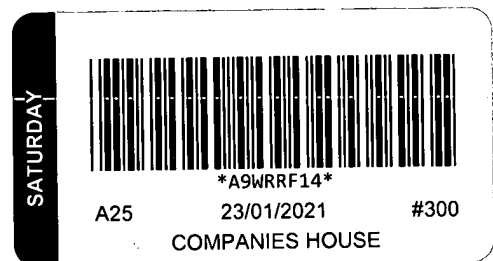


Company Registration Number: 07611347 (England & Wales)

**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**



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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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**THE MERCIAN TRUST**  
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**REFERENCE AND ADMINISTRATIVE DETAILS**

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**Members**

Vivian Fairbank  
David Lomax  
Brian Powell  
John Punch  
John Vallance

**Trustees**

Paul Lee (appointed 4 February 2020)  
Mark Harland  
Rebecca Hearsey  
Melanie Crooks  
William Hodson, Chair  
The Revd. Beverley Boden  
Caroline Jobling (appointed 11 September 2019, resigned 12 May 2020)  
Kevin Davis  
Roland Roberts (appointed 28 April 2020)  
Eddie Stride  
Jane Bonner

**Company registered number**

07611347

**Company name**

The Mercian Trust

**Registered office**

Mercian House  
Sutton Road  
Walsall  
West Midlands  
WS1 2PG

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**THE MERCIAN TRUST**  
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**REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Company secretary**

Graham Charles Underwood (Resigned 25 November 2019)

**Chief executive officer**

Daniel Parkes

**Senior management team**

Dan Parkes, Chief Executive and Accounting Officer  
Lois Kelly, Trust, Executive Director of Education  
Andrew Paulson, Chief Financial Officer (appointed 13 May 2020)  
Ian Bryant, Aldridge School, Headteacher  
Richard Langton, Queen Mary's Grammar School, Headteacher  
Alison Bruton, Queen Mary's High School, Headteacher  
Annabel Stoddart, Shire Oak Academy, Headteacher (appointed 1 September 2020)  
Darren Perry, Walsall Studio School, Principal  
Chris Bury, The Ladder School, Principal  
Ray Beech, Shire Oak Academy, Principal (resigned 30 April 2020)  
Philip Lines, Chief Financial Officer (resigned 12 May 2020)

**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

**Principal office**

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

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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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 2020. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Mercian Trust multi academy trust operates 6 academies across Walsall, including 4 x 11-19 academies, a 14-19 Studio School and an 11-19 Alternative Provision Free School.

The schools in the Trust are:

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

The Trust has a combined pupil capacity of 5,680 and had a roll of 5,394 in the school census on 1 October 2020.

**Structure, governance and management**

**a. 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.

The Chief Executive Officer and the Chief Finance Officer attend meetings, but they are not Trustees.

**b. Members' liability**

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

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Structure, governance and management (continued)**

**c. 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.

**d. Method of recruitment and appointment or election of Trustees**

The Board of Trustees had consisted of ten Trustees at the start of this period. Two were appointed by the members of the company, three appointed by the Queen Mary's Schools Foundation, two by Vine Trust Walsall. Three were co-opted by trustees.

One Trustee retired during the period from September 2019 and July 2020. A new Trustee was co-opted during the same period leaving ten Trustees at the end of the year.

The Foundation 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 which works in Walsall and other Black Country boroughs engaged in economic, environmental and social regeneration.

**e. Policies adopted for the induction and training of Trustees**

The Chair and the Chief Executive Officer (CEO) are responsible for the Induction of new Trustees. The Executive Team and the Clerk provide them with induction information including details of the Trustees, minutes of previous meetings, the Trust's strategic plan, and details of how to obtain further information about governor responsibility (e.g., the National Governance Association and Gov.uk websites). New Trustees meet with other senior leaders within the Trust most appropriate to their experience and areas of responsibility.

A review of skills audits, completed annually, inform a programme of bespoke training in-year. Training is providing online and special events are set up to meet particular needs. Areas covered include safeguarding and GDPR. 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.

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Structure, governance and management (continued)**

**f. Organisational structure**

The Board of Trustees operated with two principal sub-committees: The Business, Audit and Risk Committee (BAR) and the Achievement, Inclusion, Social Mobility and Safeguarding Committee (AIMS). These committees provide robust oversight of the Trust's work to ensure financial probity, the highest standards of governance, educational standards and outcomes for students. Work to create separate committees for finance and resources, and Audit and Risk took place throughout the year. The new committees were approved together with their membership in July 2020.

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 the timing and agendas for each LGB meeting and LGB Chairs are supporting by the Trust to hold school leaders to account for the educational standards and school improvement in each school. Communication between LGB Chairs, Trustees and the Trust Executive is maintained through Keeping in Touch (KIT) forums which include the sharing of best practice, alongside training and support.

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, senior leaders in the Central Team and the Headteachers from each of the Trust's six schools. Investment in the structures and systems of the Trust's central team has built capacity and increased the capability of the Trust to enable successful schools including an Executive Director for Education, a Director of School Improvement and a Director of Social Mobility.

During the year the MAT Executive Team including Headteachers 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 Trustees. Where a course of action requires significant expenditure (capital projects, staffing, etc.) or more detailed scrutiny of educational impact, they refer decision through the appropriate committee.

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.

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Structure, governance and management (continued)**

**g. 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 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 school senior leadership teams. The CEO presents the recommendations for Headteachers and 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.

In setting Executive Pay for senior leaders, including the CEO and headteachers, trustees considered pay across the Trust and the responsibilities of system leaders and followed the guidance published by the Education and Skills Funding Agency.

**h. 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	66,541
Total pay bill	25,096,819
Percentage of total pay bill spent on facility time	- %

**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours	- %
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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Structure, governance and management (continued)**

**i. Connected organisations, including related party transactions**

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 LGBs 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.

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.

Owing to the nature of the academy 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 the trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The Trust has identified a number of related parties as set out below:

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

PTP Training Ltd ceased to be a related party on 4 May 2020. Details of the financial value of transactions are included in note 30 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 the School by the letters patent of Queen Mary in 1554, and subsequently the founding of Queen Mary's High School (for girls) and Mayfield Preparatory School. The endowment is used:

- To provide the 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.

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Structure, governance and management (continued)**

The Foundation owns the freehold land on which 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

**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 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. In September 2019 the ESFA acquired the Goldmine Centre from Vine Trust Walsall as part of the DFE's development of the surrounding site in order to create a new St. Matthew's Learning Campus including an extension to the Goldmine Building for Walsall Studio School and a permanent building for The Ladder School (the Trust's Alternative Provision Free School). The Trust entered into a new 125-year lease with the Secretary of State for Communities and Local Government in respect of the Goldmine Centre.

Vine Trust Walsall has provided catering provision to students at Walsall Studio School during the year.

**PTP Training Ltd (PTP)**

Based in Walsall, PTP has been providing training to companies and schools throughout the Midlands for over 40 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
- 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 and industry and Walsall Chamber of Commerce. Until 4th May 2020 a member of the Trust was a member of Walsall Business Services and director of both Walsall Business Services and PTP. A trustee of the Trust was also a director of PTP until 4th May 2020.

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.

PTP Training limited ceased to be a related party on 4 May 2020 when the company was acquired by Black Country Training Group.

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Structure, governance and management (continued)**

**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 Old Boys' Club. The facility is made available to the school and to schools in The Trust. With recent expansion at Queen Mary's Grammar School, the centre became outgrown. 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")**

The School relies on, and is very grateful for, the goodwill and support of parents of pupils at the School, as well as alumni and their families. 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.

**j. Engagement with employees (including disabled persons)**

Employees are enabled to share their views throughout the year. Staff have been consulted on issues of interest and concern to them by means of an annual staff survey, regular consultative committees and staff meetings. They have been kept informed on specific matters directly by management including informal briefings and meeting with the CEO. The use of online surveys, email communication and video briefings have increased throughout the year and provides the executive team and the board of trustees with the views of staff in each school and central team. The Trust carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and Trustees.

As one employer, the Trust has implemented a full suite of detailed HR policies in each school. Trust-wide policies also include: Equal Opportunities Policy, Volunteers' Policy, Health & Safety Policy.

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.

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Structure, governance and management (continued)**

**k. Engagement with suppliers, customers and others in a business relationship with the Trust**

The Trust engages with suppliers and customers effectively through transparent procurement practices and ongoing dialogue with suppliers and potential vendors. The Trust has reviewed procurement procedures during 2019-20 and a new Procurement Policy that sets out how the Trust will engage with suppliers has been adopted for 2020-21. During the Covid-19 pandemic lockdown, the Trust worked with all of its suppliers in line with the PPN 02/20 and 04/20 to provide supplier relief, ensuring contractors were paid in full and on time - for example the Trust has provided support to suppliers, particularly in the case of small local businesses, by negotiating payment in line with pre-existing contracts during lockdown while deferring the delivery of these services until the schools returned in September 2020.

**Objectives and activities**

**a. Objects and aims**

The Trust's mission is to increase opportunities and improve outcomes for students by providing the best education and life chances for the children and young people of Walsall and the surrounding areas.

The Trust brings together a family of schools committed to each other; different schools serving a wide range of individual needs working as one charitable trust 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, students of The Mercian Trust are able to access the advantages and opportunities that each school brings – in teaching, leadership, breadth of curriculum, facilities, enrichment activities and community engagement.

The common purpose of Trust schools are summarised in the Trust's vision and mission statements.

**Vision statement:**

We exist to equip our students to live life to the full.

**Mission statement:**

Increasing opportunities and improving outcomes to enable our students to:

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

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Objectives and activities (continued)**

**b. Objectives, strategies and activities**

The Trust updated its strategic plan in-year to set priorities for 2020-2025. The updated plan re-articulates the Trust's commitment to social mobility and work to transform the life chances of students and the communities served by trust schools.

The plan identifies the Trust work in each of the five arenas of influence and accountability and is accompanied by detailed planning related to the Trust's response to COVID-19 in each arena:

- School improvement and Innovation
- Developing People, Culture and Talent
- The Business of Education (Sustainability and Growth)
- Governance, Risk and Compliance
- Strategic Relationships and Partnerships

The strategic plan builds upon the Trust's values and common recognisable characteristics:

- Excellence and rigour
- Challenge and support
- Safety and well-being
- Acceptance and applause
  
- Purpose-driven
- Partnership working
- Professionalism
- Positivity
- Pioneering Spirit

The key objectives for this year set out in the annual report of the Trustees for the year ended 31 August 2019 are listed below. They did not include the significant objectives for the Trust that developed in-year as a result of COVID-19 and the substantive closure of schools.

**Strategy**

- 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

**Building Capacity to Accelerate School Improvement**

- 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

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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Objectives and activities (continued)**

**Systems, Structures and Growth**

- 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

**c. 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 schools will continue to provide education to children and young people that:

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

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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Achievements and performance**

There are 5,394 students in Trust schools.

One school in the Trust, Walsall Studio School, was inspected by Ofsted this year. The overall effectiveness of Walsall Studio School was judged to be GOOD following a full section 5 inspection. The inspection report, published 22nd October 2020, noted that the studio school was set up in 2013 with the aim of promoting vocational learning in a small, professional setting and aimed to be part of regenerating the local community. Many staff and governors who set up the school up are still present, and they have been successful in achieving this vision since the school opened.

Inspectors also noted that: the school is well led. The staff form a united team who are proud to work there. They value the support and guidance that leaders give them. Governors are committed to the school. They carry out their duties diligently. The Mercian Trust provides much helpful support for the school.

There were no examinations in the summer of 2020 due to COVID-19.

Students were allocated Centre Assessed Grades (CAGs) at the end of KS5 and end of KS4 following a period of turbulence with nationally moderated Calculated Grades that for some students were awarded and subsequently withdrawn. Turbulence in relation to CAGs and in particular university admissions, placed school leaders, staff, students and their families under considerable pressure throughout the summer of 2020 and through the start of term in September. The Trust moderated CAGs robustly in line with the guidance provided by the DFE, Ofqual and individual awarding bodies and followed the guidance of regulators explicitly regarding appeals and subject access requests received under the General Data Protection Regulation (EU GDPR) legislation.

The Government will not publish any school or college level educational performance data based on tests, assessments or exams for 2020. Student destinations (progression onto university or directly into work) offer much to celebrate in each school, however, the details of students' achievements based on CAGs will not be used to state or measure the performance of schools or multi academy trusts.

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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Achievements and performance (continued)**

**a. Key performance indicators**

The Trustees set rigorous performance indicators for academic progress, which are reflected in performance management objectives and success measures for each individual headteacher in the Trust. The Trust provided extensive guidance to headteachers and local governing bodies to ensure the consistent implementation of performance management appraisal reviews within the context of a school year severely disrupted by COVID-19. The guidance, and accompanying training set out the practical steps from the following principles:

- Every member of staff should receive an assessment of their performance in the year 01 November 2019 – 31 October 2020.
- Both the STPCD and the Trust pay policy make clear that pay progression must relate to performance
- Pragmatic steps should be taken to adapt performance management appraisal, so that staff are not disadvantaged or penalised as a result of substantive closure of schools in March 2020.

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/overseas 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. In a year when schools are fully open the Trust is a flourishing community.

Throughout April 2020 – August 2020 the Trust worked with local and national charities to provide community boxes to students and families who required food and other essential items. Schools identified newly disadvantaged families who as a result of furlough or redundancy required support. Staff from each school and the central team packed shopping bags and delivered food community boxes. Families in receipt of this support were typically ineligible for the national Free School Meals voucher scheme.

The Trust is grateful to the alumni and community partners (including Rackets Cubed, Fareshare, Black Country Foodbank and The Vine Trust) who supported the Trust's work to provide food and essential items to those in need in the summer and have continued to do so when schools reopened fully in September 2020.

As in any other year trustees monitored a number of key performance indicators (KPI's) which affect performance, including:

- Student Outcomes at the end of each key stage and in-year (Attainment and Progress)
- School Self-Assessment and Trust External Reviews and moderation activities
- Government funding streams and other income levels
- Student numbers – both for 11-16 and 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 board of trustees also monitor carefully the progress made on the Trust Strategic Plan.

**Highlights from 2019-20 include:**

- Growth and Social Mobility
  - o Increasing student recruitment and retention in the sixth form across the Trust
  - o Increasing the numbers of Y7 students in QMGS and QMHS with significant increases in disadvantaged students joining both schools following successful outreach programmes (part of the Selective Schools Expansion Fund programme).



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**THE MERCIAN TRUST**  
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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Achievements and performance (continued)**

- **School Improvement (and Senior Staff Recruitment)**
  - o Increasing the capacity and capability of the Trust school improvement team with the appointment of an Executive Director for Education and a new Director of School Improvement.
  - o Providing a comprehensive range of teach-meets and other CPD for staff with daily live video sessions after school throughout the period of substantive school closures.
  - o Completing the successful recruitment of a new CFO.
  - o Completing the successful recruitment of a new Headteacher for Shire Oak Academy.
- **Systems and Structures to enable successful schools**
  - o Enhancing effective governance at all levels through the development of new committees and LGB Chairs' forum
  - o Developing the business planning processes throughout the trust with an enhanced, integrated approach to strategic planning, curriculum and staffing analysis (ICFP) and costed school improvement priorities.
  - o Completing the roll out of the Trust's online School Evaluation platform (online SEF) with real-time access for school and trust leaders, governors and trustees.
  - o Ensuring the consistent implementation of HR processes and protocols throughout all schools based on the approved suite of Trust HR policies.
- **Developing the Trust's strategic relationships with other Multi Academy Trusts and with Birmingham University (with opportunities for more staff to access to a Masters in Educational Leadership programme).**

**b. 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.

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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**Achievements and performance (continued)**

**c. Promoting the success of the company**

The Trustees have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Trust / Company for the benefit of its members, stakeholders and the matters set out in section 172(1) of the Companies Act 2006. The Charities Commission has issued guidance which explains that charitable companies should take "promoting the success of the company" to mean "promoting the success of the charity to achieve its charitable purposes." The Mercian Trust is governed by its charitable objects. These charitable objects set out the purpose of the charity. The consequences of all decisions and activities of the charity are assessed by how they drive us towards achieving that long-term strategy and goals, including by reference to the charity's strategy, vision and values. As an educational charity, we are accountable not only to our funders and direct beneficiaries (our pupils) but also our parents and wider community. These stakeholders support us, engage with us, and challenge us. They ensure that the decisions we make are for their benefit. We are a values driven organisation and our values mean that we are informed, shaped and powered by our determination to uphold our vision and values. Well-established involvement and consultation mechanisms, both direct (through parent and staff surveys) and indirect (through the involvement of parents and local people on our Local Governing Bodies and Trust Board) ensure that decisions made by the Trustees are informed by the needs of the organisation's stakeholders. Specifically:

- Trustees consider the consequences of any strategic decision in the long-term as part of their assessment. We aim to ensure that as an organisation we balance our income and expenditure to ensure that our organisation remains sustainable in the long term. This is balanced against the needs of our pupils, staff and other stakeholders, and the community, to ensure we are spending the funding we receive from the government in the most effective way to support our aims, and with integrity. This has included, for example, decisions relating to the long-term impact of the growth of the Trust through the expansions of QMGS and QMHS and through due diligence with potential growth partners.
- Details of how the Trustees give consideration to the interests of the organisation's employees can be found in the section Engagement with employees within this report.
- The Trust fosters business relationships with suppliers, customers and others through effective engagement and transparent working practices. The Trust also supported suppliers in line with PPN 02/20 by ensuring that suppliers at risk were continued to be paid as normal (even if service delivery was disrupted or temporarily suspended) and put in payment measures to support supplier cash flow. One principal example during 2019/20 has been the support the Trust has provided to small local businesses, by negotiating payment in line with pre-existing contracts during lockdown while deferring the delivery of these services until the schools returned in September 2020.
- Details of how the Trustees give consideration to the impact on the community can be found in the section Engagement with suppliers, customers and others in a business relationship with the Trust. Further information is also given in the section on Public Benefit. An example of how the Trust has considered its impact on the local community has been during the COVID-19 crisis, where a decision was made to supply supermarket vouchers to families normally in receipt of free school meals, ahead of the government introducing a national scheme. Furthermore, the work of the Trust with local and national charities to provide food and essential items to families ineligible for FSM vouchers but identifies as newly disadvantaged families. The Trust has also worked to ensure the schools remained open during holiday periods to support support key workers and vulnerable children within the local community during the COVID lockdown when other childcare options were not necessarily available.

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**TRUSTEES' REPORT (CONTINUED)**  
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**Achievements and performance (continued)**

- The Trust aims to conduct all its relationships with integrity. The Trustees have approved a number of policies that help to ensure the charity maintains high standards of business conduct; these include the Investment Policy, Anti Fraud and Whistleblowing Policy, and Gifts and Hospitality Policy.
- All members of the Trust are treated fairly and equally, with the same access to information, the ability to directly contact trustees or the Executive, and being invited to participate in training or strategic development events; for example, all Members were invited to participate in our recent Trust Strategy Day.

All matters reserved for decision by the Trustees are presented at Board or Committee meetings as appropriate. Trustees are briefed on any identified potential impacts and risks for our stakeholders and how they are to be managed. The Trustees take these factors into account before making a final decision which together they believe is in the best interests of the Trust and its stakeholders.

**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.

As well as its annual allocation of School Condition Allocation (SCA) and Devolved Formula Capital grant, the Trust received capital grants from:

- Selective Schools Expansion Funding for Queen Mary's Grammar School and Queen Mary's High School
  - Additional SCA capital grant announced by the Prime Minister in 2020.
- Work has commenced on the two SSEF expansion projects at the Queen Mary sites. The project to expand QMGS is well underway and on target for completion by the end of the 2020-21 academic year. Due to delays relating to Covid 19 and site constraints, including limitations arising from English Heritage, the expansion project at QMHS has incurred a delayed start and additional costs have ensued relating to temporary accommodation and increased design and build costs. These additional costs have been underwritten by Trustees from Trust reserves.

A new, permanent school building for The Ladder School (Alternative Provision Free School) is being funded and delivered by the DfE in the town centre. The development of the St Matthew's Campus will also provide an extension/additional building for Walsall Studio School. The new school buildings were originally planned for completion in September 2020 but are now unlikely to be completed until March 2022. TLS is currently funded based on estimated numbers agreed with the DfE and ESFA as part of the application and pre-opening business planning process for new free schools. 2020-21 is the final year of this confirmed approach to funding for the school, however, given the space available in the temporary accommodation provided by the DfE Free Schools Capital Team, TLS is unable to grow to the size required to be financially viable using the funding methodology for established AP free schools in their permanent buildings. Unless an extended place funding agreement can be agreed with the DfE then the short-term financial viability of TLS is at risk from 2021-22.

The Trust has a priority on increasing pupil numbers to drive economies of scale and reducing and effectively managing costs. Pupil numbers increased in September 2019 and again in September 2020. 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 Integrated Curriculum Planning, all of the Trust's 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.

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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

**Achievements and performance (continued)**

The Trust has carefully managed its finances during the year. Excluding the effects of the pension accounting, a surplus of £54,000 was budgeted, which included a significant amount of investment from reserves into the Trust's estate. However, the Trust took the decision to pay West Midlands Pension Fund - LGPS pension costs up front for 3 years in order to benefit from early payment discounts; the total paid in 2019-20 was £840,510. Some of this unbudgeted cost has been offset in-year due to reduced spending driven by effective financial management and delays in planned investments caused by the Covid-19 pandemic. The final result for the year was an overall deficit of £397,944, which was funded from prior year revenue reserves. The upfront LGPS payments will be recovered from delegated budgets during 2020-21 and 2022-23 as the costs pertaining to these years have been paid in advance. This is set out in the table below:

Reserves analysis	Unrestricted Revenue Reserve	Restricted Revenue Reserve	Revenue Reserves	Pension Reserve	Fixed asset Reserve	Total Reserves
		Exc pension reserve	Exc pension reserve			
	£	£	£	£	£	£
Net income / expenditure before other recognised losses	209,224	(607,167)	(397,943)	(2,083,000)	(660,519)	(3,141,462)

Depreciation / amortisation charges of £1,729,556 were included in the Statement Of Financial Activities (2019: £1,706,485). This reflects charges from investment in the estate and other fixed assets during 2019 and 2020.

A review of the valuation of the LGPS pension plans has been carried out by actuaries, Barnett Waddingham as at 31 August 2020. The overall net deficit of the Trust's pension arrangements within the LGPS has increased to £13,594,000 (2019: £11,511,000).

After charging a further actuarial loss on LGPS pension schemes of £2,031,000 (2019: loss of £1,577,000) the overall net movement in funds was a net decrease of £3,141,462 (2019: net decrease of £770,324).

**a. 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 a minimum level of 5% of GAG as reserves to cater for such items, while balancing this with a need not to hold onto excessive reserves.

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**TRUSTEES' REPORT (CONTINUED)**  
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**Revenue reserves**

The free revenue reserves of the five founding academies at the date of formation of the MAT in January 2018 were £4,947,000. At 31 August 2020, total revenue reserves were £3,610,333 of which, restricted revenue reserves were £1,258,015 (2019: £1,865,182) and unrestricted reserves were £2,352,318 (2019: £2,143,094). Included in restricted revenue reserves was a sports restricted reserve of £159,984 (2019: £254,138) which is required to be reinvested in sports projects following the sale of playing fields at Aldridge School during 2018.

Since inception in January 2018, the Trust has invested reserves to support capital works and other priority investment areas in line with the Trust's strategic and school improvement priorities. Trustees have already approved and earmarked the use of £2.2m of reserves for 2020-21 to support expansion projects, building improvement works, digital transformation, wellbeing and the development of central services.

In addition to amounts reserved for specific capital or ongoing projects the Trustees believe it is appropriate to maintain a 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 further capital investment. Excluding reserves earmarked for strategic priority investments, such reserves were £3,610,333 at 31 August 2020 or 13% of GAG (2019: £3,754,138 or 15% of GAG). However, if adjusted for the earmarked £2.2m priority investment projects, the free revenue reserves level is 5.2% of GAG.

**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 would be reinvested in the academy to which these assets relate (unless otherwise directed by the Secretary of State).

**b. 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 most funds were held in current accounts at year-end.

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**TRUSTEES' REPORT (CONTINUED)**  
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**c. 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
- Educational Standards
- Public Profile
- Compliance
- Finance
- Systems
- Safeguarding
- Health and safety
- Personnel

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

Although the Trust is secure in its financial strength and educational standards, the financial impact of COVID-19 on Trust schools and the educational impact of COVID-19 on the outcomes for students is an unprecedented risk for the Trust. All COVID associated risks together with the relief and recovery actions required (post-COVID-19) are documented and reviewed regularly by the executive team and the LGB in each school.

Additional risks of note include the following:

**Strategic Risk(s)**

- Our ambition for growth exceeds our organisational capacity to 'enable successful schools'
- Outstanding Ofsted inspection judgements are not maintained, and The Ladder School does not secure a Good or better judgment in its first inspection

To address this risk and other strategic risks identified throughout the year, trustees have established processes to ensure:

- There is a clear strategic plan with criteria for growth and an appropriate scheme of delegation in place
- The Trust central team provides robust processes and reporting to monitor educational standards and financial health of each school within the trust.
- Good communication, including regular meetings for Headteachers with each of the executive leaders of the Trust (CEO, CFO, Executive Director for Education).
- Experienced resources to support the Trust drawn from Trustees, a central Trust team and senior leaders in the schools within the Trust.

**Operational Risk(s)**

- Our schools fail to access the benefits of being one charitable trust because our operating model remains excessively single-school focussed – and where functions are centralised they do not yet provide a sufficiently high quality service.

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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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To address this risk and other operational risks identified throughout the year, trustees have established processes to ensure:

- The Trust explains to stakeholders our structure and purpose as one academy trust and is developing clear measurable commitments and KPIs demonstrating our performance in enabling successful schools.
- Good communication and collaboration, with leaders from each school working together to support each other.
- The development and the Trust operating model (now and in the future) is reviewed by executive and non-executive leaders.

**Education Standards**

- Schools failing to make progress in closing gaps in opportunity, attainment and progress for disadvantaged students and students with special educational needs and disabilities.

To address this risk and other educational risks identified throughout the year, trustees have established processes to ensure:

- Our stated commitment to social mobility, social justice and inclusion is measured and monitored by schools, governors, the executive team and the trustee's AIMS committee.
- A robust performance management process in place for leaders and teachers which is clearly linked to school performance and school improvement priorities
- Close analysis of student data in-year focused precisely on student groups to inform decision making
- Termly Quality Assurance and evaluation reporting to headteachers, governors, the CEO and Trustees AIMS committee completed by the Executive Director for Education.
- A robust monitoring and in-year evaluation of documented strategies for pupil premium, SEND and COVID catch up.

**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, Governors and 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

The Trust's Executive Director for Education is the Trust's lead for safeguarding. There is a nominated Trustee for safeguarding.

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**TRUSTEES' REPORT (CONTINUED)**  
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**Finance**

Government grants provide over 90% of the Trust's revenue funding. Other income comes from a variety of sources such as catering, educational trips, materials for pupils, staff consulting and facilities lettings.

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. A new business planning process has been implemented in 2020 to ensure that strategic and school improvement priorities drive the financial strategy and investment plans of the Trust over the short, medium and long term.

Increasing revenue and optimising value for money through pupil growth is a priority for the Trust, which is being driven through:

- Increasing student numbers for 11-16 provision through capital expansion work. Both Queen Mary's schools have been awarded Selective Schools Expansion funding and have increased their PAN's as a result. The QMHS expansion project is extremely complex due to site constraints and Trustees have earmarked £800,000 from reserves to enable this project, which is critical to facilitating the PAN increase as added year groups progress through the key stages.
- Increasing 16 – 19 student numbers. The MAT block subjects enable 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. Student numbers have increased year on year, although additional growth capacity remains.
- The development of the St Matthew's Campus (led by the Department for Education) providing the permanent building for The Ladder School (alternative provision free school) providing places needed in the borough. This site will also provide an additional extension building for Walsall Studio School, which is co-located on the same site. Unfortunately, due to delays in planning and the impact of Covid, the DfE has been delayed in delivering the new build. This is a significant risk to the Trust as it restricts pupil capacity and ability to grow – particularly through the limitations of the Ladder School's temporary accommodation.
- Trustees are also focused on increasing other revenues to reduce the impact of lower grant funding

There is a focus on driving value for money and managing costs to achieve savings where possible without impacting on the effectiveness of provision of education. Where necessary the Trustees continue to approve investment to do this – current examples include invest for enabling digital transformation and improvements to trust wide central services and expertise.

Costs efficiencies have been achieved through economies of scale through Trust wide procurement activity and this approach will accelerate in 2020/2021 years due to capacity and expertise added with the central finance function. Spend is rigorously monitored against budgets to ensure adequate control of costs.

The Trust continues to embed and evolve its use of Integrated Financial Planning and reviewing its activities against other trusts and the sector to identify efficiency opportunities. Additional efficiencies are also driven through increased collaborative working across the Trust.

**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.



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**TRUSTEES' REPORT (CONTINUED)**  
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**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. The CEO advises LGBs on decisions on individual school leadership team payments and moderates recommendations from headteachers for staff across the Trust.

The Chairs of the LGBs, and the Headteachers in individual schools are responsible for managing change and communication / dissemination of information to staff. Senior staff, governors and Trustees involved in staff recruitment are trained in the safer 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 Trust is robust in setting internal controls, are diligent in setting the Trust's budget and monitoring performance closely. 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 Business, Audit & Risk Committee, which fulfils the role of Finance Committee and Audit Committee as described in the Academies Financial Handbook. A separate Audit and Risk Committee has been established to commence from September 2020.

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. However, opportunities for such activities during 2019/20 have been severely limited since March 2020 due to the restrictions imposed due to Covid 19.

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 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.

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**TRUSTEES' REPORT (CONTINUED)**  
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**Streamlined energy and carbon reporting**

**UK energy use and associated greenhouse gas emissions**

The Trust is pleased to report its current UK based annual energy usage and associated annual greenhouse gas ("GHG") emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") that came into force 1 April 2019.

**Organisational boundary**

In accordance with the 2018 Regulations, the energy use and associated greenhouse gas emissions are for those within the UK only for all assets that come under an operational control boundary. This includes all 6 schools controlled during the reporting period.

**Reporting period**

The annual reporting period is 1 September to 31 August each year and the energy and carbon emissions are aligned to this period.

**Quantification and reporting methodology**

This report was compiled independently by energy consultants Briar (Briar Consulting Engineers Limited). The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed to ensure the Streamlined Energy and Carbon Reporting ("SECR") requirements were met and exceeded where possible.

The energy data was collated using existing reporting mechanisms. These methodologies provided a near continuous record of natural gas and electricity use. Transport data related to minibuses, site vehicles and grey fleet has been estimated.

The energy data was converted to carbon emissions using the 2020 UK Government GHG Conversion Factors for Company Reporting. The associated emissions are divided into the combustion of fuels and the operation of facilities (scope 1), purchased electricity, heating and cooling (scope 2) and in-direct emissions that occur as a consequence of company activities (scope 3).

**Estimations**

The electricity and natural gas consumption were compiled from invoices with a mix of estimated and actual meter readings; there has been some pro-rating to adjust the available data to the reporting period. Transport consumption is negligible, and the fuel purchases/mileage travelled has been estimated based on approximate expenditure for the reference year.

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**Streamlined energy and carbon reporting (continued)**

<b>Breakdown of energy consumption used to calculate emissions (kWh):</b>	<b>Year ended 31 August 2020</b>
Natural gas	4,925,719
Electricity (grid)	1,733,892
School minibuses	57,924
Employee owned vehicles where company purchases the fuel	4,003
Site vehicles	742
<b>Total gross energy consumed</b>	<b>6,722,281</b>

**Note: Figures may not sum to total due to rounding.**

<b>Breakdown of emissions associated with the reported energy use (tCO<sub>2</sub>e)</b>	<b>Year ended 31 August 2020</b>
<b>Scope 1</b>	
Natural gas	905.7
School minibuses	15
Site vehicles	0.2
<b>Total Scope 1</b>	<b>920.9</b>
<b>Scope 2</b>	
Electricity (grid)	404.2
<b>Total Scope 2</b>	<b>404.2</b>
<b>Scope 3</b>	
Employee owned vehicles where company purchases the fuel	1
<b>Total Scope 3</b>	<b>1</b>
<b>Total gross emissions</b>	<b>1326.1</b>

**Note: Figures may not sum to total due to rounding.**

**Intensity Ratio**

The chosen primary intensity ratio is total gross emissions in metric tonnes CO<sub>2</sub>e (mandatory emissions) per pupil (based on the Autumn census), which is the recommended ratio for the sector. The Ladder School is an alternative provision school with a higher staff-to-pupil ratio compared to the sector as a whole and therefore it also translates into higher tCO<sub>2</sub>e per pupil.

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**TRUSTEES' REPORT (CONTINUED)**  
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**Streamlined energy and carbon reporting (continued)**

<b>Tonnes of CO2e per pupil</b>	<b>Year ended 31 August 2020</b>
Shire Oak Academy	0.244
Queen Mary's Grammar School	0.29
Queen Mary's High School	0.199
Aldridge School – A Science College	0.239
Walsall Studio School	0.247
The Ladder School	1.619
<b>All schools and transport</b>	<b>0.255</b>

**Note: Figures may not sum to total due to rounding.**

**Energy efficiency action during current financial year**

The management of resources and the need to embed sustainability is an important issue for the Trust and the following actions related to reducing energy use were implemented within the current reporting period.

Energy consumption is expected to be below typical this year due to the reduced occupancy across all sites following COVID-19 restrictions from 23rd March 2020. From this date, the schools were open to critical worker's children only, with a phased and partial reopening for certain year groups occurring in June. During this unprecedented time, the Trust has taken clear action to reduce energy waste across sites by running at partial heating load to only heat parts of the school required for key worker's children; by draining swimming pools in order to lower heating load and electricity consumption and by reducing lighting load in all areas not in use.

A further result of health precautions has been a greater implementation of video conferencing for staff and board meetings, reducing the need for travel to and between sites. The emission saving resulting from these activities has not been quantified, but this practice has resulted in behaviour changes that are expected to continue for the foreseeable future.

Outside of the COVID-19 response, actions this year have been limited to an ongoing project across all schools to replace fluorescent lighting with efficient LED equivalents on a rolling basis and a project for roofing and windows at Queen Mary's High School throughout which new double glazed window units were installed, alongside with new roofing with efficient insulation capacity to reduce the overall building heat loss.

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**TRUSTEES' REPORT (CONTINUED)**  
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**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 including:
  - o the digital transformation of teaching, learning and leadership practice
  - o the further development real-time management information to inform leadership decisions
- Further demonstrating our commitment to social mobility, social justice and inclusion including:
  - o improving outcomes for disadvantaged students, students with SEND, vulnerable students and students with protected characteristics who may be more likely to face discrimination and prejudice throughout their lives
  - o developing opportunities (including leadership development) particularly for those who may be more likely to face discrimination and prejudice throughout their lives
  - o increasing numbers of non-executive leaders and governors from underrepresented groups
- Developing and strengthening further the Trust's school improvement offer to all schools within the trust (appropriate to the strengths and areas for improvement in each school) including:
  - o the work of lead practitioners directed by the director of school improvement
  - o further developing trust-wide CPD and career development opportunities
- Ensuring The Ladder School continues to be financially viable and is supported in preparations for its first Ofsted inspection while in temporary accommodation.
- Ensuring a rigorous and professional approach to business and curriculum planning supported by effective corporate support services throughout the Trust.
- Successfully managing capital build projects in each of the Trust's schools
- Implementing the Trust's plan for growth in size and significance through strategic relationships

**Funds held as custodian**

During the year ended 31 August 2020, the Trust did not hold any funds as custodian trustee on behalf of any other charitable organisation.

**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 percentage of the allocation towards its own administrative costs and this is recognised in the statement of financial activities. The funds received and paid and any balances are disclosed in note 31.

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**


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**Disclosure of information to auditor**

Insofar as the Trustees are aware:

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

The Trustees' Report was approved by order of the Board of Trustees, as the company directors, on 15 December 2020 and signed on its behalf by:

 15/12/2020  
**William Hodson**  
Chair of Trustees

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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**GOVERNANCE STATEMENT**

---

**Scope of responsibility**

As Trustees, we acknowledge we have overall responsibility for ensuring that The Mercian Trust ("The 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.

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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**GOVERNANCE STATEMENT (CONTINUED)**

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**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
William Hodson, Chair	7	7
Rebecca Hearsey	5	7
Kevin Davis	7	7
Jane Bonner	5	7
The Revd. Beverley Boden	6	7
Mark Harland	7	7
Paul Lee	6	7
Melanie Crooks	4	7
Eddie Stride	3	7
Caroline Jobling	1	1
Roland Roberts	2	2

A Sub-Committee of Trustees was convened to deal with Related Party Transactions. There were 3 meetings.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
William Hodson	3	3
Melanie Crooks	2	2
Jane Bonner	3	3
Kevin Davis	1	1

The Pay Committee was convened for a single meeting.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
William Hodson	1	1
Jane Bonner	1	1
Melanie Crooks	1	1

The Trustees delegate responsibility for finance, audit and risk to the Business, Audit & Risk (BAR) Committee. The BAR Committee has formally met three times during the year ended 31 August 2020. The BAR Committee formally met 3 times. \* signifies Non-Trustee Committee Member.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Melanie Crooks (Chair)	3	3
Paul Lee	3	3
The Revd. Beverley Boden	2	3
Alex Lamb*	3	3
Stuart Roberts*	3	3
Jane Mole*	3	3



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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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**GOVERNANCE STATEMENT (CONTINUED)**

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**Governance (continued)**

The AIMS Committee was constituted at the start of 2019/20 to monitor Educational Performance across the Trust. It met on 5 occasions. Non- Trustee members joined the Committee with effect from February 2020. \* signifies Non- Trustee Committee Member.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Jane Bonner (Chair)	5	5
William Hodson	4	5
Rebecca Hearsey	4	5
Timothy Lawrence*	3	3
Simon Dutton*	3	3

**GOVERNANCE REVIEWS**

The board of Trustees, having formed the Multi Academy Trust in January 2018 and undertaken associated skills audits and governance planning processes, identified opportunities to further strengthen the effectiveness of governance by co-opting new Trustees onto the board. This included new trustee appointments with significant experience in financial governance as well as identified skills shortage areas (different school phases and sectors).

The Trust's agreed framework for delivering Governance across all levels of the Trust has been reviewed during 2020 with an update to the Scheme of Delegation and the establishment of 2 new committees (the Finance and Resources Committee and the Audit and Risk Committee – these replace the Business and Risk Committee. Our work to review and develop governance as ensured clear separation between strategic non-executive oversight and operational executive leadership, and between members and trustees and trustees and local governing bodies.

Local governance arrangements were strengthened at Shire Oak Academy with the formation of a Standards Board in January 2020. The standards board, in place until November 2020, was chaired by the CEO and was formed of 3 members of the local governing body and 3 members of the Trust executive team. The standards board met regularly throughout 3 terms to support the academy and hold leaders to account in their work to lead improvements in standards and student outcomes.

The Trust's Executive Director for Education reviews the effectiveness of local governance as part of the MAT-wide school self-evaluation process (SEFs). Local governance has been quality-assured as part of the Trust's QA activities which take place throughout the year.

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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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**GOVERNANCE STATEMENT (CONTINUED)**

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**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:

**Improving Educational Outcomes**

Resources are directed where they will be the most effective, for example:

- Monitoring and taking action on staffing levels and their efficient deployment, using tools such as ICFP Schools Benchmarking and Schools Resources Management.
- Developing tracking systems to record and monitor all aspects of pupil data including attainment, attendance and behavior.
- Using specific grants such as Pupil Premium to target additional funds to support to improve education and social outcomes
- Coordinating continuing professional development training for staff and regularly trust-wide CPD sessions to increase collaboration, efficiency of delivery and to encourage transfer of best practice and team working
- Within existing budgets, Trust wide posts focus on areas for improving outcomes for students.

**Financial Governance and Monitoring**

Robust financial governance and management arrangements are in place across the Trust to deliver economies and efficiencies, examples include:

- Establishing a Mercian Procurement Portal (The Mercian Shop) that enables coordinated purchasing across the Trust to ensure best value for common products and commodities, including reducing administration time in schools through combining orders etc.
- The Trust has further benefitted from purchasing as a Trust and making use of public sector framework agreements, in areas such as energy arrangements, IT systems and insurances 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 YPO to benefit from competitive frameworks where appropriate.
- Tendering Trust wide contracts for Grounds Maintenance and school uniforms has delivered better value outcomes through economies of scale and improved services. Further Trust wide tenders are planned in 2020-21 for catering, cleaning and other areas where the Trust will benefit from economies of scale. Work is also underway to establish professional MCIPS qualified procurement services and support to develop a procurement strategy and delivery plan across the Trust and so as contracts in individual academies fall due, Trust wide contracts will be negotiated, driving down the costs of these contracts whilst improving the services delivered.
- Increasing pupil growth and capacity with expansion projects at QMGS and QMHS.
- 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

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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**GOVERNANCE STATEMENT (CONTINUED)**

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**The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Mercian Trust for the year 1 September 2019 to 31 August 2020 and up to the date of approval of the annual report and financial statements.

**Capacity to handle risk**

The Trustees have 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. Trustees have implemented a strategy to indicate how they are reassured that control measures are effective and the Chair of the Business, Audit and Risk Committee is of the view that there was a formal ongoing process for identifying, evaluating and managing the Trust's significant risks in place for the year ended 31 August 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Trustees. The Trustees have appointed Crowe UK LLP to undertake additional extended assurance work. From 2020/21, internal audit work will be undertaken by a different provider in line with the requirements of the Academies Financial Handbook 2020.

**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 relevant 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
- identification and management of risks

The Board of Trustees employed Crowe UK LLP as internal auditor.

This role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems, including visiting each of the schools in the Trust. This work is reported to the Business, Audit & Risk Committee in 2019-20 (transferring to the Audit and Risk Committee from 2020-21) to which the Trustees have delegated review of audit and risk responsibilities. No material issues arose from the checks. The areas tested included:

- Payroll procedures and controls
- Review of working procedures and controls to ensure that census data claims are accurate
- An analytical review of funding claims for each academy.
- General financial procedures and compliance with policies and controls

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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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**GOVERNANCE STATEMENT (CONTINUED)**

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**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 Executive Team
- Work of the Chief Financial Officer (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
- The financial management and governance self-assessment process
- The work of the Trust's external auditors in connection with their audit of the annual report and financial statements and in management letters

During the year to 31 August 2020, the accounting officer has been advised of the implications of the result of their review of the system of internal control by the 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 15 December 2020 and signed on their behalf by:

  
William Hodson  
Chair of Trustees

15/12/2020

  
Daniel Parkes  
Accounting Officer

15/12/2020

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

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As accounting officer of The Mercian Trust I have considered my responsibility to notify the Trust board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, under the funding agreement in place between the Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2019.

I confirm that I and the Trust board of Trustees are able to identify any material irregular or improper use of all funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2019.

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: 15 December 2020

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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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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 Academies Accounts Direction published by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the 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 2019 and the Academies Accounts Direction 2019 to 2020;
- 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 15 December 2020 and signed on its behalf by:

**William Hodson**  
Chair of Trustees

  
15/12/2020

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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

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**Opinion**

We have audited the financial statements of The Mercian Trust (the 'trust') for the year ended 31 August 2020 which comprise the Statement of Financial Activities, 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 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and 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 2020 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 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and 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.

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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

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**Other information**

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

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

We have nothing to report in this regard.

**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 for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has 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.

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.



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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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

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**Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement, 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.

**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](http://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 charitable 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 charitable 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 charitable Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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

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*H. C. Drew*

**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: 15 December 2020

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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

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In accordance with the terms of our engagement letter dated 23 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, 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 2019 to 31 August 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The accounting officer is responsible, under the requirements of The Mercian Trust's funding agreement with the Secretary of State for Education dated 27 May 2011 and the Academies Financial Handbook, extant from 1 September 2019, 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 2019 to 2020. 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 2019 to 31 August 2020 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 2019 to 2020 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

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

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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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

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**Conclusion**

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2019 to 31 August 2020 has 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*

**Crowe U.K. LLP**

Statutory Auditor

Date: 15 December 2020

**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

	Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Restricted fixed asset funds 2020 £	Total funds 2020 £	Total funds 2019 £
<b>Income from:</b>						
Donations and capital grants	3	67,061	-	1,477,697	1,544,758	4,569,652
Charitable activities	4	1,248,830	29,467,789	-	30,716,619	29,799,221
Other trading activities	5	214,159	-	-	214,159	290,676
Investments	6	7,285	-	-	7,285	5,171
<b>Total income</b>		<b>1,537,335</b>	<b>29,467,789</b>	<b>1,477,697</b>	<b>32,482,821</b>	<b>34,664,720</b>
<b>Expenditure on:</b>						
Raising funds		43,810	-	-	43,810	32,139
Charitable activities		1,354,311	30,465,606	1,729,556	33,549,473	33,825,905
<b>Total expenditure</b>	7	<b>1,398,121</b>	<b>30,465,606</b>	<b>1,729,556</b>	<b>33,593,283</b>	<b>33,858,044</b>
<b>Net income/(expenditure)</b>		<b>139,214</b>	<b>(997,817)</b>	<b>(251,859)</b>	<b>(1,110,462)</b>	<b>806,676</b>
Transfers between funds	20	70,010	338,650	(408,660)	-	-
<b>Net movement in funds before other recognised gains/(losses)</b>		<b>209,224</b>	<b>(659,167)</b>	<b>(660,519)</b>	<b>(1,110,462)</b>	<b>806,676</b>
<b>Other recognised gains/(losses):</b>						
Actuarial losses on defined benefit pension schemes	27	-	(2,031,000)	-	(2,031,000)	(1,577,000)
<b>Net movement in funds</b>		<b>209,224</b>	<b>(2,690,167)</b>	<b>(660,519)</b>	<b>(3,141,462)</b>	<b>(770,324)</b>
<b>Reconciliation of funds:</b>						
Total funds brought forward		2,143,094	(9,645,818)	68,781,212	61,278,488	62,048,812
Net movement in funds		209,224	(2,690,167)	(660,519)	(3,141,462)	(770,324)
<b>Total funds carried forward</b>	20	<b>2,352,318</b>	<b>(12,335,985)</b>	<b>68,120,693</b>	<b>58,137,026</b>	<b>61,278,488</b>

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**THE MERCIAN TRUST**  
**(A Company Limited by Guarantee)**

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**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)**  
**(CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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

The notes on pages 48 to 82 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 AUGUST 2020**

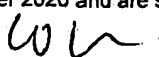
	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	14	37,330	61,918
Tangible assets	15	63,608,744	64,507,769
		<u>63,646,074</u>	<u>64,569,687</u>
<b>Current assets</b>			
Stocks	16	41,167	44,958
Debtors	17	3,132,159	4,260,461
Cash at bank and in hand		7,899,073	5,961,610
		<u>11,072,399</u>	<u>10,267,029</u>
Creditors: amounts falling due within one year	18	(2,942,141)	(1,987,738)
<b>Net current assets</b>		<u>8,130,258</u>	<u>8,279,291</u>
<b>Total assets less current liabilities</b>		<u>71,776,332</u>	<u>72,848,978</u>
Creditors: amounts falling due after more than one year	19	(45,306)	(59,490)
<b>Net assets excluding pension liability</b>		<u>71,731,026</u>	<u>72,789,488</u>
Defined benefit pension scheme liability	27	(13,594,000)	(11,511,000)
<b>Total net assets</b>		<u><u>58,137,026</u></u>	<u><u>61,278,488</u></u>

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

**BALANCE SHEET (CONTINUED)**  
**AS AT 31 AUGUST 2020**

	Note	2020 £	2019 £
<b>Funds of the Trust</b>			
<b>Restricted funds:</b>			
Fixed asset funds	20	68,120,693	68,781,212
Restricted income funds	20	1,258,015	1,865,182
Pension reserve	20	(13,594,000)	(11,511,000)
<b>Total restricted funds</b>		<b>55,784,708</b>	<b>59,135,394</b>
Unrestricted income funds	20	2,352,318	2,143,094
<b>Total funds</b>		<b>58,137,026</b>	<b>61,278,488</b>

The financial statements on pages 43 to 82 were approved by the Trustees, and authorised for issue on 15 December 2020 and are signed on their behalf, by:

 15/12/2020  
**William Hodson**  
 Chair of Trustees

The notes on pages 48 to 82 form part of these financial statements.



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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Net cash provided by/(used in) operating activities	22	1,488,604	(2,643,322)
<b>Cash flows from investing activities</b>	24	463,582	2,307,282
<b>Cash flows from financing activities</b>	23	(14,723)	46,139
<b>Change in cash and cash equivalents in the year</b>		<b>1,937,463</b>	<b>(289,901)</b>
Cash and cash equivalents at the beginning of the year		5,961,610	6,251,511
<b>Cash and cash equivalents at the end of the year</b>	25, 26	<u><u>7,899,073</u></u>	<u><u>5,961,610</u></u>

The notes on pages 48 to 82 form part of these financial statements

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**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**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 Trust, which is a public benefit entity under FRS 102, have been prepared under the historic 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 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

**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 factored in the financial and operational impact of COVID-19 on the Trust, and have concluded that the Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

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**1. Accounting policies (continued)**

**1.3 Income**

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

- **Grants**

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

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

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

- **Donations**

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

- **Other income**

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

**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**

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

- **Charitable activities**

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

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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

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**1. Accounting policies (continued)**

**1.5 Intangible assets**

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.

Amortisation is provided on intangible assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life.

The estimated useful lives are as follows:

Amortisation is provided on the following basis:

Software	- 3 years
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**1.6 Tangible fixed assets**

Assets costing £2,500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

The estimated useful lives range as follows:

Freehold property	- 50 years
Long-term leasehold property	- 50 - 125 years
Assets under construction	- not depreciated until in use
Plant and Machinery	- 3 - 10 years

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.

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**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**1. Accounting policies (continued)**

**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 institution with whom the funds are deposited.

**1.8 Operating leases**

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

**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. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**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 the 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.

Investment income, gains and losses are allocated to the appropriate fund.

**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 Liabilities**

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

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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**1. Accounting policies (continued)**

**1.14 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 bases 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 17. Prepayments are not financial instruments. Amounts due to the Trust's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

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

*Financial liabilities* - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 18 and 19. Taxation and social security are not included in the financial instruments disclosure definition.

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

**1.15 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 Part 11, chapter 3 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.

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**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**1. Accounting policies (continued)**

**1.16 Pensions**

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

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. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

**1.17 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 percentage 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 31

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**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

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**2. Critical accounting estimates and areas of judgment**

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, 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 2019 has been used by the actuary in valuing the pensions liability at 31 August 2020. 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 judgements which would have a material impact on the financial statements.



**THE MERCIAN TRUST**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

**3. Income from donations and capital grants**

	Unrestricted funds 2020 £	Restricted funds 2020 £	Restricted fixed asset funds 2020 £	Total funds 2020 £
Donations	67,061	-	-	67,061
Capital Grants	-	-	1,477,697	1,477,697
	<u>67,061</u>	<u>-</u>	<u>1,477,697</u>	<u>1,544,758</u>

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Donations	64,257	(60,000)	-	4,257
Capital Grants	-	-	4,565,395	4,565,395
	<u>64,257</u>	<u>(60,000)</u>	<u>4,565,395</u>	<u>4,569,652</u>

**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

**4. Funding for the Trust's educational operations**

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £
<b>DfE/ESFA grants</b>			
General Annual Grant (GAG)	-	27,054,853	27,054,853
Other DfE/ESFA Grants	-	1,319,795	1,319,795
	-	28,374,648	28,374,648
<b>Other Government Grants</b>			
Local Authority Grants	-	620,636	620,636
	-	620,636	620,636
<b>Other incoming resources</b>			
Catering Income	610,685	-	610,685
School Fund	472,649	-	472,649
Other Income	165,496	417,115	582,611
	1,248,830	417,115	1,665,945
<b>Exceptional government funding</b>			
Coronavirus Exceptional Support	-	55,390	55,390
	-	55,390	55,390
	1,248,830	29,467,789	30,716,619

The Academy Trust has been eligible to claim additional funding in the year from Government support scheme in response to the Coronavirus outbreak (COVID-19). The funding received is shown above under Exceptional Government Funding.

The funding received for Coronavirus exceptional support covers £55,390 of costs the Academy Trust bore up to July 2020 as a result of the virus. This predominantly related to the provision of online learning and enhanced hygiene solution costs in line with Government guidance for opening and operation of schools during the pandemic.

During the year no staff were furloughed under the Governments Coronavirus Job Retention Scheme (CJRS).

**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

**4. Funding for the Trust's educational operations (continued)**

	<i>Unrestricted funds 2019 £</i>	<i>Restricted funds 2019 £</i>	<i>Total funds 2019 £</i>
<b>DfE/ESFA grants</b>			
General Annual Grant (GAG)	-	25,113,474	25,113,474
Other DfE/ESFA Grants	-	1,594,562	1,594,562
	-	26,708,036	26,708,036
<b>Other Government Grants</b>			
Local Authority Grants	-	415,103	415,103
	-	415,103	415,103
<b>Other Incoming Resources</b>			
Catering Income	890,953	-	890,953
School Funds	877,666	-	877,666
Other Income	15,350	892,113	907,463
	1,783,969	892,113	2,676,082
	1,783,969	28,015,252	29,799,221

**5. Income from other trading activities**

	<i>Unrestricted funds 2020 £</i>	<i>Total funds 2020 £</i>
School Uniform Sales	60,109	60,109
Staff Catering	10,782	10,782
Lettings Income	74,288	74,288
Music Income	68,980	68,980
	214,159	214,159

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**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

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**5. Income from other trading activities (continued)**

	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
School Uniform Sales	40,441	40,441
Staff Catering	20,122	20,122
Lettings Income	113,396	113,396
Music Income	116,717	116,717
	<u>290,676</u>	<u>290,676</u>

**6. Investment income**

	<i>Unrestricted funds 2020 £</i>	<i>Total funds 2020 £</i>
Investment Income	<u>7,285</u>	<u>7,285</u>

	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
Investment Income	<u>5,171</u>	<u>5,171</u>

**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

**7. Expenditure**

	Staff Costs 2020 £	Premises 2020 £	Other 2020 £	Total 2020 £
Expenditure on fundraising trading activities:				
Direct costs	-	-	43,810	43,810
Funding for educational operations:				
Direct costs	21,437,781	1,704,968	2,559,454	25,702,203
Allocated support costs	4,162,534	2,337,241	1,347,495	7,847,270
	<u>25,600,315</u>	<u>4,042,209</u>	<u>3,950,759</u>	<u>33,593,283</u>

	Staff Costs 2019 £	Premises 2019 £	Other 2019 £	Total 2019 £
Expenditure on fundraising trading activities:				
Direct costs	-	-	32,139	32,139
Funding for educational operations:				
Direct costs	20,093,315	1,696,577	3,278,637	25,068,529
Allocated support costs	3,745,553	3,489,607	1,522,216	8,757,376
	<u>23,838,868</u>	<u>5,186,184</u>	<u>4,832,992</u>	<u>33,858,044</u>

**8. Analysis of support costs**

	Education operations 2020 £	Total funds 2020 £
Wages and Salaries	4,162,534	4,162,534
Premises Costs	2,337,241	2,337,241
Governance Costs	196,128	196,128
Other Support Costs	1,151,367	1,151,367
	<u>7,847,270</u>	<u>7,847,270</u>

**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

**8. Analysis of support costs (continued)**

**Analysis of support costs (continued)**

	<i>Education operations: 2019 £</i>	<i>Total funds: 2019 £</i>
Wages and Salaries	3,745,553	3,745,553
Premises Costs	3,489,607	3,489,607
Governance Costs	60,797	60,797
Other support costs	1,461,419	1,461,419
	<u>8,757,376</u>	<u>8,757,376</u>

**9. Net income/(expenditure)**

Net income/(expenditure) for the year includes:

	<b>2020 £</b>	<b>2019 £</b>
Depreciation of tangible fixed assets	1,704,968	1,696,579
Amortisation of intangible assets	24,588	9,908
Operating lease rentals	22,390	32,069
Fees paid to auditor for:		
- audit	23,400	22,725
- other services	20,302	16,545
	<u>23,400</u>	<u>22,725</u>
	<u>20,302</u>	<u>16,545</u>

**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

**10. Staff**

**a. Staff costs**

Staff costs during the year were as follows:

	2020 £	2019 £
Wages and salaries	18,443,805	17,296,625
Social security costs	1,862,261	1,758,504
Pension costs	4,764,992	4,035,511
	<u>25,071,058</u>	<u>23,090,640</u>
Agency staff costs	479,257	745,614
Staff restructuring costs	50,000	2,614
	<u>25,600,315</u>	<u>23,838,868</u>

Staff restructuring costs comprise:

Severance payments	<u>50,000</u>	<u>2,614</u>
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**b. Non-statutory/non-contractual staff severance payments**

Two compensatory payments we made to employees in the 2019/2020 financial year totalling £50,000 (2019: one payment of £2,614). Individually the payments were £30,000 authorised 4 March 2020 and £20,000 authorised 18 May 2020. Each payment was duly authorised by Trustees as per requirements of the Academies Financial Handbook.

**c. Staff numbers**

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

	2020 No.	2019 No.
Teachers	347	329
Administration and support	273	258
Management	32	35
	<u>652</u>	<u>622</u>

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**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

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**10. Staff (continued)**

**d. Higher paid staff**

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

	2020	2019
In the band £60,001 - £70,000	9	6
In the band £70,001 - £80,000	7	4
In the band £80,001 - £90,000	2	4
In the band £90,001 - £100,000	1	2
In the band £100,001 - £110,000	1	1
In the band £110,001 - £120,000	1	-
In the band £120,001 - £130,000	-	1
	<u>          </u>	<u>          </u>

**e. Key management personnel**

The key management personnel of the Trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Trust was £1,069,670 (2019: £953,001).



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**THE MÉRCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

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**11. 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
- Central financial services including Financial policy and management, Statutory accounting and returns, Strategic financial planning, Financial management advice and support, Transactional procurement, creditor management, payroll.
- Central IT services
- Coordination of a Trust-wide approach to GDPR compliance
- Tax advice
- Programmes of trust-wide developed CPD and initial teacher training
- Insurance advisory and broking, claims management
- Estates project management and advice
- HR advice
- Annual external audit, pension valuations and extended audit assurance
- Other educational services organised centrally by the Trust
- 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.

The actual amounts charged during the year were as follows:

	2020 £	2019 £
Aldridge School	374,295	370,848
Queen Marys Grammar School	258,102	236,558
Queen Marys High School	181,264	181,577
Shire Oak Academy	362,248	357,224
Walsall Studio School	88,157	81,595
The Ladder School	38,474	13,768
<b>Total</b>	<b>1,302,540</b>	<b>1,241,570</b>

**12. Trustees' remuneration and expenses**

During the year, no Trustees received any remuneration or other benefits (2019 - £NIL).

During the year ended 31 August 2020, no travel and subsistence expenses (2019: £241) were reimbursed to any Trustees (2019: one Trustee).

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**THE MERCIAN TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2020**

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**13. Trustees' and Officers' insurance**

The Trust has opted into the Department of Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides 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 membership.

**14. Intangible assets**

	Software £
<b>Cost</b>	
At 1 September 2019	84,570
At 31 August 2020	<u>84,570</u>
<b>Amortisation</b>	
At 1 September 2019	22,652
Charge for the year	24,588
At 31 August 2020	<u>47,240</u>
<b>Net book value</b>	
At 31 August 2020	<u><u>37,330</u></u>
At 31 August 2019	<u><u>61,918</u></u>

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**15. Tangible fixed assets**

	Freehold property £	Long-term leasehold property £	Assets under construction £	Plant and Equipment £	Total £
<b>Cost or valuation</b>					
At 1 September 2019	46,355,808	20,705,677	43,392	2,941,448	70,046,325
Additions	233,145	18,278	491,327	63,193	805,943
At 31 August 2020	<u>46,588,953</u>	<u>20,723,955</u>	<u>534,719</u>	<u>3,004,641</u>	<u>70,852,268</u>
<b>Depreciation</b>					
At 1 September 2019	1,190,268	2,694,520	-	1,653,768	5,538,556
Charge for the year	719,406	506,332	-	479,230	1,704,968
At 31 August 2020	<u>1,909,674</u>	<u>3,200,852</u>	<u>-</u>	<u>2,132,998</u>	<u>7,243,524</u>
<b>Net book value</b>					
At 31 August 2020	<u>44,679,279</u>	<u>17,523,103</u>	<u>534,719</u>	<u>871,643</u>	<u>63,608,744</u>
At 31 August 2019	<u>45,165,540</u>	<u>18,011,157</u>	<u>43,392</u>	<u>1,287,680</u>	<u>64,507,769</u>

**16. Stocks**

	2020 £	2019 £
Finished goods and goods for resale	<u>41,167</u>	<u>44,958</u>

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**17. Debtors**

	2020 £	2019 £
<b>Due within one year</b>		
Trade debtors	62,778	66,630
Other debtors	209	809
Prepayments and accrued income	2,729,856	3,706,942
Tax recoverable	339,316	486,080
	<u>3,132,159</u>	<u>4,260,461</u>

**18. Creditors: Amounts falling due within one year**

	2020 £	2019 £
Other loans	14,185	14,184
Trade creditors	513,736	2,664
Other taxation and social security	452,942	426,182
Other creditors	816,558	125,697
Accruals and deferred income	1,144,720	1,419,011
	<u>2,942,141</u>	<u>1,987,738</u>

	2020 £	2019 £
Deferred income at 1 September 2019	426,875	355,480
Resources deferred during the year	273,407	426,875
Amounts released from previous periods	(426,875)	(355,480)
	<u>273,407</u>	<u>426,875</u>

Deferred income relates to amounts of funding received or recognised by the Trust that explicitly relate to future periods.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. Creditors: Amounts falling due after more than one year**

	2020 £	2019 £
Other loans	<u>45,306</u>	<u>59,490</u>

Other loans includes £14,185 (2019: £14,184) falling within one year and £45,306 (2019: £59,490) falling due after more than one year for the balance of three Salix loans and one CIF loan.

The total amounts advanced as Salix loans was £30,880. These loans are interest free, unsecured and repayable in equal annual installments of £3,860 over a period of eight years.

The total amounts advanced as CIF loans was £50,000. This loan is charged at an interest rate of 1.7%, is unsecured and repayable in equal monthly installments of £860 over a period of five years.

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**20. Statement of funds**

	Balance at 1 September 2019 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2020 £
<b>Unrestricted funds</b>						
General Funds	2,143,094	1,537,335	(1,398,121)	70,010	-	2,352,318
<b>Restricted general funds</b>						
General Annual Grant (GAG)	1,611,044	27,054,853	(28,000,670)	338,650	-	1,003,877
Other DfE/ESFA grants	-	1,375,185	(1,375,185)	-	-	-
Other incoming resources	-	1,037,751	(1,037,751)	-	-	-
Sports reserve	254,138	-	-	-	-	254,138
Pension reserve	(11,511,000)	-	(52,000)	-	(2,031,000)	(13,594,000)
	<u>(9,645,818)</u>	<u>29,467,789</u>	<u>(30,465,606)</u>	<u>338,650</u>	<u>(2,031,000)</u>	<u>(12,335,985)</u>
<b>Restricted fixed asset funds</b>						
DfE/ESFA capital grants	10,091,509	1,477,697	-	(408,660)	-	11,160,546
Voluntary capital income	9,907,465	-	-	-	-	9,907,465
Capital donations from private sector	1,167,599	-	-	-	-	1,167,599
Depreciation	(5,561,207)	-	(1,729,556)	-	-	(7,290,763)
Donations on transfer	53,175,846	-	-	-	-	53,175,846
	<u>68,781,212</u>	<u>1,477,697</u>	<u>(1,729,556)</u>	<u>(408,660)</u>	<u>-</u>	<u>68,120,693</u>
<b>Total Restricted funds</b>	<u>59,135,394</u>	<u>30,945,486</u>	<u>(32,195,162)</u>	<u>(70,010)</u>	<u>(2,031,000)</u>	<u>55,784,708</u>
<b>Total funds</b>	<u>61,278,488</u>	<u>32,482,821</u>	<u>(33,593,283)</u>	<u>-</u>	<u>(2,031,000)</u>	<u>58,137,026</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**20. Statement of funds (continued)**

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

**Fund descriptions:**

**Unrestricted 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 general funds** comprise all other restricted funds received and include grants from the Department for Education (DfE)/Educational and Skills Funding Agency (ESFA).

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

**Transfers between funds** relate to amounts utilised from restricted DfE/ESFA revenue grants which have been used for the acquisition of fixed assets.

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 2020 this amounted to £4,474,619 (2019: 4,211,525).

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2020.

**Total funds analysis by academy**

Fund balances at 31 August 2020 were allocated as follows:

	2020 £	2019 £
Aldridge School	1,119,731	1,228,792
Aldridge School Sports Regime	254,138	254,138
Queens Mary's Grammar School	1,134,933	998,287
Queen Mary's High School	431,265	472,189
Shire Oak Academy	528,575	785,238
Walsall Studio School	201,842	141,941
The Mercian Trust	(209,611)	83,756
The Ladder School	149,460	43,935
	<hr/>	<hr/>
Total before fixed asset funds and pension reserve	3,610,333	4,008,276
Restricted fixed asset fund	68,120,693	68,781,212
Pension reserve	(13,594,000)	(11,511,000)
	<hr/>	<hr/>
<b>Total</b>	<b>58,137,026</b>	<b>61,278,488</b>

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**20. Statement of funds (continued)**

The following academy is carrying a net deficit on its portion of the funds as follows:

	Deficit £
The Mercian Trust	<u><u>(209,611)</u></u>

The Trust is taking the following action to return the academy to surplus:

The deficit shown is not for an Academy within the Trust, it is for the central team functions and priorities. The deficit was planned and is a 'pump prime investment', funded through reserves, to develop school improvement and innovation. The strategic investment is to support Trust-wide priorities for increasing opportunities and improving outcomes for students.



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**20. Statement of funds (continued)**

**Total cost analysis by academy**

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 2020 £
Aldridge School	6,216,721	638,539	348,496	1,475,806	8,679,562
Queens Mary's Grammar School	3,712,502	637,253	407,692	1,207,759	5,965,206
Queen Mary's High School	2,854,975	442,300	279,874	653,163	4,230,312
Shire Oak Academy	6,409,372	1,010,181	297,093	828,437	8,545,083
Walsall Studio School	1,275,705	149,369	56,825	280,609	1,762,508
The Mercian Trust	296,261	1,081,430	6,568	273,296	1,657,555
The Ladder School	672,245	151,462	18,845	153,537	996,089
<b>Trust</b>	<b>21,437,781</b>	<b>4,110,534</b>	<b>1,415,393</b>	<b>4,872,607</b>	<b>31,836,315</b>

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

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

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**20. Statement of funds (continued)**

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

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2019 £
<b>Unrestricted funds</b>						
General Funds	2,253,006	2,143,607	(1,844,030)	(409,489)	-	2,143,094
<b>Restricted general funds</b>						
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)
	(7,027,292)	27,955,718	(30,307,529)	1,310,285	(1,577,000)	(9,645,818)
<b>Restricted fixed asset funds</b>						
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
	66,823,098	4,565,395	(1,706,485)	(900,796)	-	68,781,212
<b>Total Restricted funds</b>	59,795,806	32,521,113	(32,014,014)	409,489	(1,577,000)	59,135,394

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**NOTES TO THE FINANCIAL STATEMENTS  
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**20. Statement of funds (continued)**

	<i>Balance at 1 September 2018</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 August 2019</i>
	£	£	£	£	£	£
<b>Total funds</b>	<b>62,048,812</b>	<b>34,664,720</b>	<b>(33,858,044)</b>	<b>-</b>	<b>(1,577,000)</b>	<b>61,278,488</b>

**21. Analysis of net assets between funds**

**Analysis of net assets between funds - current period**

	<i>Unrestricted funds 2020</i>	<i>Restricted funds 2020</i>	<i>Restricted fixed asset funds 2020</i>	<i>Total funds 2020</i>
	£	£	£	£
Tangible fixed assets	-	-	63,608,744	63,608,744
Intangible fixed assets	-	-	37,330	37,330
Current assets	2,352,318	4,245,462	4,474,619	11,072,399
Creditors due within one year	-	(2,942,141)	-	(2,942,141)
Creditors due in more than one year	-	(45,306)	-	(45,306)
Provisions for liabilities and charges	-	(13,594,000)	-	(13,594,000)
<b>Total</b>	<b>2,352,318</b>	<b>(12,335,985)</b>	<b>68,120,693</b>	<b>58,137,026</b>

**Analysis of net assets between funds - prior period**

	<i>Unrestricted funds 2019</i>	<i>Restricted funds 2019</i>	<i>Restricted fixed asset funds 2019</i>	<i>Total funds 2019</i>
	£	£	£	£
Tangible fixed assets	-	-	64,507,769	64,507,769
Intangible fixed assets	-	-	61,918	61,918
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)
<b>Total</b>	<b>2,143,094</b>	<b>(9,645,818)</b>	<b>68,781,212</b>	<b>61,278,488</b>

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**22. Reconciliation of net (expenditure)/income to net cash flow from operating activities**

	2020 £	2019 £
Net (expenditure)/income for the period (as per Statement of Financial Activities)	(1,110,462)	806,676
<b>Adjustments for:</b>		
Depreciation charges	1,704,968	1,696,579
Amortisation charges	24,588	9,908
Bank interest	(7,285)	(5,171)
Decrease/(increase) in stocks	3,791	7,824
Increase in debtors	1,385,534	(1,285,523)
(Decrease)/increase in creditors	913,167	(433,220)
Capital grants from DfE and other capital income	(1,477,697)	(4,565,395)
Defined benefit pension scheme obligation transferred from academies	-	60,000
Defined benefit pension scheme cost less contributions payable	(153,000)	836,000
Defined benefit pension scheme finance cost	205,000	229,000
<b>Net cash provided by/(used in) operating activities</b>	<b>1,488,604</b>	<b>(2,643,322)</b>

**23. Cash flows from financing activities**

	2020 £	2019 £
Cash inflows from new borrowing	-	50,000
Repayments of borrowing	(14,723)	(3,861)
<b>Net cash (used in)/provided by financing activities</b>	<b>(14,723)</b>	<b>46,139</b>

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**24. Cash flows from investing activities**

	2020 £	2019 £
Bank interest	7,824	5,171
Purchase of intangible assets	-	(58,184)
Purchase of tangible fixed assets	(805,943)	(2,214,746)
Capital grants from the DfE and ESFA	1,261,701	4,565,395
Loss on disposal of fixed assets	-	9,646
<b>Net cash provided by investing activities</b>	<b>463,582</b>	<b>2,307,282</b>

**25. Analysis of cash and cash equivalents**

	2020 £	2019 £
Cash in hand	7,899,073	5,961,610
<b>Total cash and cash equivalents</b>	<b>7,899,073</b>	<b>5,961,610</b>

**26. Analysis of changes in net debt**

	At 1 September 2019 £	Cash flows £	Other non- cash changes £	At 31 August 2020 £
Cash at bank and in hand	5,961,610	1,937,463	-	7,899,073
Debt due within 1 year	(14,184)	14,183	(14,184)	(14,185)
Debt due after 1 year	(59,490)	-	14,184	(45,306)
	<b>5,887,936</b>	<b>1,951,646</b>	<b>-</b>	<b>7,839,582</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**27. Pension commitments**

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2019.

Contributions amounting to £458,682 were payable to the schemes at 31 August 2020 (2019 - £NIL) and are included within creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies. All teachers have the option to opt-out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary - these contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

**Valuation of the Teachers' Pension Scheme**

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% administration levy)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million, giving a notional past service deficit of £22,000 million
- the SCAPE rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 2.4% above the rate of CPI, assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return including earnings growth is 4.45%.

The next valuation result is due to be implemented from 1 April 2023.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**27. Pension commitments (continued)**

The employer's pension costs paid to TPS in the year amounted to £3,117,640 (2019 - £2,078,517).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>).

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

**Local Government Pension Scheme**

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2020 was £946,845 (2019 - £1,095,772), of which employer's contributions totalled £723,350 (2019 - £890,561) and employees' contributions totalled £ 223,495 (2019 - £205,211). The agreed contribution rates for future years are 18.7 per cent for employers and between 5.5 and 8.5 per cent for employees.

As described in note the LGPS obligation relates to the employees of the Trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Trust at the balance sheet date.

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

**Principal actuarial assumptions**

	2020 %	2019 %
Rate of increase in salaries	3.25	3.70
Rate of increase for pensions in payment/inflation	2.25	2.20
Discount rate for scheme liabilities	1.60	1.85
Inflation assumption (CPI)	2.25	2.20

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

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**27. Pension commitments (continued)**

	2020 Years	2019 Years
<i>Retiring today</i>		
Males	21.9	20.9
Females	24.1	23.2
<i>Retiring in 20 years</i>		
Males	23.8	22.6
Females	26.0	25.1

**Sensitivity analysis**

	2020 £000	2019 £000
Discount rate +0.1%	(57,000)	(837,000)
Discount rate -0.1%	58,000	43,000
Mortality assumption - 1 year increase	71,000	364,000
Mortality assumption - 1 year decrease	69,000	1,138,000

**Share of scheme assets**

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

	2020 £	2019 £
Equities	6,355,000	5,132,000
Gilts	1,227,000	808,000
Corporate bonds	439,000	323,000
Property	853,000	697,000
Cash and other liquid assets	750,000	308,000
Other	1,688,000	1,267,000
<b>Total market value of assets</b>	<b>11,312,000</b>	<b>8,535,000</b>

The actual return on scheme assets was £884,000 (2019 - £500,000).



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**27. Pension commitments (continued)**

The amounts recognised in the Statement of Financial Activities are as follows:

	2020 £	2019 £
Current service cost	1,305,000	1,173,000
Interest income	200,000	206,000
Administrative expenses	5,000	5,000
<b>Total amount recognised in the Statement of Financial Activities</b>	<b>1,510,000</b>	<b>1,384,000</b>

Changes in the present value of the defined benefit obligations were as follows:

	2020 £	2019 £
<b>At 1 September</b>	<b>20,046,000</b>	<b>15,988,000</b>
Transferred in on existing academies joining the trust	-	163,000
Current service cost	1,305,000	1,593,000
Interest cost	371,000	427,000
Employee contributions	193,000	243,000
Actuarial losses	3,171,000	1,875,000
Benefits paid	(180,000)	(243,000)
<b>At 31 August</b>	<b>24,906,000</b>	<b>20,046,000</b>

Changes in the fair value of the Trust's share of scheme assets were as follows:

	2020 £	2019 £
<b>At 1 September</b>	<b>8,535,000</b>	<b>7,179,000</b>
Conversion of academy trusts	-	103,000
Interest income	171,000	202,000
Actuarial gains	1,140,000	298,000
Employer contributions	1,458,000	757,000
Employee contributions	193,000	243,000
Benefits paid	(180,000)	(243,000)
Administration expenses	(5,000)	(4,000)
<b>At 31 August</b>	<b>11,312,000</b>	<b>8,535,000</b>

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**28. Operating lease commitments**

At 31 August 2020 the Trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	12,197	22,390
Later than 1 year and not later than 5 years	4,211	13,410
	<u>16,408</u>	<u>35,800</u>

**29. 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.

**30. 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 the trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, 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**

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 total value of this income from donations was £64,488 (2019: £55,061).

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.

**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.

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**30. Related party transactions (continued)**

Vine Trust 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.

In September 2019 the ESFA acquired the Goldmine Centre from Vine Trust Walsall and The Trust entered into a new 125-year lease with the Secretary of State for Communities and Local Government.

Vine Trust Walsall has provided catering provision to students at Walsall Studio School during the year.

Charges from Vine Trust Walsall during the year were:

Nature of Service	Year ended 31 August 2020	Year ended 31-Aug-19
Services	£	£
Staff costs		14,360
Property Service charge including staff costs		82,918
Catering and education support	11,265	16,635
<b>Subtotal services</b>	<b>11,265</b>	<b>113,913</b>
Rent / licence fees – 33 Lower Hall Lane		24
Rent/licence fees – Goldmine Centre Auditorium/1 <sup>st</sup> floor		78,000
<b>Subtotal rents / licence fees</b>		<b>102,000</b>
<b>Total</b>	<b>11,265</b>	<b>215,913</b>

**PTP Training Ltd ("PTP")**

Based in Walsall, PTP has been providing training to companies and schools throughout the Midlands for over 40 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
- 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 and Industry and Walsall Chamber of Commerce). Until 4th May 2020 a member of the Trust was a member of Walsall Business Services and director of both Walsall Business Services and PTP. A trustee of the Trust was also a director of PTP until 4th May 2020.

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**30. Related party transactions (continued)**

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.

Payments made to PTP during the year ended 31 August 2020 via the levy account amounted to £27,165 (2019 £21,723)

In prior years Walsall Studio School also used PTP for Education support. This support has now ceased (2019: £27,497)

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

In accordance with the service level agreement The Trust paid the total amount of £33,000 in the year ended 31 August 2020 (2019: £18,000) to cover the costs of running and maintenance of the educational part of the estate. £18,000 was paid as part of the prior year service level agreement and a new service level agreement was agreed during 2019/20. The costs included within this years accounts for the new service level agreement was £13,750. Under the terms and conditions of the SLA a credit of £6,000 has been accounted for as costs for the running and maintenance of the educational part of the estate was below the full value of the SLA.

**31. 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 £85,537 and disbursed £68,237 from the fund in addition to the Trust's cost of administering the fund of £4,277. An amount of £88,804 (2019: 75,781) is included in other creditors relating to undistributed funds that is repayable to the ESFA.