

Registered number: 08119703

MERCIA LEARNING TRUST
(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017



MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Members	J.F. Deal P.D. Smith S. Pearson S.M. Hillier (resigned 1 September 2017)
Trustees	L.A. Bowes (resigned 27 October 2017) J.F. Deal, Community Governor P.D. Smith, Chair and Parent Governor S.P Chew (resigned 1 September 2017) R.A Dodds S. Pearson S.M. Hillier (resigned 1 September 2017) J. Hope-Gill (appointed 1 September 2017)
Company registered number	08119703
Company name	Mercia Learning Trust
Principal and registered office	Mercia Learning Trust 79 Glen Road Sheffield S7 1RB
Company secretary	C.F. Chance
Accounting officer and Chief Executive Officer	L.A. Bowes
Senior leadership team	King Egbert School - L.A Bowes, Headteacher (resigned 31 December 2016) - P Haigh, Headteacher (appointed 1 January 2017) Newfield School - E. Anderson, Co-Headteacher - D. Webster, Co-Headteacher Totley Primary School - N. Wileman, Headteacher Valley Park Community Primary School - M. Nott, Co-Headteacher - M. Knox, Co-Headteacher The Nether Edge Primary School - M. Knox, Executive Headteacher

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2017**

Advisers (continued)

Independent auditor BHP LLP
Chartered Accountants
Statutory Auditors
2 Rutland Park
Sheffield
S10 2PD

Bankers

Yorkshire Bank
Fargate
S1 1LL

Virgin Money
Jubilee House
Gosforth
Newcastle upon Tyne
NE3 4PL

Natwest
997 Abbeydale Road
Sheffield
S7 2QE

Solicitors Browne Jacobson LLP
44 Castle Gate
Nottingham
NG1 7BJ

MERCIA LEARNING TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the 1 September 2016 to 31 August 2017. The Annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

During the year the Trust operated two secondary schools and three primary schools providing education to pupils aged 3 to 18 across SW Sheffield.

Structure, governance and management

a. Constitution

The academy trust is a charitable company limited by guarantee and an exempt charity. The charitable company's Memorandum of Association is the primary governing document of the academy trust. The Trustees of Mercia Learning Trust are also the directors of the charitable company for the purpose of company law.

Details of the Trustees who served during the are included in the reference and administrative details on page 1.

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.

c. Trustees' indemnities

Trustees are covered by the Academy Trust insurer for liability arising from negligent acts, errors and omissions committed in good faith.

d. Method of recruitment and appointment or election of Trustees

The management of the Trust is the responsibility of the Trustees who are elected and co-opted under the terms of the Articles of Association.

When appointing new Directors/Governors, the Board will give consideration to the skills and experience mix of existing Directors/Governors in order to ensure that the Board has the necessary skills to contribute fully to the Mercia Learning Trust's development.

A Local Governing Body for each school undertakes the day to day running of the school in line with the agreed Scheme of Delegation.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

e. Pay policy for key management personnel

Using research carried out by an independent HR consultant and benchmarking with similar trusts, a pay scale was constructed for the post of Chief Executive Officer. With the assistance of the Trust's School Improvement Partner, accountabilities and expectations are set for each year by a panel of trustees. The role of the Chief Executive Officer is then assessed by a panel of trustees against the accountabilities and the Trust's expectations and recommendations for future payments are made by the panel.

f. Policies and procedures adopted for the induction and training of Trustees

The training and induction provided for new Trustees will depend on their existing experience. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and any other documents that they will need to undertake their role as Trustees. As there are normally only one or two new Trustees a year, induction tends to be done informally and is tailored specifically to the individual.

g. Organisational structure

The management structure consists of 3 levels, the Board of Directors (Strategic Board), the Local Governing Bodies and the Senior Leadership Teams of each school. The aim of the management structure is to devolve responsibility and encourage decision making at all levels.

The Trust is responsible for strategic direction and planning, approving the academies' budgets, monitoring individual academy performance and making major decisions about the direction of the Trust. The Local Governing Bodies are responsible for setting individual school policies, approving the school improvement plan, authorisation of spending within agreed budgets, including local capital expenditure, and staff appointments.

The Senior Leadership Teams comprise of Headteachers, Co Headteachers, Deputy Headteachers and Assistant Headteachers. These senior leaders control each academy at an executive level implementing the policies laid down by the Trust. The Chief Executive works closely with all the Senior Leadership Teams within the Trust as well as brokering support for schools outside the Trust.

Objectives and Activities

a. Objects and aims

The Trust's object is specifically restricted to the following: to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

b. Objectives, strategies and activities

Our mission is to provide an outstanding education for pupils from 0-19. We are passionate that all our pupils should see their time at school as happy and fulfilling, with their potential developed to the utmost. Our approach is founded on partnership working, binding together our school, parents and their communities.

As part of the Mercia Learning Trust, the schools will pool expertise and resources, operating strategically to provide collectively a higher quality of education than could be achieved individually.

Strategic objectives and priorities are detailed in a Mercia Learning Trust Improvement Plan and Local Governing Bodies will continue to be given the opportunity to work collaboratively to drive forward attainment and progress in our schools.

The continuing growth of the Trust will achieve further economies of scale and value for money. Opportunities for staff to work across a number of schools will secure high quality recruitment and retention. The Chief Executive Officer will work with Headteachers of Trust schools to deploy staff across the Trust to provide best value in terms of curriculum management and specific academy needs. Succession planning will ensure that future leaders emerge from within the Trust and are developed with support from the teaching school, providing capacity into the future for all educational phases.

Objectives for the year 2016/17

The trust objectives for the year were to:

- Continue to drive up standards across all schools in the Trust
- Scrutinise performance and progress at KS4 following the introduction of new specifications.
- Continue to build capacity for improvement at Valley Park Primary School and raise the standards in KS1 and KS2.

Our Offer:

At all Mercia Learning Trust schools our pupils will benefit from:

A fully inclusive approach, maximising the attainment and achievement of every pupil

- A broad and balanced curriculum, with high quality teaching that responds to individual needs
- Promotion of resilience and self-reliance in our learners, thus enabling them to meet the challenges and opportunities of the changing world
- Support to develop and maintain positive well-being in all aspects of life
- High standards of orderly behaviour rooted in strong moral values
- Continual investment in the professional development of all our staff, as the foundation of our offer to pupils

c. Public benefit

The charitable company's aims are set out in this report. The Trustees have complied with their duty under section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission and Trustees have paid due regard to this guidance in deciding what activities the charitable company should undertake.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Achievements and performance

a. Key performance indicators

The board of Trustees uses both financial and non financial key performance indicators to manage the Trust. The Trust maintains a strong management information function which is focused on regular and accurate reporting including the issue of termly financial information to the Trust inclusive of a financial commentary. Financial KPI's are measured continuously.

b. Going concern

After making appropriate enquiries, the board of Trustees have a reasonable expectation that the academy 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.

c. Review of activities

King Egbert School

King Egbert School was inspected by OFSTED in May 2013. The Ofsted judgement was OUTSTANDING for Overall Effectiveness along with Leadership and Management, Teaching and Achievement. Our in school quality assurance validated by our school improvement partner (SIP) supports that this judgement continues to be accurate. Hence the school remains outstanding.

As a designated Teaching School, KES offers school to school support and CPD to other schools. MLT CEO, Lesley Bowes, is a National Leader of Education (NLE) trusted to support schools struggling to make good progress with their students. Our teaching school also leads Initial teacher training for new entrants to the profession through the School Direct model and works closely with the University of Sheffield to ensure excellent teachers are trained for the Sheffield City Region. This year the offer has been widened to include primary teacher training with the Sheffield SCITT.

2017 was the first year of the new specification GCSEs awarding grades 9-1 for mathematics and English. King Egbert students made excellent progress and have achieved very highly against national benchmarks for similar students for the last three years. The 2017 results placed the school in the top 5% when compared to all other schools nationally. The Progress 8 (P8) figure for the school is 0.55 which means, on average, students make half a grade better progress across each of 8 subjects than the national average. Disadvantaged students at KES have a P8 of 0.15 which means they have exceeded the national average for students who are not disadvantaged. In 2018 the majority of other subjects will also be examined in the new specifications.

Students in the sixth form also achieved excellent results, with results in the top 10% of schools nationally for progress. Over 90% of students were supported to progress to their first choice university option and more students than ever achieved highly in the facilitating subjects preferred by selective universities.

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TRUSTEES' REPORT (continued)
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King Egbert School - continued

Admissions and attendance:

The School continues to be oversubscribed; the standard admission number is 193 mainstream +4 students admitted to the integrated resource. This year the school admitted an extra 20 students into Y7 to support the LA in alleviating a demographic bulge. From next year the new MLT school, Mercia School, will make this adjustment unnecessary. This year there were over 250 first choice preferences from parents who wanted a place for their child. Attendance remains high and is well above the national average, despite the distance many students travel to school and continuing issues with public transport. Recruitment to Y12 has been the most successful ever with over 190 students admitted to level 3 programmes, an uplift of around 30 students.

Attendance:

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
94.5%	95.0%	95.32%	95.9%	95.4%	95.5%	95.5%

Newfield School

Newfield School has celebrated another year of superb GCSE outcomes as a result of the ongoing school improvement programme in place. All key cohorts made excellent progress, including PPI and SEND students.

The Co-Headteachers, SLT and staff have a common vision and work hard to maintain a consistent approach to high expectations of each other and students. Our behaviour policy is fully embedded and reviewed regularly, our assessment cycle helps to foster resilience in our learners, teaching and learning remains our number one priority and our policy outlines best practice balanced with a pragmatic approach to teacher workload. Newfield was inspected in March 2017 and judged as Good in all categories but, following this year's GCSE performance, the Leadership Team believe that the school is well on the way to an outstanding judgement.

The leadership of the school changes from January 2018 as Emma Anderson becomes sole Headteacher and Dean Webster takes up the Headship at Mercia School. This transition is being carefully managed to avoid any disruption to the school and includes the appointment of Deputy Head (Chris Jenkinson – internal appointment) and an additional Assistant Head (David Scales – external appointment) from January.

Examination results:

GCSE	2015	2016	2017
Progress 8	(-0.27)	0.34	0.86
Attainment 8	42.96	49.96	48.93
Standard Pass EM	47.2%	62.9%	67.9%
Strong Pass			38.2%

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Newfield School - continued

Admissions:

The standard admission number is 210. This academic year we have taken an additional 20 students in Y7 to help the Local Authority place students given the rise in population. Our current Y11 remains undersubscribed at 155 but all other year groups are full with a few places only in Y8-10.

	Sept 2013	Sept 2014	Sept 2015	Sept 2016	Sept 2017
Y7	153	203	197	210	231
Total school roll	905	930	914	956	1,005

Attendance:

	2012-13	2013-14	2014-15	2015-16	2016-17
Attendance	92.6%	94.5%	95.1%	94.7%	95.0%

Attendance continues to be in line with the national average.

Totley Primary School

Attainment in the EYFS remains well above national standards and the proportion of children achieving a good level of development increased from last year's measure of 80%. The proportion of children achieving the Y1 phonics standard was slightly above the national average, although this represented a drop from last year's measure of 90%. This reflected the specific needs of this cohort.

Attainment at KS1 is above national standards in all areas. The proportion of children reaching Greater Depth in reading is now above national standards, having been merely 'in line' with this measure last year. Outcomes at Key Stage 2 remain significantly above national standards in all subjects and children performed highly at greater depth, especially in reading and writing. 90% of children achieved combined ARE which was also significantly above national average. Progress was also well above the national average in reading and writing, with a high number of pupils making accelerated progress from their KS1 starting points (expected progress is 0). Progress in maths was broadly in line with national averages, with a score of just below 0.

Totley Primary School was inspected by OFSTED in July 2015. The overall Ofsted judgement was OUTSTANDING. The school is currently in consultation to move from a one form entry school to a two form entry school in 2018.

Statutory Assessment Summary 2017

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TRUSTEES' REPORT (continued)
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Totley Primary School - continued

EYFS and Y1	2017 Results	National (2016)
GLD	83%	69%
Y1 Phonics	83%	81%

Y2		2017	National
Reading	National Standard +	90%	76%
	Greater Depth	30%	25%
Writing	National Standard +	80%	68%
	Greater Depth	20%	16%
Maths	National Standard +	83%	75%
	Greater Depth	30%	21%

Y6		2017	National
Reading	National Standard +	100%	71%
	Greater Depth	45%	25%
Writing	National Standard +	100%	76%
	Greater Depth	42%	18%
Maths	National Standard +	90%	75%
	Greater Depth	23%	23%
SPaG	National Standard +	100%	77%
	Greater Depth	58%	31%
Combined	National Standard +	90%	61%
	Greater Depth	16%	9%

KS2 Subject	Progress Score
Reading	+2.91
Writing	+3.39
Maths	-0.90

NB Writing scores are all teacher assessed.

Attendance: 97.0%
Admissions number: 247

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TRUSTEES' REPORT (continued)
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Valley Park Community Primary School

Strengths:

- GLD has improved again meaning standards at the end of Reception are the highest ever and above national average
- Progress across KS2 has improved dramatically and Writing is in the top 5% nationally
- KS1 outcomes (attainment) have nearly doubled from 2015/16
- Two lead teachers are now leading teaching to be good or better in 80% of classrooms

Outcomes Summary 2017

EYFS

Children reaching a GLD	67%
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Phonics

Y1 pass	73%
Y2 retakes pass	83%

KS1 Outcomes

	Expected Standard %	High Level %
Reading	67%	9%
Writing	54%	4%
Maths	67%	14%
Combined	53%	4%

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Valley Park Primary School - continued

KS2 Outcomes

	Expected Standard %	High Level %
Reading	64%	20%
Writing	72%	29%
Maths	75%	9%
Combined	52%	5%

	Average Scaled Score
Reading	102
Maths	103
SPaG	105

SPaG

	Expected Standard %	High Level %
KS2	80%	25%

KS2 Progress	Progress Measure
Reading	2.1
Writing	5.2
Maths	3.9

Further statistics

Attendance: 93.9%

Number on roll:

Year	Total
2FEL	23
Nursery	64
Reception	51
Year 1	54
Year 2	59
Year 3	59
Year 4	59
Year 5	44
Year 6	58
Total R-6	384
All pupils	471

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TRUSTEES' REPORT (continued)
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Nether Edge Primary School

Achievements:

- Top 1% nationally for progress in Reading (KS1-KS2)
- Top 5% nationally for progress in Writing and Maths (KS1-2)
- 100% of children in KS2 reaching expected standard in Reading
- 100% Disadvantaged children passing Phonics Screening Test at Y1
- NSS status for school and NLE status for Executive Headteacher
- The school is nearly fully subscribed and for the first time ever, some year groups have a waiting list!

School Improvement Priorities:

- Improve attendance, including the attendance of vulnerable groups, so that it is above the national expectation.
- Improve behaviour, particularly the boys and unstructured times, leading to high levels of engagement in lessons.
- 95% of vulnerable groups make expected progress.
- Embed and develop the new assessment systems so that teachers become 'experts' in assessment of their year group.
- Develop the prime areas which uses one clear and succinct system, impacting on pupil progress.
- Improve staff wellbeing by providing clear line management and supervision systems.
- Develop school leaders so all members of leadership feel confident in their new and developing roles.

EYFS

Children reaching GLD	52%
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Phonics

Y1 Phonics Screening	69%
Y2 Phonics Screening Re-Takes	97%

Key Stage 1 Outcomes

Subject	% at Expected Standard	% at Greater Depth
Reading	76%	22%
Writing	64%	15%
Maths	64%	13%

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Nether Edge Primary School - continued

Key Stage 2 Outcomes

Overall combined measure: 89% reaching expected standard

Subject	% at Expected Standard	% at Greater Depth
Reading	100%	43%
Writing	91%	29%
Maths	91%	23%
SPaG	97%	63%

Progress Measures

Subject	Progress Measure
Reading	+7.0
Writing	+4.71
Maths	+4.95

Attendance

2014/15	2015/16	2016/17
94%	94.1%	95.3%

Numbers on Roll

Total on Roll: Rec-Y6 393
Including nursery: 439

Nursery	Reception	Y1	Y2	Y3	Y4	Y5	Y6
46	55	58	54	56	54	59	57

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Financial review

a. Financial risk management objectives and policies

The Trust's main source of income is funding from the ESFA that is paid monthly throughout the year. Given this and the planned reserves at each school, the Trust board do not consider they have a cash flow or liquidity risk.

b. Principal risks and uncertainties

The Trust board has considered and agreed an on going risk register. The Trust board considers the principle risks and uncertainties to be:

- changes in funding levels - all schools aim to maximise the recruitment and retention of students and the Trust board seeks to ensure maximum funding is received.
- increasing expenditure associated with staffing costs, for instance the progression within salary scales and also the rise in employer's pensions and national insurance contributions.
- the uncertainty around how the additional school places, which are required from September 2018 due to the population growth, will be managed across the city by the local authority and the impact this will have on Mercia Learning Trust schools and their catchment.

c. Reserves policy

Free reserves are considered to be unrestricted funds and the GAG fund.

The trust's policy is that the level of free reserves should:

- Ensure fluctuations in income (e.g. phased implementation of a National Funding Formula) is managed effectively.
- Enable a robust programme for the renewal and replacement of school assets, particularly ICT, to be developed and maintained

In achieving this, the Trustees will be mindful that existing students are not disadvantaged through the retention of excessive reserves.

The target set by the Trustees is 90% of the reserves required to forecast a three-year balanced budget (balanced = £2,066,390 to 31st August 2020). This would be on the assumption that there are clear strategies to address any forecast deficits in the concluding year.

At 31 August 2017, the trust held unrestricted funds of £980,346 and GAG funds of £1,004,326 i.e. free funds of £1,984,672.

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TRUSTEES' REPORT (continued)
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d. Results for the year

For the year ended 31 August 2017, there was a surplus on GAG funds of £73,215 and a deficit of £2,120 on unrestricted funds.

At 31 August 2017, the net book value of fixed assets was £43,612,360 and movements in tangible fixed assets are shown in note 18 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Trust.

The Trust received an actuarial assessment of pension scheme deficit in accordance with FRS 102. The deficit balance is included within the balance sheet as at 31 August 2017 and supporting notes to the accounts (see note 26).

e. Investments policy

During this period, the Trust has held all its funds in either interest bearing current or deposit accounts.

Plans for future periods

a. Future developments

The legal objects of the Mercia Learning Trust are to advance for the public benefit education in the United Kingdom, in particular by establishing, maintaining, managing and developing schools, and offering a broad and balanced curriculum for all pupils regardless of their starting points.

Mercia Learning Trust will continue to raise standards with our relentless focus on progress and learning as the top priority. A particular focus will be the progress of disadvantaged youngsters and white boys. This will ensure opportunity and bright futures for all of our students at 16+ and 18+, whether into employment or into further/higher education, and the avoidance of young people becoming classed NEET (not in education, employment or training). Our mission is to foster social mobility. Mercia Learning Trust has ambitions to support even more young people and communities by establishing new academies and has accepted in principle, the sponsorship of Mercia School, the new SW Sheffield secondary school due to open to Year 7 pupils in September 2018. The majority of the youngsters in our Trust primary schools continue their secondary education in Mercia schools. This partnership working will enable us to provide high quality education for children from 3 to 18 in the communities which we serve.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Disclosure of information to auditor

Insofar as the Trustees are aware:

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

The Trustees' report was approved by order of the board of trustees, as the company directors, on 22 December 2017 and signed on its behalf by:


.....
P.D. Smith
Chair of Trustees

MERCIA LEARNING TRUST

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GOVERNANCE STATEMENT

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Mercia Learning 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 Chief Executive Officer, 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 Mercia Learning Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 6 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
L.A. Bowes	6	6
J.F. Deal	6	6
P.D. Smith	6	6
S.P. Chew	4	6
R.A. Dodds	5	6
S. Pearson	5	6
S.M. Hillier	3	6

Governance reviews:

It is scheduled that the impact and effectiveness of the board of trustees will be reviewed annually during the Spring Term by an external School Improvement Partner.

During the year, finance and audit matters were discussed during meetings of the board of trustees. A sub-committee of the main board of Trustees, the Audit and Finance Committee provides assurance over the suitability of, and compliance with, its financial systems and controls. A separate meeting of the audit committee was not deemed necessary during the current financial year.

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GOVERNANCE STATEMENT (continued)

Review of Value for Money

As Accounting Officer, the Chief Executive Officer 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:

- The centralisation of the IT function. This has led to enhanced effectiveness, high productivity and increased purchasing power.
- Collective negotiation in areas such as reprographics, leading to financial savings and an enhanced facility.
- Review of supply staff cover procedures in primary schools to ensure value for money but also achieving consistency for children and staff development/retention opportunities. Classroom support staff are offered HLTA training/promotion and as such are utilised for short term cover.

The Purpose of the System of Internal Control

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

Capacity to Handle Risk

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

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GOVERNANCE STATEMENT (continued)

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 finance committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided to appoint BHP LLP as internal auditor.

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

- testing of purchase systems
- testing of petty cash controls
- testing of employee expense claim controls
- testing of credit card expense systems
- testing of school trip procedures and controls

On a periodic basis, the internal auditor reports to the board of trustees through the audit committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The appointee has delivered their schedule of work as planned. No material control issues arose as a result of the appointee's work.

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GOVERNANCE STATEMENT (continued)

Review of Effectiveness

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

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the finance 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 22 December 2017 and signed on their behalf, by:


.....
P.D. Smith
Chair of Trustees


.....
L.A. Bowes
Accounting Officer

MERCIA LEARNING TRUST

(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2016.

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



.....
L.A. Bowes
Accounting Officer

Date: 22-December 2017

MERCIA LEARNING TRUST
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees (who act as governors of Mercia Learning Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education 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 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) 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 and signed on its behalf by:



.....
P.D. Smith
Chair of Trustees

Date: 22 December 2017

MERCIA LEARNING TRUST
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF MERCIA LEARNING TRUST

Opinion

We have audited the financial statements of Mercia Learning Trust for the year ended 31 August 2017 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

This report is made solely to the academy 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 academy 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 academy trust and its members for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 academy trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

MERCIA LEARNING TRUST
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF MERCIA LEARNING TRUST

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. Our opinion on the financial statements does not cover the 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 which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy 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' remunerations specified by law not made; or
- we have not received all the information and explanations we require for our audit.

MERCIA LEARNING TRUST
(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF MERCIA LEARNING TRUST

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the academy 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 academy 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 academy trust's 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. The description forms part of our Auditor's report.

Philip Allsop (Senior statutory auditor)

for and on behalf of

BHP LLP

Chartered Accountants
Statutory Auditors

2 Rutland Park
Sheffield
S10 2PD

Date: 22 December 2017

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

In accordance with the terms of our engagement letter dated 1 November 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Mercia Learning Trust during the year 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Mercia Learning Trust's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Mercia Learning Trust's funding agreement with the Secretary of State for Education dated 20 February 2012, and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

MERCIA LEARNING TRUST

(A company limited by guarantee)

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO MERCIA LEARNING TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)

The work undertaken to draw our conclusion includes:

- Detailed testing on a sample basis to assess the nature of expenditure and whether funds have been used appropriately;
- Review of the academy trust's internal financial procedures to ensure that controls are in place to prevent or identify regularity issues;
- Ensure that EFA approval has been obtained for relevant transactions;
- Discussions with Governors, Senior Leadership Team and the Accounting Officer throughout the audit process to ensure that all regularity threats have been addressed.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Philip Allsop

BHP LLP

Chartered Accountants
Statutory Auditors

2 Rutland Park
Sheffield
S10 2PD

Date: 22 December 2017

MERCIA LEARNING TRUST
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Income from:						
Donations & capital grants:						
Transfers from local authority on conversion	2	-	-	-	-	1,743,513
Other donations and capital grants	2	17,167	261,442	534,640	813,249	484,657
Charitable activities	3	63,726	17,441,388	-	17,505,114	17,256,424
Other trading activities	4	149,580	-	-	149,580	146,501
Investments	5	4,414	-	-	4,414	15,793
Total income		234,887	17,702,830	534,640	18,472,357	19,646,888
Expenditure on:						
Raising funds:						
Voluntary income	6	-	240,694	-	240,694	247,887
Fundraising trading	7	41,573	-	-	41,573	110,626
Charitable activities		173,637	17,898,138	994,048	19,065,823	18,219,867
Total expenditure	8	215,210	18,138,832	994,048	19,348,090	18,578,380
Net income / (expenditure) before transfers		19,677	(436,002)	(459,408)	(875,733)	1,068,508
Transfers between funds	22	(21,797)	21,797	-	-	-
Net income / (expenditure) before other recognised gains and losses		(2,120)	(414,205)	(459,408)	(875,733)	1,068,508
Actuarial gains/(losses) on defined benefit pension schemes	26	-	1,681,000	-	1,681,000	(3,548,000)
Net movement in funds		(2,120)	1,266,795	(459,408)	805,267	(2,479,492)
Reconciliation of funds:						
Total funds brought forward		982,466	(8,148,658)	44,408,368	37,242,176	39,721,668
Total funds carried forward		980,346	(6,881,863)	43,948,960	38,047,443	37,242,176

MERCIA LEARNING TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 08119703

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	£	2017 £	£	2016 £
Fixed assets					
Tangible assets	18		43,612,360		44,348,192
Current assets					
Debtors	19	733,193		481,681	
Cash at bank and in hand		3,123,060		2,633,428	
		3,856,253		3,115,109	
Creditors: amounts falling due within one year	20	(1,373,109)		(935,863)	
Net current assets			2,483,144		2,179,246
Total assets less current liabilities			46,095,504		46,527,438
Creditors: amounts falling due after more than one year	21		(16,061)		(23,262)
Net assets excluding pension scheme liabilities			46,079,443		46,504,176
Defined benefit pension scheme liability	26		(8,032,000)		(9,262,000)
Net assets including pension scheme liabilities			38,047,443		37,242,176
Funds of the academy					
Restricted income funds:					
Restricted income funds	22	1,150,137		1,113,342	
Restricted fixed asset funds	22	43,948,960		44,408,368	
Restricted income funds excluding pension liability		45,099,097		45,521,710	
Pension reserve		(8,032,000)		(9,262,000)	
Total restricted income funds			37,067,097		36,259,710
Unrestricted income funds	22		980,346		982,466
Total funds			38,047,443		37,242,176

MERCIA LEARNING TRUST
(A company limited by guarantee)

BALANCE SHEET (continued)
AS AT 31 AUGUST 2017

The financial statements on pages 28 to 60 were approved by the Trustees, and authorised for issue, on 22 December 2017 and are signed on their behalf, by:



.....
P.D. Smith
Chair of Trustees

MERCIA LEARNING TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash provided by operating activities	24	<u>485,218</u>	<u>533,339</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		4,414	15,793
Purchase of tangible fixed assets		-	(21,272)
Cash transferred on conversion to an academy trust		-	118,734
Net cash provided by investing activities		<u>4,414</u>	<u>113,255</u>
Change in cash and cash equivalents in the year		489,632	646,594
Cash and cash equivalents brought forward		<u>2,633,428</u>	<u>1,986,834</u>
Cash and cash equivalents carried forward		<u>3,123,060</u>	<u>2,633,428</u>

MERCIA LEARNING TRUST

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. Accounting Policies

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Mercia Learning Trust constitutes a public benefit entity as defined by FRS 102.

1.2 Fund accounting

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

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

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

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

MERCIA LEARNING TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. Accounting Policies (continued)

1.3 Income

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

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

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

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

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

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

1.4 Expenditure

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. Accounting Policies (continued)

1.5 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 academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements

1.6 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long term leasehold property	-	Straight line over 60 years
Motor vehicles	-	Straight line over 35 months
Fixtures and fittings	-	Straight line over 35 months
Computer equipment	-	Straight line over 35-36 months

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. Accounting Policies (continued)

1.7 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating income and expenditure account on a straight line basis over the lease term.

1.8 Interest receivable

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

1.9 Taxation

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

1.10 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 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.

1.12 Liabilities and provisions

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. Accounting Policies (continued)

1.13 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 19. Prepayments are not financial instruments. Amounts due to the academy'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.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in notes 20 and 21. 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 instruments. Amounts due to the academy's wholly owned subsidiary are held at face value less any impairment.

1.14 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 26, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. Accounting Policies (continued)

1.15 Agency arrangements

The trust acts as agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA 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. The funds received and paid and any balances held are disclosed in note 32.

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

MERCIA LEARNING TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

2. Income from donations and capital grants

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Transfers from local authority on conversion	-	-	-	-	1,743,513
Donations	17,167	-	-	17,167	31,665
School Fund income	-	261,442	-	261,442	250,641
Capital grants	-	-	534,640	534,640	202,351
Subtotal	17,167	261,442	534,640	813,249	484,657
	17,167	261,442	534,640	813,249	2,228,170
<i>Total 2016</i>	114,001	(438,182)	2,552,351	2,228,170	

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3. Income from charitable activities

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Education	63,726	17,441,388	17,505,114	17,256,424
<i>Total 2016</i>	14,679	17,241,745	17,256,424	
Funding for Academy's educational operations				
	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant	-	15,344,058	15,344,058	15,365,235
Pupil premium	-	1,076,148	1,076,148	1,005,690
Conversion grant	-	25,000	25,000	-
Other	8,876	196,821	205,697	187,024
	8,876	16,642,027	16,650,903	16,557,949
Other government grants				
Local authority grants	-	724,841	724,841	611,985
	-	724,841	724,841	611,985
Other funding				
Non-DfE funding	54,850	16,000	70,850	30,901
Teaching school	-	58,520	58,520	55,589
	54,850	74,520	129,370	86,490
	63,726	17,441,388	17,505,114	17,256,424
<i>Total 2016</i>	14,679	17,241,745	17,256,424	

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4. Other trading activities

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Lettings	4,376	-	4,376	3,708
School to school support	-	-	-	23,087
Other	145,204	-	145,204	119,706
	<u>149,580</u>	<u>-</u>	<u>149,580</u>	<u>146,501</u>
<i>Total 2016</i>	<u>146,501</u>	<u>-</u>	<u>146,501</u>	

5. Investment income

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Investment income	4,414	-	4,414	15,793
	<u>4,414</u>	<u>-</u>	<u>4,414</u>	<u>15,793</u>
<i>Total 2016</i>	<u>15,793</u>	<u>-</u>	<u>15,793</u>	

6. Expenditure on raising voluntary income

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
School fund expenditure	-	240,694	240,694	247,887
	<u>-</u>	<u>240,694</u>	<u>240,694</u>	<u>247,887</u>
<i>Total 2016</i>	<u>-</u>	<u>247,887</u>	<u>247,887</u>	

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7. Fundraising trading expenditure

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Wages and salaries	16,304	-	16,304	33,345
Other expenses	25,269	-	25,269	77,281
Total	41,573	-	41,573	110,626

8. Expenditure

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Expenditure on raising voluntary income	-	-	240,694	240,694	247,887
Expenditure on fundraising trading	16,304	-	25,269	41,573	110,626
Education:					
Direct costs	11,291,996	581,003	1,929,318	13,802,317	13,486,317
Support costs	1,478,875	2,603,693	1,180,938	5,263,506	4,733,550
	12,787,175	3,184,696	3,376,219	19,348,090	18,578,380
Total 2016	12,278,769	2,715,684	3,583,927	18,578,380	

9. Analysis of expenditure by activities

	Activities undertaken directly 2017 £	Support costs 2017 £	Total 2017 £	Total 2016 £
Education	13,802,317	5,263,506	19,065,823	18,219,867
Total 2016	13,486,317	4,733,550	18,219,867	

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Support costs

	2017 £	2016 £
Support staff costs	1,402,861	1,229,599
Depreciation	110,375	123,109
Technology costs	102,462	16,800
Premises costs	2,503,163	2,224,109
Other support costs	1,033,714	1,019,780
Governance costs (note 10)	110,931	120,153
Total	<u>5,263,506</u>	<u>4,733,550</u>

10. Governance costs

	2017 £	2016 £
Legal and professional	7,257	19,095
Other costs	2,314	6,783
Auditors' remuneration	16,355	16,035
Auditors' non audit costs	6,491	6,211
Internal audit costs	2,500	1,250
Wages and salaries	76,014	70,779
Total	<u>110,931</u>	<u>120,153</u>

11. Net income/(expenditure)

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets:		
- owned by the trust	735,832	820,728
Operating lease expense	<u>30,313</u>	<u>25,264</u>

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FOR THE YEAR ENDED 31 AUGUST 2017

12. Auditors' remuneration

	2017	2016
	£	£
Fees payable to the academy trust's auditor and its associates for the audit of the academy's annual accounts	16,355	16,035
Fees payable to the academy trust's auditor and its associates in respect of:		
Audit-related assurance services	1,025	1,800
Internal audit services	2,500	1,250
All other non-audit services not included above	4,216	3,161
	2017	2016
	£	£
Fees payable to the academy trust's auditor and its associates in connection with the academy's pension scheme(s) in respect of:		
All assurance services not included above	1,250	1,250

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FOR THE YEAR ENDED 31 AUGUST 2017

13. Staff costs

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	9,688,360	9,467,216
Social security costs	945,698	776,732
Operating costs of defined benefit pension schemes	1,970,457	1,727,680
	<u>12,604,515</u>	<u>11,971,628</u>
Apprenticeship levy	14,674	-
Supply teacher costs	146,359	205,232
Staff restructuring costs	21,627	101,909
	<u><u>12,787,175</u></u>	<u><u>12,278,769</u></u>

Staff restructuring costs comprise:

	2017 £	2016 £
Redundancy payments	3,127	-
Severance payments	18,500	101,909
	<u><u>21,627</u></u>	<u><u>101,909</u></u>

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £18,500 (2016: £54,665). Individually, the payments were £9,000 and £9,500.

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

	2017 No.	2016 No.
Teachers	185	181
Management	24	24
Admin and support	230	200
	<u><u>439</u></u>	<u><u>405</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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13. Staff costs (continued)

Average headcount expressed as a full time equivalent:

	2017	2016
	No.	No.
Teachers	138	156
Management	29	27
Admin and support	159	154
	<u>326</u>	<u>337</u>

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

	2017	2016
	No.	No.
In the band £ 60,001 - £ 70,000	4	1
In the band £ 70,001 - £ 80,000	3	3
In the band £ 80,001 - £ 90,000	1	0
In the band £140,001 - £150,000	0	1

The above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2017, pension contributions for these staff amounted to £77,791.

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer's National Insurance and employer pension contributions) received by key management personnel for their services to the academy trust was £746,867 (2016: £694,451).

14. Trustees' remuneration and expenses

The Chief Executive Officer and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of CEO and staff, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees. The value of trustees' remuneration and other benefits was as follows:

L.A. Bowes:

Remuneration £85,000 - £90,000 (2016: £140,000 - £145,000)

Pension £5,000 - £10,000 (2016: £20,000 - £25,000)

N. Wileman

Remuneration £50,000 - £55,000 (2016: £50,000 - £55,000)

Pension £5,000 - £10,000 (2016: £5,000 - £10,000)

During the year, no trustees received any reimbursement of expenses.

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FOR THE YEAR ENDED 31 AUGUST 2017

15. Central services

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

- Accounting Officer support
- Chief Finance Officer support
- Human Resources/Occupational Health services
- Health and Safety support
- Safeguarding Training
- Legal Services support

The trust charges for these services on the following basis:

- Flat percentage of GAG income – 2.5%
 - 1.7% for services (£259,224)
 - 0.8% for contingency (£121,988)

The actual amounts charged during the year were as follows:

	2017	2016
	£	£
Newfield School	125,186	124,334
Totley School	20,053	20,459
Valley Park	40,503	41,037
King Ecgbert School	161,304	165,002
Nether Edge	34,166	30,929
Total	<u>381,212</u>	<u>381,761</u>

16. Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2017 was £905 (2016 - £809).

17. Other finance costs

	2017	2016
	£	£
Interest income on pension scheme assets	61,000	79,000
Interest on pension scheme liabilities	(273,000)	(297,000)
	<u>(212,000)</u>	<u>(218,000)</u>

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18. Tangible fixed assets

	Long term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 September 2016 and 31 August 2017	46,211,235	19,904	259,506	572,307	47,062,952
Depreciation					
At 1 September 2016	1,963,890	19,904	255,326	475,640	2,714,760
Charge for the year	683,533	-	2,722	49,577	735,832
At 31 August 2017	2,647,423	19,904	258,048	525,217	3,450,592
Net book value					
At 31 August 2017	43,563,812	-	1,458	47,090	43,612,360
At 31 August 2016	44,247,345	-	4,180	96,667	44,348,192

Included in land and buildings is land at valuation of £8,595,000 (2016: £8,595,000) which is not depreciated.

19. Debtors

	2017 £	2016 £
Trade debtors	88,300	16,984
Other debtors	167,184	139,875
Prepayments and accrued income	477,709	324,822
	733,193	481,681

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20. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Other loans	7,201	7,201
Trade creditors	465,894	300,131
Other taxation and social security	232,590	223,167
Other creditors	210,113	10,123
Accruals and deferred income	457,311	395,241
	<u>1,373,109</u>	<u>935,863</u>
	2017	2016
	£	£
Deferred income		
Deferred income at 1 September 2016	158,494	36,072
Resources deferred during the year	240,039	158,494
Amounts released from previous years	(158,494)	(36,072)
Deferred income at 31 August 2017	<u>240,039</u>	<u>158,494</u>

At the balance sheet date the academy trust was holding funds received in advance for universal infant free school meals, awkward year group and government growth funding.

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

	2017	2016
	£	£
Other loans	<u>16,061</u>	<u>23,262</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

22. Statement of funds

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
Unrestricted funds						
General funds	982,466	234,887	(215,210)	(21,797)	-	980,346
Restricted funds						
GAG	931,111	15,344,768	(15,272,177)	624	-	1,004,326
Pupil premium - ESFA	-	1,076,148	(1,076,148)	-	-	-
Pupil premium - LA	-	7,915	(7,915)	-	-	-
School fund	94,657	260,732	(240,694)	-	-	114,695
Conversion support	77,374	25,000	(102,374)	-	-	-
SEN grant	-	47,750	(47,750)	-	-	-
PE grant	-	27,930	(27,930)	-	-	-
UIFSM grant	199	130,882	(117,966)	-	-	13,115
FEL funding	-	296,586	(317,759)	21,173	-	-
Growth fund	-	133,457	(133,457)	-	-	-
Core maths grant	-	24,623	(24,623)	-	-	-
Teaching school	-	58,520	(58,520)	-	-	-
Awkward year group	-	15,719	(15,719)	-	-	-
UTC Support Grant	-	16,000	(8,000)	-	-	8,000
Other funds	10,001	236,800	(236,800)	-	-	10,001
Pension reserve	(9,262,000)	-	(451,000)	-	1,681,000	(8,032,000)
	(8,148,658)	17,702,830	(18,138,832)	21,797	1,681,000	(6,881,863)
Restricted fixed asset funds						
Restricted fixed asset funds	44,408,368	534,640	(994,048)	-	-	43,948,960
Total restricted funds	36,259,710	18,237,470	(19,132,880)	21,797	1,681,000	37,067,097
Total of funds	37,242,176	18,472,357	(19,348,090)	-	1,681,000	38,047,443

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

Unrestricted funds

The unrestricted funds represent funds available to the governors to apply for the general purposes of the trust.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

22. Statement of funds (continued)

Restricted general funds

General Annual Grant (GAG) - The Academy Trust's principal funding stream received from the Education and Skills Funding Agency. This must be used to fund the normal running costs of the Trust for the benefit of existing students.

Pupil Premium (ESFA) - DfE funding to address the current underlying inequalities between children eligible for free school meals (FSM) and their wealthier peers by ensuring that funding to tackle the disadvantage reaches the pupils who need it most.

Pupil Premium (LA) - The local authority is responsible for managing pupil premium for the remainder of the school term in which the maintained school converts to academy status. Children in local authority care also receive additional pupil premium funding which on-going continues to be managed by the local authority.

School Fund - Funds received for activities, trips and fundraising which will be paid to suppliers and charities.

Conversion support - Additional grant to support re-structuring costs.

SEN grant - Funding is provided by the Local Authority, weighted according to the severity of need, for additional support needed in a mainstream school to meet a pupil's identified special educational needs. In each case, the particular needs of the individual child determine the nature and extent of the additional support that is required.

PE grant - the ESFA provided Primary Schools with a PE and Sport Premium to improve the quality of the PE and sport activities they offer their pupils.

UIFSM grant - The universal infant free school meals (UIFSM) grant enables schools to provide free school meals to all pupils in reception, year 1 and year 2.

Early years funding grant - Providers of Free Early Learning (FEL) for 2, 3 and 4 year olds are able to claim funding from the Early Years Block of Dedicated Schools Grant held by the Local Authority.

Growth fund - The local authority plan places in schools across the city where growth in numbers is expected - the school then receives an amount per planned pupil place.

Core maths grant - The ESFA provides funding for schools to become early adopters of the new Core Maths qualification. In addition to preparing students for Core Maths qualifications, early adopters will be expected to work with the Core Maths Support Programme (CMSP) to develop teaching approaches and materials, to support professional development and to generally lay the foundations for successful implementation when Core Maths becomes widely available. The CfBT Education Trust provides additional funding for the Core Maths Lead to support the continued implementation of Core Maths in their own and partner institutions.

Teaching school - Income is received via the Teaching School towards Leadership support.

Awkward year group - Due to the population increase, it has been necessary to increase the number of classes in a year group - however, as the newly created class may not yet be at capacity and therefore not financial viable, then

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22. Statement of funds (continued)

the local authority contributes towards the transitional period.

UTC support grant - Grant funding to provide a one off system leadership support and mentoring package in KS4 and KS5 at the University Technical College, Matilda Street, Sheffield (UTC). Objectives include support with raising attainment and attendance, including the best use of PPI funding and training in assessment data tracking systems.

Other - miscellaneous funding towards specific purposes.

Defined benefit pension liability - The deficit on the Local Government Pension Scheme has been recognised against restricted funds in order to match it against GAG as recommended by the ESFA Accounts Direction.

Restricted fixed asset funds

Assets donated to the trust from the local authority on conversion of schools, fixed assets purchased from GAG and other funds, DfE/ESFA capital grants and Local Choice funding for capital expenditure.

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

Total funds analysis by academy

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £	Total 2016 £
King Egbert School	1,185,959	1,092,334
Newfield School	563,977	447,613
Totley School	100,727	149,040
Valley Park School	21,849	139,137
Mercia Learning Trust	316,051	287,241
Nether Edge Primary School	(58,080)	(19,557)
Total before fixed asset fund and pension reserve	2,130,483	2,095,808
Restricted fixed asset fund	43,948,960	44,408,368
Pension reserve	(8,032,000)	(9,262,000)
Total	38,047,443	37,242,176

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

Name of academy	Amount of deficit £
Nether Edge Primary School	58,080

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22. Statement of funds (continued)

The deficit has arisen because of excessive supply bookings, colour printing and a salix loan.

The trust is taking the following action to return this academy to surplus:

Nether Edge has implemented an SLT managed supply booking system and restrictions on colour printing. The salix loan is being offset by energy efficiency savings as anticipated.

Analysis of academies by cost

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2017 £	Total 2016 £
King Egbert School	4,788,651	438,143	271,746	1,698,752	7,197,292	7,296,512
Newfield School	3,182,854	420,963	173,345	1,628,055	5,405,217	5,117,751
Totley School	669,536	58,396	108,780	273,668	1,110,380	937,913
Valley Park School	1,182,950	233,435	121,842	671,904	2,210,131	2,184,745
Mercia Learning Trust	225,737	166,368	2,400	140,706	535,211	596,191
Nether Edge School	1,242,263	177,876	110,738	364,935	1,895,812	1,624,540
	<u>11,291,991</u>	<u>1,495,181</u>	<u>788,851</u>	<u>4,778,020</u>	<u>18,354,043</u>	<u>17,757,652</u>

23. Analysis of net assets between funds

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	43,612,360	43,612,360
Current assets	980,346	2,539,307	336,600	3,856,253
Creditors due within one year	-	(1,373,109)	-	(1,373,109)
Creditors due in more than one year	-	(16,061)	-	(16,061)
Provisions for liabilities and charges	-	(8,032,000)	-	(8,032,000)
	<u>980,346</u>	<u>(6,881,863)</u>	<u>43,948,960</u>	<u>38,047,443</u>

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NOTES TO THE FINANCIAL STATEMENTS
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24. Reconciliation of net movement in funds to net cash flow from operating activities

	2017 £	2016 £
Net (expenditure)/income for the year (as per Statement of Financial Activities)	(875,733)	1,068,508
Adjustment for:		
Depreciation charges	735,832	820,728
Dividends, interest and rents from investments	(4,414)	(15,793)
Increase in debtors	(251,512)	(37,245)
Increase in creditors	430,045	205,210
Defined benefit pension scheme finance cost	212,000	218,000
Defined benefit pension scheme cost less contributions payable	239,000	13,000
Cash donated on conversion to an academy trust	-	(118,734)
Fixed assets donated on conversion	-	(2,350,000)
Loan inherited on conversion	-	37,665
Pension deficit inherited on conversion	-	692,000
Net cash provided by operating activities	485,218	533,339

25. Analysis of cash and cash equivalents

	2017 £	2016 £
Cash in hand	3,123,060	2,633,428
Total	3,123,060	2,633,428

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

26. Pension commitments

The academy trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by South Yorkshire Pensions Authority. Both are Multi-employer defined benefit pension schemes.

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

Contributions amounting to £188,535 were payable to the schemes at 31 August 2017 (2016 - nil) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and

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26. Pension commitments (continued)

will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £1,034,014 (2016 - £1,049,568).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £874,000 (2016 - £726,000), of which employer's contributions totalled £705,000 (2016 - £559,000) and employees' contributions totalled £169,000 (2016 - £167,000). The agreed contribution rates for future years are 13.7% for employers and 5.5% to 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy 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:

	2017	2016
Discount rate for scheme liabilities	2.40 %	2.10 %
Rate of increase in salaries	3.45 %	3.55 %
Rate of increase for pensions in payment / inflation	2.20 %	1.90 %
Inflation assumption (CPI)	2.20 %	1.80 %

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

	2017	2016
Retiring today		
Males	22.9	23
Females	25.7	25.7
Retiring in 20 years		
Males	25.1	25.4
Females	28	28.5

At 31 August At 31 August

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NOTES TO THE FINANCIAL STATEMENTS
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26. Pension commitments (continued)

<i>Sensitivity analysis</i>	2017	2016
	£	£
Discount rate +0.1%	7,748,000	8,658,000
Salary increase +0.1%	8,117,000	9,401,000
Mortality assumption - 1 year increase	8,241,000	9,473,000
CPI rate +0.1%	8,322,000	9,574,000

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26. Pension commitments (continued)

The academy trust's share of the assets in the scheme was:

	Fair value at 31 August 2017 £	Fair value at 31 August 2016 £
Equities	2,241,000	1,726,000
Government Bonds	509,000	442,000
Other Bonds	251,000	183,000
Property	335,000	324,000
Cash and other liquid assets	75,000	50,000
Other	276,000	226,000
Total market value of assets	3,687,000	2,951,000

The actual return on scheme assets was £414,000 (2016 - £446,000).

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2017 £	2016 £
Current service cost	(944,000)	(571,000)
Interest income	61,000	79,000
Interest cost	(273,000)	(297,000)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	(1,000)
Total	(1,156,000)	(790,000)
Actual return on scheme assets	414,000	446,000

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26. Pension commitments (continued)

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

	2017	2016
	£	£
Opening defined benefit obligation	12,213,000	6,670,000
Current service cost	944,000	571,000
Interest cost	273,000	297,000
Employee contributions	169,000	167,000
Actuarial (gains)/losses	(1,754,000)	3,904,000
Benefits paid	(126,000)	(189,000)
Losses on curtailments	-	1,000
Liabilities assumed in a business combination	-	792,000
	<u>11,719,000</u>	<u>12,213,000</u>

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

	2017	2016
	£	£
Opening fair value of scheme assets	2,951,000	1,879,000
Return on plan assets (excluding net interest on the net defined pension liability)	61,000	79,000
Actuarial gains/(losses)	(73,000)	356,000
Employer contributions	705,000	559,000
Employee contributions	169,000	167,000
Benefits paid	(126,000)	(189,000)
Assets acquired in a business combination	-	100,000
	<u>3,687,000</u>	<u>2,951,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

27. Operating lease commitments

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

	2017 £	2016 £
<i>Amounts payable:</i>		
Within 1 year	63,320	62,888
Between 1 and 5 years	51,290	50,047
Total	114,610	112,935

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

28. Financial commitments under PFI arrangements

At 31 August 2017 the trust had future commitments under PFI arrangements as follows:

	2017 £	2016 £
Amounts payable:		
Within 1 year	1,821,967	1,758,613
Between 1 and 5 years	7,287,869	7,034,452
After more than 5 years	18,157,124	19,275,453
Total	27,266,960	28,068,518

29. Related party transactions

Owing to the nature of the trust's operations 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 trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures.

The following related party transaction took place in the period of account:

The Escafeld Teaching School Alliance is a joint venture between King Ecgbert School and Tapton School Academy. Until 31 December 2016, the executive head of Tapton School Academy Trust was Mr D Bowes, the husband of Mrs L Bowes, chief executive officer of the Trust. Under the Alliance arrangement, the Trust paid net funds of £58,512 (2016: £44,022) to Mercia Learning Trust during the year.

30. Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2017 the trust received £28,043 and disbursed £28,043 from the fund.

31. 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.