for non-teaching staff. Unless Government spending plans change, further reductions in grant funding in real terms are also anticipated in both 11-16 and 16-19 education in the future and there are still significant uncertainties over how the national funding formula will be implemented.

The Trust's financial objectives are to manage its affairs to support the achievement of the overall strategic objectives as set out in the Trustees' strategic plan. This covers both short-term and long term planning, managing revenues, costs, assets, liabilities, opportunities and risks to ensure the Trust 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 Trust has no control, has been and continues to be mitigated in several ways:

Student numbers remain the key driver and Trustees aim to increase student numbers for 11-16 provision. Both Queen Mary's schools have been awarded Selective Schools Expansion funding and have increased their Published Admission Numbers (PAN) as a result. Aldridge and Shire Oak have also increased their PAN.

- Although the number of pupils attending at age 16 – 19 can vary year on year, this is a key area of focus for Trustees. The introduction of the MAT block subjects enables the Trust to offer a broader curriculum while managing efficiency of delivery. Retention of existing students is key for all schools as well as increasing external recruitment
- The Trustees, and schools prior to the formation of the multi academy Trust, had been successful in attracting capital funding which has improved facilities, supporting recruitment and retention, as well as modernising facilities to reduce running costs. This has continued in 2019 with the Trust being awarded Selective School Expansion funding as well as now receiving funding for School Condition Allocation
- The recent addition of The Ladder School has helped the Trust, led by the Department for Education, to finalise plans to provide a new building for this alternative provision school to expand places needed in the borough. This site will be joined up with Walsall Studio School, as part of the long term plan to expand
- Trustees are also focused on increasing other revenues to reduce the impact of lower grant funding

In addition to increasing revenue, there is a focus on managing costs to achieve savings where possible without impacting on the effectiveness of provision of education. Where necessary the Trustees will approve investment to do this. Costs have fallen due to a previous investment in more energy efficient boilers, replacement windows and roofing, and investments in bulk copiers and printing resources were made to reduce operational costs. The Trust has been collectively sourcing energy to secure effective deals, outsourcing payroll, recruitment advertising, insurances (outside the RPA), finance and IT systems to name but a few. Spend is very closely monitored against budgets to ensure adequate control of costs.

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The Trust invested a significant amount of time during the year in an Integrated Financial Planning review, as well as reviewing its activities against other Trusts and the sector. These have identified a number of actions which will improve efficiency of delivery of the curriculum. A number of these have already been implemented in schools, most notably reducing the number of sets for Year 7 intake at Shire Oak and Aldridge, and increasing the number opportunities to share teaching resources by focussing the teaching of certain subjects taught in 16-19 provision.

Health & Safety

Trustees, Local Governors and staff are keenly aware of their responsibilities to ensure that Trust schools provide a safe and comfortable place in which to study and work. The schools have a robust set of health & safety procedures, and commission expert external advice through independent audits, focusing on different areas, on a regular basis. Headteachers / Principals are responsible for Health and Safety in each school. Each school has a nominated local governor for Health and Safety.

Personnel

The success of the Trust is reliant on the quality of its staff and so Trustees monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning. The Trustees oversee the management of a Trust-wide performance management system which assesses staff performance and is linked to pay. Trustees appoint an independent advisor to review performance and pay for the CEO and the TENT. The CEO advises LGBs on decisions on individual school leadership team payments and moderates recommendations from head teachers for staff across the Trust.

The Chairs of the LGBs, and the HeadTeachers/ Principals in individual schools are responsible for managing change and communication / dissemination of information to staff. Senior staff, LGB's and Trustees are trained in safeguarding for recruitment of new staff.

Fraud, misuse of funds and safekeeping of assets

The Trust has a qualified CFO, supported by a suitably qualified finance team which is responsible for managing finances. The Trustees agreed a programme of additional work with the auditors to review internal controls and processes as required by the Academies' Financial Handbook. This internal audit work includes ensuring that the Trust's financial policies are adhered to. Reports are prepared for the BAR Committee, which fulfils the role of Finance Committee and Audit Committee as described in the Academies Financial Handbook.

The Trustees 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 Trust's budget and monitoring performance closely.

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

FUNDRAISING ACTIVITIES / INCOME GENERATION

The schools within the Trust seek to increase revenues where possible. This includes the letting of sports and building facilities to third parties. These arrangements are subject to checks on the third party including for safeguarding, insurance and risk assessment activities.

When supplying trips, materials or other activities to pupils, all schools consider whether charges can be made in line with the charging and remissions policy. This includes whether to request voluntary contributions from parents to help fund activities. Such requests are clearly identified as voluntary contributions.

Queen Mary's Grammar School and Queen Mary's High School both request voluntary donations towards wider

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enrichment activities carried out by staff in these schools. Without these, it would be difficult to finance some of the extra-curricular activities which take place outside of core education. Requests are made termly and are clearly marked as voluntary. The Trust is very grateful for the generosity of parents who support the schools in this way. The Trust operates a sensitive approach to fundraising from parents and there have been no complaints. No external professional fundraising organisations were used. Several schools within the Trust also have active parents' associations, who support activities and raise funds.

PLANS FOR FUTURE PERIODS

FUTURE DEVELOPMENTS

The key objectives for the forthcoming year for the Trust include:

- Embedding and accelerating the Trust's updated strategic plan and priorities as articulated by Trustees and the new CEO
- Implementing an updated plan for strategic relationships and growth
- Strengthening and developing the Trust's school improvement offer and central team for the Quality of Education
- Developing and implementing appropriate systems and platforms to analyse data / intelligence quickly and allocating appropriate and effective resources in-year
- Increasing opportunities and improving outcomes for students (including disadvantaged students and those with SEND) in all Trust schools, particularly those where the quality of education is not yet judged Good or where progress measures are not yet in line with national averages
- Establishing and sustaining The Ladder School with sufficient students on roll and supporting the school effectively in preparation for its first inspection
- Successfully managing capital build projects in each of the Trust's schools
- Establishing and further developing an effective business support central team to provide efficient and professional business support
- Ensuring the new centralised finance operations team is effective
- Ensuring a rigorous and professional approach to business and curriculum planning is further developed

FUNDS HELD AS CUSTODIAN

During the year ended 31 August 2019, the Trust did not hold any funds as custodian trustee on behalf of any other charitable organisation.

EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF THE DISABLED

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The Trust carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Trustees.

The Trust has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal Opportunities Policy
- Volunteers' Policy
- Health & Safety Policy

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In accordance with the Trust's Equal Opportunities Policy, the Trust has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the Trust's offices.

AGENCY ARRANGEMENTS

The Trust acts as an agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received and subsequent disbursements to students are excluded from the statement of financial activities as the Trust does not have control over the charitable application of the funds. In some instances the Trust can use a % of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 28.

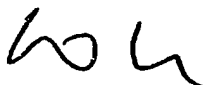
DISCLOSURE OF INFORMATION TO AUDITOR

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustees have taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The Trustees' Report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 17 December 2019 and signed on its behalf by:

William Hodson
Chair of Trustees



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GOVERNANCE STATEMENT

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 board of trustees has delegated the day-to-day responsibility to the CEO, 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. The board of trustees has formally met 7 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

| Trustee | Meetings attended | Out of a possible |
|---|-------------------|-------------------|
| Philip Sturrock MBE, Chair (until 7 May 2019) | 6 | 6 |
| William Hodson, Chair (from 8 May 2019) | 7 | 7 |
| The Revd. Beverley Boden | 4 | 5 |
| Jane Bonner | 7 | 7 |
| Melanie Crooks | 7 | 7 |
| Kevin Davis | 7 | 7 |
| Mark Harland | 4 | 7 |
| Rebecca Hearsey | 7 | 7 |
| Kevin Hubery | 6 | 7 |
| Caroline Jobling | 0 | 0 |
| Eddie Stride | 0 | 2 |

The Trustees delegated responsibility for finance, audit and risk to the Business, Audit & Risk Committee. Attendance at meetings of this committee is summarised in the table below:

Attendance at meetings in the year was as follows:

| Trustee | Meetings attended | Out of a possible |
|---|-------------------|-------------------|
| Melanie Crooks, Chair | 3 | 3 |
| The Revd. Beverley Boden | 1 | 1 |
| Rebecca Hearsey (resigned 21 March 2019) | 0 | 2 |
| Alex Lamb*** | 3 | 3 |
| Paul Lee*** | 2 | 3 |
| Jane Mole*** | 2 | 3 |
| Stuart Roberts*** | 2 | 3 |
| Martin Taylor*** (resigned 21 March 2019) | 1 | 1 |

*** These attendees are not Trustees but are co-opted members of Local Governing Bodies with experience in finance, audit and risk who have been co-opted on to the Business, Audit & Risk Committee.

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GOVERNANCE STATEMENT (continued)

GOVERNANCE REVIEWS

A full review of Governance for Queen Mary's Grammar School was undertaken in the year ended 31 August 2016. In view of the anticipated creation of the multi academy Trust, it was not considered appropriate to review this again as a single academy Trust. During the process of forming the Trust, the Trustees reviewed skills and considered that these were sufficient to establish the multi academy Trust.

Expert legal advice was sought from Browne Jacobson as part of the work to form the multi academy Trust to establish the framework of governance for the Trust. This included developing and implementing:

- A Trust scheme of delegation
- A Trust code of governance
- Terms of reference for the board of Trustees, Committees and LGB's

The board of Trustees held a strategy conference in March 2018, which enabled them to set the direction for the Trust in the light of national as well as local priorities. Keynote speakers included Paul Walton (a brand and marketing strategist with the Cello Group) and Nick Mackenzie (a Partner at Browne Jacobson LLB, specialising in Education).

A framework for delivering Governance across the levels of the Trust was reviewed and agreed during the summer term in 2018 and this has now been implemented.

Following a further skills audit in September 2018, and in the light of the strategic plan, it was agreed that there was a need to recruit new Trustees with further expertise in the primary sector and in alternative provision education. One appointment to meet the primary sector skills gap was made in November 2018, and two other appointments are due to be made in January 2020.

A review of Governance at one of the schools in the Trust was also conducted by an independent advisor in September 2018 and the recommendations made were extended to the Trust Board and LGB's. In a new role established with the creation of the Trust, a Director of School Improvement was appointed, who has attended all LGB meetings to offer advice on good governance. The Director of School Improvement is an accredited Lead Ofsted Inspector and is therefore able to provide additional expertise in Ofsted expectations.

The Trust has established a forum for chairs of LGB's and this met in November 2019 for the first time.

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GOVERNANCE STATEMENT (continued)

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the CEO has responsibility for ensuring that the Trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

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

- Managing the Trust's finances within a very tightly controlled budget, whilst not affecting the overall delivery of teaching and learning or reducing extra-curricular activities
- Within existing budgets, established positions for a School Improvement Director and a Director of Social Mobility to focus on areas for improving outcomes for students
- Maintaining tight control over staff resources and curriculum offering to ensure the Trust is operating an efficient workforce and making the best use of limited funding resources. This includes shared teaching resources across the schools in the Trust, as well as providing shared sixth form curriculum subjects, and sharing support services
- The Trust has benefitted from purchasing as a Trust and making use of public sector framework agreements, in areas such as energy arrangements, IT systems, insurances, copiers, so as to use funding efficiently. The Trust has also procured educational resources in bulk orders to maximise discounts, using public procurement networks such as ESPO to benefit from competitive frameworks where appropriate
- The Trust has already made use of Integrated Curriculum Financial Planning, Schools ("ICFP") Benchmarking and Schools Resources Management tools. Results of the detailed ICFP modelling exercise were used in the annual budgeting and planning progress report to help schools reshape their curriculum.
- The Trust has taken an coordinated approach to communicating and promoting its schools with senior leaders attending open evenings and planning sessions, to ensure parents and pupils recognise the added value offering of the Trust so as to continue to attract pupils into Years 7 and 12 in a highly competitive local market place. The breadth of education across the Trust allows it to offer a broad curriculum and an integrated approach to educating pupils. This will be further extended with the introduction of the new alternative provision free school
- The Trust has also coordinated continuing professional development training for staff and regularly holds Trust-wide CPD sessions to increase efficiency of delivery and to encourage transfer of best practice and team working
- Working collectively with three external selective 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 ongoing process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Mercian Trust for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

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GOVERNANCE STATEMENT (continued)

CAPACITY TO HANDLE RISK

The board of trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks, that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Business, Audit & Risk 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 board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Crowe U.K. LLP, the external auditor, to perform additional checks.

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

- Payroll procedures and controls
- Purchasing procedures including authorisation, ordering, accounting/recording, payment and regularity
- Tendering procedures and compliance with the Academies Financial Handbook
- Supplier processes, including new supplier set up, payments and IT security/access
- General financial procedures and compliance with policies and controls,
- Review of bank and other control account reconciliations

Trustees have appointed the auditors, Crowe U.K. LLP, to carry out extended audit assurance work. This work is reviewed by the BAR Committee with recommendations to the Trustees. Moving forward it is expected that the Trustees will appoint a specialist to review internal controls and risks which will include termly visits to schools within the Trust.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

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

- work of the Trust Executive New Team
- work of the CFO and finance teams across the Trust
- extended assurance reviews by the Trust's external auditors
- scrutiny of the Business, Audit & Risk Committee and Trustees
- additional oversight of finances at school level by LGB's
- the financial management and governance self-assessment process;
- the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Business, Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 17 December 2019 and signed on their behalf, by:

William Hodson
Chair of Trustees



Daniel Parkes
Accounting Officer



THE MERCIAN TRUST
(A Company Limited by Guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Mercian Trust I have considered my responsibility to notify the academy Trust board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy Trust, under the funding agreement in place between the academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the academy Trust board of Trustees are able to identify any material irregular or improper use of funds by the academy Trust, or material non-compliance with the terms and conditions of funding under the academy Trust's funding agreement and the Academies Financial Handbook 2018.

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



Daniel Parkes
Accounting Officer

Date: 17 December 2019

THE MERCIAN TRUST
(A Company Limited by Guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2019

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

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of Trustees on 17 December 2019 and signed on its behalf by:



William Hodson
Chair of Trustees

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
MERCIAN TRUST**

OPINION

We have audited the financial statements of The Mercian Trust (the 'Trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report (which includes the Reference and Administrative Details, the Report of the Directors and Strategic Report and the Governance Statement), other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
MERCIAN TRUST**

doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

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

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

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
MERCIAN TRUST**

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

USE OF OUR REPORT

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


Helen Drew (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Black Country House

Rounds Green Road

Oldbury

West Midlands

B69 2DG

Date: 18-12-19

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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

In accordance with the terms of our engagement letter dated 23 July 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Mercian Trust during the year 1 September 2018 to 31 August 2019 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 the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Mercian Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Mercian Trust and the 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 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes a review of the design and implementation of the Academy's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the academy and specific transactions identified from our review.

THE MERCIAN TRUST
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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE
MERCIAN TRUST AND THE EDUCATION & 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 year 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Crowe U.K. LLP
Helen Drew

Crowe U.K. LLP

Reporting Accountant

Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

Date: 18-12-19

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2019**

| | Note | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|--|------|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Income from: | | | | | | |
| Donations and capital grants | 2 | 64,257 | (60,000) | 4,565,395 | 4,569,652 | 52,902,730 |
| Charitable activities | 3 | 1,783,503 | 28,015,718 | - | 29,799,221 | 20,600,014 |
| Other trading activities | 4 | 290,676 | - | - | 290,676 | 217,582 |
| Investments | 5 | 5,171 | - | - | 5,171 | 3,844 |
| Total income | | 2,143,607 | 27,955,718 | 4,565,395 | 34,664,720 | 73,724,170 |
| Expenditure on: | | | | | | |
| Raising funds | | 32,139 | - | - | 32,139 | 101,785 |
| Charitable activities | | 1,811,891 | 30,307,529 | 1,706,485 | 33,825,905 | 23,092,516 |
| Total expenditure | 6 | 1,844,030 | 30,307,529 | 1,706,485 | 33,858,044 | 23,194,301 |
| Net income / (expenditure) before transfers | | 299,577 | (2,351,811) | 2,858,910 | 806,676 | 50,529,869 |
| Transfers between Funds | 19 | (409,489) | 1,310,285 | (900,796) | - | - |
| Net income / (expenditure) before other recognised gains and losses | | (109,912) | (1,041,526) | 1,958,114 | 806,676 | 50,529,869 |
| Actuarial gains/(losses) on defined benefit pension schemes | 23 | - | (1,577,000) | - | (1,577,000) | 1,462,000 |
| Net movement in funds | | (109,912) | (2,618,526) | 1,958,114 | (770,324) | 51,991,869 |
| Reconciliation of funds: | | | | | | |
| Total funds brought forward | | 2,253,006 | (7,027,292) | 66,823,098 | 62,048,812 | 10,056,943 |
| Total funds carried forward | | 2,143,094 | (9,645,818) | 68,781,212 | 61,278,488 | 62,048,812 |

The notes on pages 39 to 66 form part of these financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07611347

BALANCE SHEET
AS AT 31 AUGUST 2019

| | Note | 2019 £ | 2018 £ |
|--|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 61,918 | 13,642 |
| Tangible assets | 14 | 64,507,769 | 63,999,248 |
| | | <u>64,569,687</u> | <u>64,012,890</u> |
| Current assets | | | |
| Stocks | 15 | 44,958 | 52,782 |
| Debtors | 16 | 4,260,461 | 3,026,972 |
| Cash at bank and in hand | | 5,961,610 | 6,251,511 |
| | | <u>10,267,029</u> | <u>9,331,265</u> |
| Creditors: amounts falling due within one year | 17 | <u>(1,987,738)</u> | <u>(2,462,698)</u> |
| Net current assets | | <u>8,279,291</u> | <u>6,868,567</u> |
| Total assets less current liabilities | | <u>72,848,978</u> | <u>70,881,457</u> |
| Creditors: amounts falling due after more than one year | 18 | <u>(59,490)</u> | <u>(23,645)</u> |
| Net assets excluding pension scheme liabilities | | <u>72,789,488</u> | <u>70,857,812</u> |
| Defined benefit pension scheme liability | 23 | <u>(11,511,000)</u> | <u>(8,809,000)</u> |
| Net assets including pension scheme liabilities | | <u><u>61,278,488</u></u> | <u><u>62,048,812</u></u> |

THE MERCIAN TRUST
(A Company Limited by Guarantee)

BALANCE SHEET (continued)
AS AT 31 AUGUST 2019

| | Note | 2019 £ | £ | 2018 £ | £ |
|--|------|-------------------|---|-------------------|---|
| Funds of the academy | | | | | |
| Restricted funds: | | | | | |
| Restricted funds | 19 | 1,865,182 | | 1,781,708 | |
| Restricted fixed asset funds | 19 | 68,781,212 | | 66,823,098 | |
| | | <u>70,646,394</u> | | <u>68,604,806</u> | |
| Restricted funds excluding pension liability | | | | | |
| Pension reserve | | (11,511,000) | | (8,809,000) | |
| | | | | <u>59,795,806</u> | |
| Total restricted funds | | 59,135,394 | | 59,795,806 | |
| Unrestricted income funds | 19 | 2,143,094 | | 2,253,006 | |
| | | <u>61,278,488</u> | | <u>62,048,812</u> | |
| Total funds | | | | | |

The financial statements on pages 36 to 66 were approved by the Trustees, and authorised for issue, on 17 December 2019 and are signed on their behalf, by:



William Hodson
Chair of Trustees

The notes on pages 39 to 66 form part of these financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

| | Note | 2019 £ | 2018 £ |
|--|------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Net cash (used in)/provided by operating activities | 21 | <u>(2,643,322)</u> | <u>3,032,937</u> |
| Cash flows from investing activities: | | | |
| Bank interest received | | 5,171 | 3,844 |
| Purchase of intangible fixed assets | | (58,184) | - |
| Purchase of tangible fixed assets | | (2,214,746) | (1,009,219) |
| Capital grants from DfE and ESFA | | 4,565,395 | 3,461,055 |
| Loss on disposal of fixed assets | | 9,646 | - |
| Net cash provided by investing activities | | <u>2,307,282</u> | <u>2,455,680</u> |
| Cash flows from financing activities: | | | |
| Repayments of borrowings | | (3,861) | - |
| Cash inflows from new borrowing | | 50,000 | - |
| Net cash provided by financing activities | | <u>46,139</u> | <u>-</u> |
| Change in cash and cash equivalents in the year | | <u>(289,901)</u> | <u>5,488,617</u> |
| Cash and cash equivalents brought forward | | 6,251,511 | 762,894 |
| Cash and cash equivalents carried forward | 22 | <u><u>5,961,610</u></u> | <u><u>6,251,511</u></u> |

The notes on pages 39 to 66 form part of these financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Mercian Trust constitutes a public benefit entity as defined by FRS 102.

1.2 GOING CONCERN

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.3 INCOME

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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

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

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

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities incorporating Income and Expenditure Account in the period in which it is receivable, where receipt is probable and it is measurable.

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

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

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured.

Other income, including the hire of facilities, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

Where assets are received on the transfer of an existing academy into the Trust, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point when the risks and rewards of ownership pass to the Trust, which is on signing of the transfer agreement with the transferring Trust. An equal amount of income is recognised for the transfer of an existing academy into the Trust within Income and donations and capital grants.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

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 allocated on the portion of the asset's use.

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

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

1.5 INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible assets costing £2,500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £2,500 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

The Trust has an art collection which was bequeathed to the Trust from 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 is provided on all tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

| Fixed asset category | Economic life (Years) |
|-----------------------|-----------------------|
| Freehold buildings | 50 |
| Leasehold buildings | 50 to 125 |
| Temporary buildings | 10 |
| Fixtures and fittings | 4 to 10 |
| Computer equipment | 3 to 5 |
| Motor vehicles | 4 to 5 |

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 incorporating Income and Expenditure Account.

1.7 INTEREST RECEIVABLE

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Trust; this is normally upon notification of the interest paid or payable by the Bank.

1.8 OPERATING LEASES

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.9 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.10 DEBTORS

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.11 FUND ACCOUNTING

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

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

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

1.12 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.

1.13 FINANCIAL INSTRUMENTS

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

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 16. 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 costs as detailed in notes 17 and 18. 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 year to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

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

1. ACCOUNTING POLICIES (continued)

1.14 TAXATION

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.15 PENSIONS

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 23, 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 recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance 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 incorporating Income and Expenditure Account 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.

1.16 AGENCY ARRANGEMENTS

The charitable company acts as an agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received and subsequent disbursements to students are excluded from the Statement of financial activities as the Trust does not have control over the charitable application of the funds. In some instances the Trust can use a % of the allocation towards its own administration costs and this is recognised in the Statement of financial activities. The funds received and paid and any balances held are disclosed in note 28.

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

1. ACCOUNTING POLICIES (continued)

1.17 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The Trustees 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 judgment:

There are no critical judgments which would have a material impact on the financial statements.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|-------------------|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Donations | 64,257 | (60,000) | - | 4,257 | 49,441,675 |
| Capital Grants | - | - | 4,565,395 | 4,565,395 | 3,461,055 |
| | 64,257 | (60,000) | 4,565,395 | 4,569,652 | 52,902,730 |
| <i>Total 2018</i> | <i>1,878,247</i> | <i>(5,612,418)</i> | <i>56,636,901</i> | <i>52,902,730</i> | |

The £(60,000) donation relates to the accounting for the first FRS102 pension valuation for Walsall Studio School, which has been treated as negative donation in the pension reserve.

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

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|--------------------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| DfE/ESFA grants | | | | |
| General Annual Grant (GAG) | - | 25,113,474 | 25,113,474 | 17,624,252 |
| Other DfE/ESFA Grants | - | 1,594,562 | 1,594,562 | 883,370 |
| | - | 26,708,036 | 26,708,036 | 18,507,622 |
| Other government grants | | | | |
| Local Authority Grants | - | 415,103 | 415,103 | 230,926 |
| | - | 415,103 | 415,103 | 230,926 |
| Other funding | | | | |
| School funds income | 877,666 | - | 877,666 | 704,391 |
| Catering income | 890,953 | - | 890,953 | 602,362 |
| Management income | - | - | - | 126,135 |
| Curriculum and exam fee income | - | 203,213 | 203,213 | 129,663 |
| ITT/PGCE income | - | 42,281 | 42,281 | 25,730 |
| Staff consultancy income | 14,884 | - | 14,884 | 27,340 |
| Insurance income | - | 203,542 | 203,542 | 40,279 |
| Educational income | - | 245,287 | 245,287 | 104,682 |
| Other income | - | 198,256 | 198,256 | 100,884 |
| | 1,783,503 | 892,579 | 2,676,082 | 1,861,466 |
| | 1,783,503 | 28,015,718 | 29,799,221 | 20,600,014 |
| Total 2018 | 1,334,093 | 19,265,921 | 20,600,014 | |

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

4. OTHER TRADING ACTIVITIES

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|----------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| School uniform sales | 40,441 | - | 40,441 | 45,458 |
| Staff catering | 20,122 | - | 20,122 | 11,379 |
| Lettings income | 113,396 | - | 113,396 | 95,745 |
| Music income | 116,717 | - | 116,717 | 65,000 |
| | <u>290,676</u> | <u>-</u> | <u>290,676</u> | <u>217,582</u> |
| <i>Total 2018</i> | <u>217,582</u> | <u>-</u> | <u>217,582</u> | |

5. INVESTMENT INCOME

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|-------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| Investment income | 5,171 | - | 5,171 | 3,844 |
| | <u>5,171</u> | <u>-</u> | <u>5,171</u> | <u>3,844</u> |
| <i>Total 2018</i> | <u>3,844</u> | <u>-</u> | <u>3,844</u> | |

6. EXPENDITURE

| | Staff costs 2019 £ | Premises 2019 £ | Other costs 2019 £ | Total 2019 £ | Total 2018 £ |
|-------------------------|--------------------------|-----------------------|--------------------------|--------------------|--------------------|
| Raising funds | | | | | |
| Direct costs | - | - | 32,139 | 32,139 | 101,785 |
| Educational operations: | | | | | |
| Direct costs | 20,093,315 | 1,696,577 | 3,278,637 | 25,068,529 | 17,850,488 |
| Support costs | 3,745,553 | 3,489,607 | 1,522,216 | 8,757,376 | 5,242,028 |
| | <u>23,838,868</u> | <u>5,186,184</u> | <u>4,832,992</u> | <u>33,858,044</u> | <u>23,194,301</u> |
| <i>Total 2018</i> | <u>16,114,659</u> | <u>3,198,581</u> | <u>3,881,061</u> | <u>23,194,301</u> | |

THE MERCIAN TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

7. SUPPORT COSTS

| | Educational operations £ | Total 2019 £ | Total 2018 £ |
|---------------------|---|-----------------------------|-----------------------------|
| Premises costs | 3,489,607 | 3,489,607 | 1,887,852 |
| Governance costs | 60,797 | 60,797 | 72,847 |
| Other support costs | 1,461,419 | 1,461,419 | 1,141,405 |
| Wages and salaries | 1,914,122 | 1,914,122 | 1,145,552 |
| National insurance | 232,036 | 232,036 | 131,152 |
| Pension cost | 1,599,395 | 1,599,395 | 863,220 |
| | 8,757,376 | 8,757,376 | 5,242,028 |
| <i>Total 2018</i> | <i>5,242,028</i> | <i>5,242,028</i> | |

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

| | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| Depreciation of tangible fixed assets: - owned by the charity | 1,696,579 | 1,310,729 |
| Amortisation of intangible fixed assets | 9,908 | 12,744 |
| Auditor's remuneration - audit | 22,725 | 21,000 |
| Auditor's remuneration - other services | 16,545 | 13,875 |
| Operating lease rentals | 32,069 | 31,447 |

THE MERCIAN TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

9. STAFF COSTS

a. Staff costs

Staff costs were as follows:

| | 2019 £ | 2018 £ |
|-----------------------|--------------------------|--------------------------|
| Wages and salaries | 17,299,239 | 11,886,612 |
| Social security costs | 1,758,504 | 1,196,257 |
| Pension costs | 4,035,511 | 2,588,563 |
| | <u>23,093,254</u> | <u>15,671,432</u> |
| Agency staff costs | 745,614 | 443,227 |
| | <u><u>23,838,868</u></u> | <u><u>16,114,659</u></u> |

b. Non-statutory/non-contractual staff severance payments

Included in staff costs is a non-statutory/non-contractual severance payment totalling £2,614, authorised on 13 June 2019.

c. Staff numbers

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

| | 2019 No. | 2018 No. |
|----------------------------|-------------|-------------|
| Teachers | 329 | 333 |
| Administration and support | 258 | 253 |
| Management | 35 | 33 |
| | <u>622</u> | <u>619</u> |

d. Higher paid staff

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

| | 2019 No. | 2018 No. |
|---------------------------------|-------------|-------------|
| In the band £60,001 - £70,000 | 6 | 2 |
| In the band £70,001 - £80,000 | 4 | 1 |
| In the band £80,001 - £90,000 | 4 | 1 |
| In the band £90,001 - £100,000 | 2 | 0 |
| In the band £100,001 - £110,000 | 1 | 0 |
| In the band £110,001 - £120,000 | 0 | 1 |
| In the band £120,001 - £130,000 | 1 | 0 |

The number of employees shown in 2018 includes 8 months salary for staff in the four schools joining the Trust on 1 January 2018.

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

9. STAFF COSTS (continued)

e. Key management personnel

The key management personnel of the Trust comprise the Trust Executive Team. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Trust was £953,001 (2018: £744,520).

10. CENTRAL SERVICES

The Trust has provided the following central services to its academies during the year:

- Strategic direction and coordination of activities
- School Improvement including access to a trained Ofsted Lead Inspector
- Financial policy and management
- Coordination of a Trust-wide approach to GDPR compliance
- IT advice and policy
- Tax advice
- Programmes of Trust-wide developed CPD and initial teacher training
- Advertising subscription for recruitment of teachers and on teaching staff
- Insurance advisory and broking (outside RPA)
- Annual external audit, pension valuations and extended audit assurance
- Other educational services organised centrally by the Trust
- Integrated Curriculum Financial Planning modelling
- Additional resources to schools for SEND and social mobility

The Trust charged for the services by means of a "top slice approach". In the current year the Trust charged 5% of grant income. This fee was charged for the full 12 months, and from January 2019 for The Ladder School.

The amount charged during the year was £1,241,570 (2018: £481,633). The table below shows the amounts charged in the period.

| | 2019 | 2018 |
|-----------------------|------------------|----------------|
| | £ | £ |
| Aldridge School | 370,848 | 148,318 |
| QMGS | 236,558 | 88,406 |
| QMHS | 181,577 | 71,781 |
| Shire Oak Academy | 357,224 | 141,997 |
| Walsall Studio School | 81,595 | 31,131 |
| The Ladder School | 13,768 | - |
| | <u>1,241,570</u> | <u>481,633</u> |
| Total | | |

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

11. TRUSTEES' REMUNERATION AND EXPENSES

During the year, no Trustees received any remuneration (2018 - £Nil).

During the year, no Trustees received any benefits in kind (2018 - £Nil).

During the year ended 31 August 2019, No travel and subsistence expenses (2018: £1,171) were reimbursed to trustees (2018: two trustees) in the role of employee and £241 (2018: £415) was reimbursed to one other trustee (2018: one trustee).

12. TRUSTEES' AND OFFICERS' INSURANCE

The 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 Trust business, and provides cover 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.

13. INTANGIBLE FIXED ASSETS

| | Software £ |
|------------------------|-----------------------|
| COST | |
| At 1 September 2018 | 26,386 |
| Additions | 58,184 |
| At 31 August 2019 | 84,570 |
| AMORTISATION | |
| At 1 September 2018 | 12,744 |
| Charge for the year | 9,908 |
| At 31 August 2019 | 22,652 |
| CARRYING AMOUNT | |
| At 31 August 2019 | 61,918 |
| At 31 August 2018 | 13,642 |

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

14. TANGIBLE FIXED ASSETS

| | Freehold property £ | Leasehold property £ | Plant and equipment £ | Assets under construction £ | Total £ |
|--------------------------|---------------------------|----------------------------|-----------------------------|--------------------------------------|------------|
| COST | | | | | |
| At 1 September 2018 | 46,013,072 | 18,641,883 | 2,662,978 | 523,292 | 67,841,225 |
| Additions | 342,736 | 1,550,148 | 278,470 | 33,746 | 2,205,100 |
| Transfer between classes | - | 513,646 | - | (513,646) | - |
| At 31 August 2019 | 46,355,808 | 20,705,677 | 2,941,448 | 43,392 | 70,046,325 |
| DEPRECIATION | | | | | |
| At 1 September 2018 | 470,373 | 2,213,998 | 1,157,606 | - | 3,841,977 |
| Charge for the year | 719,895 | 480,522 | 496,162 | - | 1,696,579 |
| At 31 August 2019 | 1,190,268 | 2,694,520 | 1,653,768 | - | 5,538,556 |
| NET BOOK VALUE | | | | | |
| At 31 August 2019 | 45,165,540 | 18,011,157 | 1,287,680 | 43,392 | 64,507,769 |
| At 31 August 2018 | 45,542,699 | 16,427,885 | 1,505,372 | 523,292 | 63,999,248 |

15. STOCKS

| | 2019 £ | 2018 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 44,958 | 52,782 |

16. DEBTORS

| | 2019 £ | 2018 £ |
|--------------------------------|-----------|-----------|
| Trade debtors | 66,630 | 122,434 |
| Other debtors | 809 | - |
| Prepayments and accrued income | 3,706,942 | 2,373,713 |
| VAT Debtor | 486,080 | 530,825 |
| | 4,260,461 | 3,026,972 |

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

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £ | 2018 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 2,664 | 841,005 |
| Other taxation and social security | 426,182 | 469,923 |
| Other creditors | 139,881 | 291,501 |
| Accruals and deferred income | 1,419,011 | 860,269 |
| | <u>1,987,738</u> | <u>2,462,698</u> |

| | 2019 £ | 2018 £ |
|--------------------------------------|----------------|----------------|
| DEFERRED INCOME | | |
| Deferred income at 1 September 2018 | 355,480 | 38,695 |
| Resources deferred during the year | 426,875 | 355,480 |
| Amounts released from previous years | (355,480) | (38,695) |
| Deferred income at 31 August 2019 | <u>426,875</u> | <u>355,480</u> |

At the balance sheet date the Trust was holding capital grants which are due to be returned to the ESFA and income for trips in advance of the next financial year.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2019 £ | 2018 £ |
|-----------------|---------------|---------------|
| Other creditors | <u>59,490</u> | <u>23,645</u> |

Other creditors includes £14,184 (2018: £3,861) falling due within one year and £59,490 (2018: £23,645) falling due after more than one year for the balance of a Salix loan. The total amount advanced was £30,880. This loan is interest free, unsecured and repayable in equal annual instalments of £14,184 over a period of up to eight years to 1 September 2026.

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

19. STATEMENT OF FUNDS

| | Balance at 1 September 2018 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2019 £ |
|--|--|-------------------|---------------------|--------------------------|-------------------------|--------------------------------------|
| UNRESTRICTED FUNDS | | | | | | |
| General funds | 2,253,006 | 2,143,607 | (1,844,030) | (409,489) | - | 2,143,094 |
| RESTRICTED FUNDS | | | | | | |
| General Annual Grant (GAG) | 1,424,336 | 25,098,196 | (26,221,773) | 1,310,285 | - | 1,611,044 |
| Other Dfe/ESFA grants | - | 1,594,562 | (1,594,562) | - | - | - |
| Other incoming resources | - | 1,322,960 | (1,322,960) | - | - | - |
| Sports reserve | 357,372 | - | (103,234) | - | - | 254,138 |
| Pension reserve | (8,809,000) | (60,000) | (1,065,000) | - | (1,577,000) | (11,511,000) |
| | <u>(7,027,292)</u> | <u>27,955,718</u> | <u>(30,307,529)</u> | <u>1,310,285</u> | <u>(1,577,000)</u> | <u>(9,645,818)</u> |
| RESTRICTED FIXED ASSET FUNDS | | | | | | |
| Dfe/ESFA capital grants | 6,426,910 | 4,565,395 | - | (900,796) | - | 10,091,509 |
| Voluntary capital income | 9,907,465 | - | - | - | - | 9,907,465 |
| Capital donations from private sector | 1,167,599 | - | - | - | - | 1,167,599 |
| Depreciation | (3,854,722) | - | (1,706,485) | - | - | (5,561,207) |
| Donations on transfer | 53,175,846 | - | - | - | - | 53,175,846 |
| | <u>66,823,098</u> | <u>4,565,395</u> | <u>(1,706,485)</u> | <u>(900,796)</u> | <u>-</u> | <u>68,781,212</u> |
| Total restricted funds | <u>59,795,806</u> | <u>32,521,113</u> | <u>(32,014,014)</u> | <u>409,489</u> | <u>(1,577,000)</u> | <u>59,135,394</u> |
| Total of funds | <u>62,048,812</u> | <u>34,664,720</u> | <u>(33,858,044)</u> | <u>-</u> | <u>(1,577,000)</u> | <u>61,278,488</u> |

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

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education. (DfE)

Transfers between funds relate to amounts expended on fixed assets from the DfE grants which have been used for the acquisition of fixed assets during the year.

In the prior year, catering costs were allocated against restricted funds where they should have been

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FOR THE YEAR ENDED 31 AUGUST 2019

19. STATEMENT OF FUNDS (continued)

treated as unrestricted. Funds totalling £558,168 have been transferred from restricted to unrestricted.

The excess of restricted fixed asset funds over the total net book value of fixed assets represents capital monies not yet spent. At 31 August 2019 this amounted to £4,211,525 (2018: £2,810,208).

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2019 were allocated as follows:

| | Total 2019 £ | Total 2018 £ |
|---|-----------------------------|-----------------------------|
| Aldridge School | 1,228,792 | 1,381,629 |
| Aldridge School Sports Regime | 254,138 | 357,372 |
| Queens Marys Grammar School | 998,287 | 872,037 |
| Queen Mary's High School | 472,189 | 381,808 |
| Shire Oak Academy | 785,238 | 904,776 |
| Walsall Studio School | 141,941 | 51,393 |
| The Mercian Trust | 83,756 | 85,699 |
| The Ladder School | 43,935 | - |
| | <hr/> | <hr/> |
| Total before fixed asset fund and pension reserve | 4,008,276 | 4,034,714 |
| Restricted fixed asset fund | 68,781,212 | 66,823,098 |
| Pension reserve | (11,511,000) | (8,809,000) |
| | <hr/> | <hr/> |
| Total | 61,278,488 | 62,048,812 |
| | <hr/> | <hr/> |

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**NOTES TO THE FINANCIAL STATEMENTS
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19. STATEMENT OF FUNDS (continued)

ANALYSIS OF ACADEMIES BY COST

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

| | Teaching and educational support staff costs £ | Other support staff costs £ | Educational supplies £ | Other costs excluding depreciation £ | Total 2019 £ | Total 2018 £ |
|--------------------------------|---|--------------------------------------|------------------------------|---|--------------------|--------------------|
| Aldridge School | 6,007,742 | 852,133 | 461,476 | 1,706,336 | 9,027,687 | 6,131,191 |
| Queens Marys Grammar School | 3,507,486 | 733,599 | 508,132 | 1,533,571 | 6,282,788 | 5,436,888 |
| Queen Mary's High School | 2,667,822 | 532,222 | 426,331 | 1,518,335 | 5,144,710 | 2,847,461 |
| Shire Oak Academy | 6,030,938 | 1,241,417 | 512,180 | 846,622 | 8,631,157 | 5,922,411 |
| Walsall Studio School | 1,289,450 | 160,250 | 74,602 | 337,824 | 1,862,126 | 1,147,065 |
| The Mercian Trust | 247,816 | 137,057 | 23,287 | 209,762 | 617,922 | 385,812 |
| The Ladder School | 342,061 | 88,875 | 17,270 | 116,516 | 564,722 | - |
| | <u>20,093,315</u> | <u>3,745,553</u> | <u>2,023,278</u> | <u>6,268,966</u> | <u>32,131,112</u> | <u>21,870,828</u> |

STATEMENT OF FUNDS - PRIOR YEAR

| | Balance at 1 September 2017 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
|-------------------------------|--|-------------------|---------------------|--------------------------|-------------------------|--------------------------------------|
| GENERAL FUNDS | | | | | | |
| General funds | 118,329 | 3,433,766 | (1,299,089) | - | - | 2,253,006 |
| RESTRICTED FUNDS | | | | | | |
| General Annual Grant (GAG) | 276,547 | 17,624,252 | (16,223,765) | (252,698) | - | 1,424,336 |
| Other Dfe/ESFA grants | 123,418 | 883,370 | (1,006,788) | - | - | - |
| Other incoming resources | 251,677 | 2,726,509 | (2,978,186) | - | - | - |
| Sports reserve | - | 357,372 | - | - | - | 357,372 |
| Pension reserve | (1,970,000) | (7,938,000) | (363,000) | - | 1,462,000 | (8,809,000) |
| | <u>(1,318,358)</u> | <u>13,653,503</u> | <u>(20,571,739)</u> | <u>(252,698)</u> | <u>1,462,000</u> | <u>(7,027,292)</u> |

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19. STATEMENT OF FUNDS (continued)

RESTRICTED FIXED ASSET FUNDS

| | | | | | | |
|---------------------------------------|-------------------|-------------------|---------------------|----------------|------------------|-------------------|
| Dfe/ESFA capital grants | 2,713,157 | 3,461,055 | - | 252,698 | - | 6,426,910 |
| Voluntary capital income | 9,907,465 | - | - | - | - | 9,907,465 |
| Capital donations from private sector | 1,167,599 | - | - | - | - | 1,167,599 |
| Depreciation | (2,531,249) | - | (1,323,473) | - | - | (3,854,722) |
| Donations on transfer | - | 53,175,846 | - | - | - | 53,175,846 |
| | <u>11,256,972</u> | <u>56,636,901</u> | <u>(1,323,473)</u> | <u>252,698</u> | <u>-</u> | <u>66,823,098</u> |
| Total restricted funds | <u>9,938,614</u> | <u>70,290,404</u> | <u>(21,895,212)</u> | <u>-</u> | <u>1,462,000</u> | <u>59,795,806</u> |
| Total of funds | <u>10,056,943</u> | <u>73,724,170</u> | <u>(23,194,301)</u> | <u>-</u> | <u>1,462,000</u> | <u>62,048,812</u> |

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ |
|--|------------------------------------|----------------------------------|---|-----------------------------|
| Intangible fixed assets | - | - | 61,918 | 61,918 |
| Tangible fixed assets | - | - | 64,507,769 | 64,507,769 |
| Current assets | 2,143,094 | 3,912,410 | 4,211,525 | 10,267,029 |
| Creditors due within one year | - | (1,987,738) | - | (1,987,738) |
| Creditors due in more than one year | - | (59,490) | - | (59,490) |
| Provisions for liabilities and charges | - | (11,511,000) | - | (11,511,000) |
| | <u>2,143,094</u> | <u>(9,645,818)</u> | <u>68,781,212</u> | <u>61,278,488</u> |

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Restricted fixed asset funds 2018 £ | Total funds 2018 £ |
|--|------------------------------------|----------------------------------|---|-----------------------------|
| Intangible fixed assets | - | - | 13,642 | 13,642 |
| Tangible fixed assets | - | - | 63,999,248 | 63,999,248 |
| Current assets | 2,253,006 | 4,268,051 | 2,810,208 | 9,331,265 |
| Creditors due within one year | - | (2,462,698) | - | (2,462,698) |
| Creditors due in more than one year | - | (23,645) | - | (23,645) |
| Provisions for liabilities and charges | - | (8,809,000) | - | (8,809,000) |
| | <u>2,253,006</u> | <u>(7,027,292)</u> | <u>66,823,098</u> | <u>62,048,812</u> |

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21. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2019 £ | 2018 £ |
|--|--------------------|------------------|
| Net income for the year (as per Statement of Financial Activities) | 806,676 | 50,529,869 |
| Adjustment for: | | |
| Depreciation charges | 1,696,579 | 1,310,729 |
| Amortisation charges | 9,908 | 12,744 |
| Bank interest | (5,171) | (3,844) |
| Decrease/(increase) in stocks | 7,824 | (2,199) |
| Increase in debtors | (1,285,523) | (1,666,415) |
| (Decrease)/increase in creditors | (433,220) | 448,516 |
| Capital grants from DfE and other capital income | (4,565,395) | (3,461,055) |
| Defined benefit pension scheme obligation transferred from academies | 60,000 | 7,938,000 |
| Defined benefit pension scheme cost less contributions payable | 836,000 | 180,000 |
| Defined benefit pension scheme finance cost | 229,000 | 183,000 |
| Net gain on assets and liabilities from academies joining the Trust | - | 739,438 |
| Fixed assets transferred from academies joining the Trust | - | (53,175,846) |
| Net cash (used in)/provided by operating activities | (2,643,322) | 3,032,937 |

22. ANALYSIS OF CASH AND CASH EQUIVALENTS

| | 2019 £ | 2018 £ |
|--------------|------------------|------------------|
| Cash in hand | 5,961,610 | 6,251,511 |
| Total | 5,961,610 | 6,251,511 |

23. PENSION COMMITMENTS

The Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Midlands Pension Fund. Both are Multi-Employer Defined Benefit Pension Schemes.

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

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

Teachers' Pension Scheme

The Academy Trust participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £2,078,517 (2018 - £1,453,189) and at the year-end £Nil (2018 - £Nil) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). Members contribute on a "pay as you go" basis with contributions from members and the

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23. PENSION COMMITMENTS (continued)

employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2016 and the Valuation Report, which was published in March 2019, confirmed that the employer contribution rate for the TPS would increase from 16.4% to 23.6% from 1 September 2019. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 23.68%.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly no provision for any additional past benefit pension costs is included in these financial statements.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £1,095,772 (2018 - £948,018), of which employer's contributions totalled £890,561 (2018 - £773,156) and employees' contributions totalled £205,211 (2018 - £174,862). The agreed contribution rates for future years are 18.7% for employers and between 5.5% and 8.5% for employees.

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

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**NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

Principal actuarial assumptions:

| | 2019 | 2018 |
|--|--------|--------|
| Discount rate for scheme liabilities | 1.85 % | 2.65 % |
| Rate of increase in salaries | 3.70 % | 3.80 % |
| Rate of increase for pensions in payment / inflation | 2.20 % | 2.30 % |
| Inflation assumption (CPI) | 2.20 % | 2.30 % |

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

| | 2019 | 2018 |
|----------------------|------|------|
| Retiring today | | |
| Males | 20.9 | 21.9 |
| Females | 23.2 | 24.3 |
| Retiring in 20 years | | |
| Males | 22.6 | 24.1 |
| Females | 25.1 | 26.7 |

| | At 31 August 2019 £ | At 31 August 2018 £ |
|--|---------------------------|---------------------------|
| Sensitivity analysis | | |
| Discount rate +0.1% | (837,000) | (316,000) |
| Discount rate -0.1% | 43,000 | 396,000 |
| Mortality assumption - 1 year increase | 364,000 | 588,000 |
| Mortality assumption - 1 year decrease | (1,138,000) | (497,000) |

The Trust's share of the assets in the scheme was:

| | Fair value at 31 August 2019 £ | Fair value at 31 August 2018 £ |
|-------------------------------------|---|---|
| Equities | 5,132,000 | 4,543,000 |
| Gilts | 808,000 | 516,000 |
| Corporate bonds | 323,000 | 266,000 |
| Property | 697,000 | 583,000 |
| Cash and other liquid assets | 308,000 | 269,000 |
| Other | 1,267,000 | 1,002,000 |
| Total market value of assets | 8,535,000 | 7,179,000 |

The actual return on scheme assets was £500,000 (2018 - £86,000).

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

23. PENSION COMMITMENTS (continued)

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

| | 2019 £ | 2018 £ |
|----------------------|------------------|------------------|
| Current service cost | 1,173,000 | 892,000 |
| Net interest cost | 206,000 | 181,000 |
| Admin expenses | 5,000 | 2,000 |
| Total | <u>1,384,000</u> | <u>1,075,000</u> |

Movements in the present value of the defined benefit obligation were as follows:

| | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| Opening defined benefit obligation | 15,988,000 | 3,094,000 |
| Transferred in on existing academies joining the Trust | 163,000 | 13,387,000 |
| Current service cost | 1,593,000 | 892,000 |
| Interest cost | 427,000 | 312,000 |
| Employee contributions | 243,000 | 132,000 |
| Actuarial losses/(gains) | 1,875,000 | (1,679,000) |
| Benefits paid | (243,000) | (150,000) |
| Closing defined benefit obligation | <u>20,046,000</u> | <u>15,988,000</u> |

Movements in the fair value of the Trust's share of scheme assets:

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Opening fair value of scheme assets | 7,179,000 | 1,124,000 |
| Transferred in on existing academies joining the Trust | 103,000 | 5,449,000 |
| Interest income | 202,000 | 131,000 |
| Actuarial losses/(gains) | 298,000 | (217,000) |
| Employer contributions | 757,000 | 712,000 |
| Employee contributions | 243,000 | 132,000 |
| Benefits paid | (243,000) | (150,000) |
| Administration expenses | (4,000) | (2,000) |
| Closing fair value of scheme assets | <u>8,535,000</u> | <u>7,179,000</u> |

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

24. OPERATING LEASE COMMITMENTS

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

| | 2019 £ | 2018 £ |
|-------------------------|---------------|---------------|
| AMOUNTS PAYABLE: | | |
| Within 1 year | 22,390 | 44,109 |
| Between 1 and 5 years | 13,410 | 34,404 |
| Total | <u>35,800</u> | <u>78,513</u> |

25. MEMBERS' LIABILITY

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

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

26. RELATED PARTY TRANSACTIONS

Owing to the nature of the Trust and the composition of the board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which Trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the Trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

As stated in the Trustees' report above, the Trust has a number of transactions with related parties. Details are set out below. Please note that the Trustees' report also provides additional information on the nature of the relationship with each of the related parties.

Queen Mary's Schools Foundation

The Trust has not incurred any costs charged by The Foundation.

During the year, the Trust received donations from The Foundation relating to running the entrance tests for Queen Mary's Grammar School and Queen Mary's High School, as well as donations from parents for enrichment activities. The Foundation has also provided the services of a Clerk to the Governors and Trustees at no cost to the Trust. The total value of this income from donations was £55,061 (2018: £82,110).

The Foundation owns the freehold land for both Queen Mary's school sites, let at a peppercorn rent to the Trust under a 125-year lease for the main sites and 10-year leases for playing fields, which were entered into on 1 June 2011 when the schools converted to academy status.

Vine Trust Walsall

Vine Trust Walsall is a charitable Trust that is actively engaged in economic and social regeneration. The Trust is structured to run an inclusive mix of services and facilities, which respond to the needs of the communities it serves, with a Christian Ethos as the cornerstone. Vine Trust Walsall is a related party as it can appoint members and Trustees of the Trust, as described in the Trustees report.

Vine Trust Walsall was instrumental in founding Walsall Studio School, including providing buildings in which the school operates. Initially the school operated from the ground and second floors of the Goldmine Centre. This was subject to a 125 year lease at a peppercorn rental, approved by the ESFA when the school was founded in 2013.

The long term plan, agreed with the ESFA, is to expand the Goldmine Centre (the main building) in conjunction with development of The Ladder School. However, growth in student numbers has led to an increased requirement for accommodation. To this end, the ESFA negotiated and approved additional short term licences to use the following premises:

- 33a Lower Hall Lane (sixth form accommodation) – rent is charged by Vine Trust Walsall, and which is reimbursed to Walsall Studio School by the ESFA
- The auditorium and part of the 1st floor of the Goldmine Centre – rent is charged by the Vine Trust and reimbursed to Walsall Studio School by the ESFA

These additional licences expired on 31 August 2019 and the ESFA acquired the Goldmine Centre from Vine Trust Walsall shortly after the year-end, which secures the longer-term development of the site. The Trust entered into a new 125-year lease with the Secretary of State for Communities and Local Government on 13 September 2019.

Following creation of the multi academy Trust in 2018, the Trust has gradually taken over many of the

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26. RELATED PARTY TRANSACTIONS (continued)

responsibilities for property management, finance, HR., IT and educational support for the school, which were previously provided by Vine Trust Walsall. This has resulted in a decrease in many of the costs incurred by the Trust compared to the 8 months from January 2018 to August 2018, after Walsall Studio School moved into the Trust. These ceased in September 2019 following the acquisition of the Goldmine Centre by the ESFA, with the Trust now responsible for running the building and providing support services to the school.

Vine Trust Walsall also provided catering and coaching/mentoring to students, and support in alternative provision education.

Charges from Vine Trust Walsall during the year were:

| Nature of service | Year ended 31 August 2019 | Year ended 31 August 2018 (8 months costs) |
|---|------------------------------|--|
| | £ | £ |
| Staff costs | 14,360 | 171,756 |
| Property Service charge, including staff costs | 82,918 | 68,733 |
| Catering and education support | 16,635 | 8,679 |
| Subtotal services | 113,913 | 249,168 |
| Rent/licence fees – 33 Lower Hall Lane | 24,000 | 16,000 |
| Rent/licence fees – Goldmine Centre auditorium/1 st floor | 78,000 | 0 |
| Subtotal rents / licence fees | 102,000 | 16,000 |
| Total | 215,913 | 265,168 |

All transactions were at cost and the relevant statements of assurance have been received from Vine Trust Walsall.

PTP Training Ltd (PTP)

Based in Walsall, PTP has been providing training to companies and schools throughout the Midlands for over forty years. PTP was graded as 'Outstanding' by Ofsted for partnership engagement. PTP offer a wide range of services including:

- Apprenticeships: support for employers on how to make the most of the apprenticeship levy/funding
- Traineeships through a variety of skills academies
- Support for schools, including careers guidance, vocational qualifications and training for staff

PTP is a subsidiary of Walsall Business Services Ltd, a company limited by guarantee (formerly known as

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26. RELATED PARTY TRANSACTIONS (continued)

the East Mercia Chamber of Commerce & Industry and Walsall Chamber of Commerce & Industry). A member of the Trust is a member of Walsall Business Services and director of both Walsall Business Services and PTP. A trustee of the Trust is also director of PTP.

As a leading provider in the local area for apprenticeships to educational establishments, both Aldridge School and Shire Oak Academy engaged apprentices through PTP during the year. This was paid through the Trust's apprenticeship levy account. Charges are payable in accordance with the Government's published national rates for apprenticeship training.

All apprenticeship training providers are approved by the ESFA, which determines a maximum cap that can be funded. PTP charges the Trust for this service in accordance with the rates approved by the ESFA and this is paid from the Trust's levy account. Charges for education support are based on staff and related costs of delivering the training to students at the Studio School.

Additionally, Walsall Studio School had been unable to fill a teaching and learning vacancy so entered into a service level agreement with PTP to provide support students on the school's Health & Social care qualification, careers advice employability sessions to students. It also provides work experience placement opportunities. This arrangement ceased in July 2019.

The cost of services received from PTP during the year was as follows:

| Nature of service | Year ended 31 August 2019 | Year ended 31 August 2018 (8 months costs) |
|-------------------------|------------------------------|--|
| | £ | £ |
| Apprenticeship Training | 21,723 | 7,776 |
| Education support | 27,497 | 7,655 |
| Total | 49,220 | 15,431 |

All transactions were at cost and the relevant statements of assurance have been received from PTP.

Farchynys Estate Management Ltd ("FEML").

As described in the Trustees' report, The Trust has the benefit of using a residential centre in Wales, which is owned by a group of old boys of that School, The Foundation and the Old Boys' Scholarship Fund. The estate is run by Farchynys Estate Management Ltd, a company established by the owners to manage the properties.

FEML is a related party for the Mercian Trust by virtue of the fact that:

- The Foundation is a member of the Mercian Trust (and OBSF is a linked charity of the Foundation)
- One of the five directors of FEML is the spouse of a Trustee of the Mercian Trust.

During the year, FEML charged parents and third parties directly for board and lodging, except for the Queen Mary's Grammar School Year 7 residential week, and two visits from other schools in the Trust. The cost of a Year 7 residential trip, which parents pay to the Trust, is £160 per pupil per week (including food and activities). The Trust pays FEML £120 per pupil per week towards the cost of maintenance of

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26. RELATED PARTY TRANSACTIONS (continued)

the centre. Trips to commercially run residential centres usually cost between £400 to £500 per pupil per week.

In the year ended 31 August 2019, the amounts paid to FEML were

| Nature of trip | Year ended 31 August 2019 | Year ended 31 August 2018 (12 months) |
|-----------------------------------|------------------------------|---|
| | £ | £ |
| Year 7 residential weeks for QMGS | 18,000 | 18,000 |
| Other schools in the Trust | 2,065 | - |
| Total | 20,065 | 18,000 |

The transactions were at cost and the relevant statements of assurance have been received from FEML.

27. POST BALANCE SHEET EVENTS

Since 31 August 2019, the ESFA purchased The Goldmine Center from Vine Trust Walsall which is being leased to the Mercian Trust on a 125 year lease.

28. AGENCY ARRANGEMENTS

The Trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2019 the Trust received £74,255 and disbursed £42,811 from the fund in addition to the Trust's cost of administering the fund of £1,924. An amount of £75,781 (2018: £46,261) is included in other creditors relating to undistributed funds that is repayable to the ESFA.

29. CONTINGENT LIABILITIES

On 26 October 2018 the High Court ruled that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs". According to HM Treasury, any impact of GMPs is unlikely to be material to the pension valuation and therefore no allowance for GMP equalisation has been made in the FRS102 LGPS pension liability for this year. Full GMP indexation will be applied to the LGPS pension liability once changes to the LGPS have been formally announced.