

MERCIA LEARNING TRUST
(A company limited by guarantee)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

MERCIA LEARNING TRUST
(A company limited by guarantee)

CONTENTS

| | Page |
|---|----------------|
| Reference and administrative details | 1 - 2 |
| Trustees' report | 3 - 18 |
| Governance statement | 19 - 22 |
| Statement on regularity, propriety and compliance | 23 |
| Statement of Trustees' responsibilities | 24 |
| Independent auditor's report on the financial statements | 25 - 28 |
| Independent reporting accountant's report on regularity | 29 - 30 |
| Statement of financial activities incorporating income and expenditure account | 31 - 32 |
| Balance sheet | 33 - 34 |
| Statement of cash flows | 35 |
| Notes to the financial statements | 36 - 68 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS

| | |
|---|---|
| Members | P.D. Smith L.A.Bowes (Appointed 1 September 2018) G. Burke (Appointed 1 September 2018) A. Singh (Appointed 1 September 2018) T. Khan (Appointed 1 September 2018) J.F. Deal (Resigned 1 September 2018) S. Pearson (Resigned 1 September 2018) |
| Trustees | P.D. Smith, Chair and Parent Governor S. Pearson R.A Dodds J. Hope-Gill J. Millward J.F. Deal, Community Governor |
| 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 | C. French (appointed 1 September 2018) |
| Senior leadership team | King Egbert School - P Haigh, Headteacher Newfield School - E. Anderson, Headteacher Totley Primary School - B. Paxman, Headteacher Valley Park Community Primary School - M. Knox, Headteacher The Nether Edge Primary School - M. Nott, Co-Headteacher - K. Hall, Co-Headteacher Mercia School - D Webster, Headteacher C Chance, Director of Finance and Operations |

MERCIA LEARNING TRUST
(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

| | |
|----------------------------|--|
| Independent auditor | BHP LLP 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
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a Trustees' report and a directors' report under company law.

During the year the Trust operated three secondary schools and three primary schools providing education to pupils aged 3 to 18 across South West Sheffield. The schools have a combined pupil capacity of 3,677 and had a roll of 3,762 in the school census on 3 October 2019.

Structure, governance and management

a. Constitution

The Multi 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 Multi Academy Trust.

The Trustees of Mercia Learning Trust are also the directors of the charitable company for the purposes of company law.

The charitable company is known as Mercia Learning Trust .

Details of the Trustees who served during the year, and to the date these accounts are approved 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.

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

c. 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.

d. Policies 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.

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

Structure, governance and management (continued)

e. 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 Strategic Board 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 officer works closely with all the Senior Leadership Teams within the Trust as well as brokering support for schools outside the Trust.

f. Arrangements for setting pay and remuneration of 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.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Structure, governance and management (continued)

g. Trade union facility time

Relevant union officials

| | |
|---|---|
| Number of employees who were relevant union officials during the year | 5 |
| Full-time equivalent employee number | 4 |

Percentage of time spent on facility time

| <i>Percentage of time</i> | Number of employees |
|----------------------------------|----------------------------|
| 0% | - |
| 1%-50% | 5 |
| 51%-99% | - |
| 100% | - |

Percentage of pay bill spent on facility time

| | |
|---|--------|
| Total cost of facility time | 1,288 |
| Total pay bill | 49,402 |
| Percentage of total pay bill spent on facility time | 3 % |

Paid trade union activities

| | |
|---|-------|
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 100 % |
|---|-------|

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.

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

Objectives and activities (continued)

b. Objectives, strategies and activities

Our trust mission is to provide an outstanding education for pupils aged from 0 to 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.

The trust objectives for the year were to:

1. Continue to drive up standards across all schools in the Trust.
2. Ensure the new Mercia Secondary School opens strongly & quickly becomes established.
3. Successfully launch central trust teams to provide expertise & greater efficiency.
4. Ensure the trust financial strategy is robust so that the trust's future position is secure & sustainable.
5. Develop more coherent partnership working to support improvement in schools.
6. React to the new Ofsted Inspection Framework due to begin in September 2019.

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.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Objectives and activities (continued)

c. Public benefit

In setting objectives and planning for activities, the Trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

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.

Strategic report

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 during the year to the Trust inclusive of a financial commentary. Financial KPI's are measured continuously. Educational outcomes at each School during the year are disclosed in this report under Review of Activities.

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.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Strategic report (continued)

Achievements and performance (continued)

c. Review of activities

King Egbert School

King Egbert School (KES) was inspected by Ofsted in May 2013 and graded as Outstanding. Since then it has enjoyed exempt status from future Ofsted inspections.

During 2018-19 it continued to operate at an outstanding level, as benchmarked by trust and external School Improvement Partner (SIP) quality assurance.

Summer outcomes, particularly overall, mathematics & EBacc KS4 GCSE Progress 8 were exceptionally strong. For the first time overall P8 was the highest of any school in Sheffield.

Nevertheless, Post 16 headline outcomes declined, although this masked a record year for A* A-level (14.2%) and Distinction* (35%) grades.

Outcomes

KS4

| Progress 8 | 2017 | 2018 | 2019 |
|---------------|--------|--------|-------|
| Overall | 0.53 | 0.57 | 0.7 |
| Disadvantaged | 0.14 | 0.24 | -0.28 |
| English | +0.29 | +0.25 | +0.24 |
| Mathematics | +0.796 | +0.823 | +1.0 |
| EBacc | +0.41 | +0.71 | +0.82 |
| Open | +0.624 | +0.554 | +0.5 |

Post 16

| A-Level grade (%) | 2017 | 2018 | 2019 |
|-------------------|--------|-------|-------|
| A* - B | 58.7% | 65.7% | 54.0% |
| A* - E | 100.0% | 99.6% | 99.4% |

| BTEC grade (%) | 2017 | 2018 | 2019 |
|--------------------------|-------|-------|-------|
| Distinction*/Distinction | 72.4% | 81.0% | 68.0% |
| Merit | 24.1% | 19.0% | 25.0% |
| Pass | 3.4% | 0.0% | 7.0% |

Attendance

Attendance rose slightly, was above national, despite the distance many students travel to school and some continuing issues with public transport.

| 2017 | 2018 | 2019 |
|-------|-------|-------|
| 95.5% | 95.6% | 95.9% |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Strategic report (continued)

Achievements and performance (continued)

Admissions

The standard admission number in each year (Y7-11) remained as 193 in mainstream, in addition to a small number admitted to the integrated resource. The School continued to be substantially oversubscribed; and once again there were more first choice preferences from parents who wanted a place for their child than places available. To accommodate this need the school admitted 'over number' into Year 7. This additional need appears to be a consistent challenge, and will require a strategic future response as an additional 30 pupils are due to be admitted from Totley Primary School in 2022.

Following a very strong marketing strategy, the sixth form admitted 35 additional students into Year 12 compared to the year before (185 v 150).

Mercia Learning Alliance

KES continued to successfully lead the Mercia Learning Alliance (MLA) Teaching School, which is at the heart of initial teacher training across Sheffield and the city-region. Following the announcement that South Yorkshire would be a location for a pilot 'super teaching school hub' in summer 2019 (to rationalise the number of separate teaching schools in the region); MLA successfully secured a place at the heart of the winning bid consortium.

Other

The academic year held a number of additional challenges including the need to secure a balanced budget for 2019-20. With careful planning the school achieved this aim.

During the academic year, Ofsted released details of the new Inspection Framework for schools, due to begin in September 2019. This is much more challenging, and KES like all other schools, will need to respond to this strongly as part of its future improvement strategy. Encouragingly work on the curriculum was significant during the year.

Overall, 2018-19 was a successful year for the school.

Newfield School

The school was graded as good by Ofsted in March 2017. During the academic year it continued to operate at a good level.

Whilst outcomes remained positive in 2018-19 and above average, they did decline.

KS4

| Progress 8 | 2017 | 2018 | 2019 |
|---------------|-------|-------|-------|
| Overall | +0.84 | +0.55 | +0.25 |
| Disadvantaged | +0.61 | +0.35 | +0.07 |
| English | +0.57 | +0.40 | 0.00 |
| Mathematics | +0.63 | +0.54 | +0.15 |
| EBacc | +0.81 | +0.73 | +0.43 |
| Open | +1.18 | +0.53 | +0.15 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Strategic report (continued)

Achievements and performance (continued)

Attendance

Disappointingly, attendance fell and is now well below national.

| 2017 | 2018 | 2019 |
|-------|-------|-------|
| 94.9% | 93.6% | 92.5% |

Admissions

The school AIN is 210, and is now over-subscribed for new entrants into Year 7. Consequently, the school admitted a small number of students over its AIN.

Other

The academic year can be characterised as one of transition. Critically nearly 1:4 of the teaching / subject leadership team changed before the start of the 2018-19 academic year. During the academic year, Ofsted released details of the new Inspection Framework for schools, due to begin in September 2019. This is much more challenging, and Newfield like all other schools, will need to respond to this strongly as part of its future improvement strategy. Encouragingly work on the curriculum was significant during the year.

Overall the 2018-19 year was positive but more mixed.

Totley Primary School

Totley Primary School was Inspected by Ofsted in July 2015 and judged to be Outstanding. Based on performance during 2018-19 it remained strongly outstanding. It is currently exempt from routine inspection.

As a result of its reputation and popularity, it has been substantially over-subscribed for several years. In the light of this, a new KS2 extension to the school was successfully opened at the start of the new 2018-19 academic year. This was occupied by a 60 pupil year 3 group. In 2019, 2020 & 2021 this year group will move into Y4, 5 & 6, by which time the school will have over 400 pupils.

Outcomes

Attainment in the EYFS remained well above national standards and the proportion of children achieving a good level of development increased again to 89%. The proportion of children achieving the Y1 phonics standard was 90% and well above the national average.

| | 2017 | 2018 | 2019 |
|--|-------|-------|-------|
| EYFS % GLC (good level of development) | 88.3% | 85.0% | 80.0% |
| Y1 Phonics (%) | 83.3% | 86.7% | 90.0% |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Strategic report (continued)

Achievements and performance (continued)

KS1

Attainment at KS1 in reading, writing and mathematics increased substantially although the proportion of students working at greater depth fell slightly.

| % Expected | 2017 | 2018 | 2019 |
|-----------------|-------|-------|-------|
| Reading | 90.0% | 74.2% | 83.0% |
| Writing | 80.0% | 74.2% | 78.0% |
| Mathematics | 83.3% | 74.2% | 82.0% |
| % Greater depth | 2017 | 2018 | 2019 |
| Reading | 30.0% | 32.3% | 28.0% |
| Writing | 20.0% | 25.8% | 18.0% |
| Mathematics | 30.0% | 29.0% | 27.0% |

KS2

Outcomes at Key Stage 2 increased to a record level. All subjects were significantly above national standards and pupils performed very strongly at greater depth, especially in reading and writing. 97% of children achieved combined ARE which was also significantly above national average. Progress was also well above the national average in reading and writing, although mathematics reading was just national.

| % Expected | 2017 | 2018 | 2019 |
|-----------------|-------|------|------|
| Combined | 90.3% | 94% | 97% |
| Reading | 100% | 97% | 100% |
| Writing | 100% | 97% | 100% |
| Mathematics | 90.9% | 94% | 97% |
| % Greater depth | 2017 | 2018 | 2019 |
| Reading | 45.2% | 34% | 58% |
| Writing | 41.9% | 44% | 45% |
| Mathematics | 22.6% | 38% | 24% |

Attendance

Attendance remained well above national averages and increased slightly.

| 2017 | 2018 | 2019 |
|-------|-------|-------|
| 97.2% | 97.0% | 97.1% |

Other

During the academic year the new interim senior leadership team were appointed permanently into place. Given the transition into a new building (for some pupils), pupil growth, record outcomes and leadership change; 2018-19 was a hugely successful year for the school.

During the academic year, Ofsted released details of the new Inspection Framework for schools, due to begin in September 2019. This is much more challenging, and Totley like all other schools, will need to respond to this strongly as part of its future improvement strategy. Encouragingly work on the curriculum was significant during the year.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Strategic report (continued)

Achievements and performance (continued)

Valley Park Primary School

Valley Park was sponsored by the trust in 2015. During spring 2018 it was inspected by Ofsted and judged as Requires Improvement, which is an acknowledgement of its strong improvement journey.

Outcomes

Outcomes in EYFS fell slightly, whilst phonics remained the same as 2018.

| | 2017 | 2018 | 2019 |
|--------------------------------------|-------|------|------|
| EYFS GLD (good level of development) | 67.3% | 72% | 70% |
| Y1 Phonics (%) | 69% | 79% | 79% |

KS1 Reading, writing and mathematics outcomes, at expected and greater depth, increased substantially.

| % Expected | 2017 | 2018 | 2019 |
|-----------------|-------|-------|------|
| Reading | 67.9% | 54.4% | 75% |
| Writing | 55.4% | 47.4% | 60% |
| Mathematics | 66.1% | 54.4% | 67% |
| % Greater Depth | 2017 | 2018 | 2019 |
| Reading | 8.9% | 8.8% | 25% |
| Writing | 3.6% | 7.0% | 10% |
| Mathematics | 14.3% | 7.0% | 20% |

KS2 Reading, writing and mathematics outcomes, at expected and greater depth fell substantially from the previous extraordinary year. This was in part due to a much more mixed pupil cohort. Nevertheless, KS1-2 pupil progress was at national for reading and mathematics, and well above for writing.

| % Expected | 2017 | 2018 | 2019 |
|-----------------|-------|-------|------|
| Reading | 65.5% | 90.9% | 62% |
| Writing | 70.9% | 89.1% | 75% |
| Mathematics | 78.2% | 89.1% | 64% |
| % Greater depth | 2017 | 2018 | 2019 |
| Reading | 20.0% | 47.3% | |
| Writing | 30.9% | 27.3% | |
| Mathematics | 9.1% | 21.8% | |

Attendance

Attendance improved fell by 0.8% to well below national.

| 2017 | 2018 | 2019 |
|-------|-------|-------|
| 93.4% | 93.7% | 92.9% |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Strategic report (continued)

Achievements and performance (continued)

Other

Overall 2018-19 was a positive year, if mixed. During the academic year, Ofsted released details of the new Inspection Framework for schools, due to begin in September 2019. This is much more challenging, and Valley Park like all other schools, will need to respond to this strongly as part of its future improvement strategy. Encouragingly work on the curriculum was significant during the year.

Nether Edge Primary School

Nether Edge was judged by Ofsted to be outstanding in 2015. It is currently exempt from routine Ofsted inspection and is over-subscribed.

Outcomes

EYFS outcomes improved substantially and GLD exceeded national for the first time. Phonics outcomes also improved slightly (although are still below national).

| | 2017 | 2018 | 2019 |
|--|-------|-------|-------|
| EYFS & GLD (good level of development) | 50.0% | 62.5% | 72.0% |
| Y1 Phonics (%) | 66.1% | 71.7% | 74.0% |

KS1 outcomes in writing and mathematics both increased and exceeded or reached national respectively, whilst reading fell slightly. The % of pupils at greater depth also improved strongly in writing and mathematics.

| % Expected | 2017 | 2018 | 2019 |
|-----------------|-------|-------|------|
| Reading | 75.9% | 77.8% | 75% |
| Writing | 63.8% | 51.9% | 70% |
| Mathematics | 63.8% | 74.1% | 78% |
| % Greater Depth | 2017 | 2018 | 2019 |
| Reading | 22.4% | 24.1% | 23% |
| Writing | 15.5% | 5.6% | 13% |
| Mathematics | 13.8% | 11.1% | 23% |

KS2 outcomes were exceedingly disappointing both in terms of attainment and KS1-2 progress.

| % Expected | 2017 | 2018 | 2019 |
|-----------------|--------|--------|------|
| Combined | 88.6% | 60.71% | 53% |
| Reading | 100.0% | 72.7% | 53% |
| Writing | 91.4% | 78.2% | 80% |
| Mathematics | 97.1% | 85.5% | 73% |
| % Greater depth | 2017 | 2018 | 2019 |
| Reading | 42.9% | 12.7% | |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Strategic report (continued)

Achievements and performance (continued)

| | | | |
|-------------|-------|-------|--|
| Writing | 28.6% | 12.7% | |
| Mathematics | 22.9% | 12.7% | |

Attendance

Attendance improved slightly although this was still just below national.

| 2017 | 2018 | 2019 |
|-------|-------|-------|
| 95.8% | 95.4% | 95.6% |

Other

2018-19 had many positive aspects but these were undermined by weak KS2 outcomes. During the academic year, Ofsted released details of the new Inspection Framework for schools, due to begin in September 2019. This is much more challenging, and Nether Edge, like all other schools, will need to respond to this strongly as part of its future Improvement strategy. Encouragingly work on the curriculum was significant during the year.

Mercia School

Mercia School opened successfully at the start of the 2018-19 academic year. The year was exceptional in that:

1. The building was fully completed and ready for the start of term.
2. The staff team was fully recruited.
3. Student admissions substantially exceeded the agreed opening AIN of 120.
4. The quality of education offered has been exceptionally strong.
5. Student and parental feedback has been exceptionally positive. As a consequence, the Year 7 cohort for 2019 was massively over-subscribed.

Trust Developments

The transition of Trust CEO took place smoothly, and a new Trust Improvement Plan was agreed by the Board at the start of the year. Whilst the majority of priorities were aimed at school improvement, 2018-19 was one of substantial evolution for the trust. Evolution included:

Governance

1. A formal separation & recruitment into the three tiers of governance (members, trustees & LGBs), and the up-dating of the trust scheme of delegation & key governance guidance.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Strategic report (continued)

Achievements and performance (continued)

Central Team

2. The creation of a small expert central team to lead Finance, Human Resources, ICT, payroll and estates across the trust. These separately (and sometimes together) led to:
 - a. The launch of new financial principles to ensure the trust, and individual schools, had a secure and sustainable future. All school budgets were exceedingly well managed in-year and led to a small operating surplus. By year end all 2019-20 spending plans were balanced, or if not, operating on much narrower & time limited support.
 - b. The creation of a robust 3-year ICT improvement plan & targeted spending in the light of need.
 - c. The creation of a robust estates plan & targeted spending in the light of need.
 - d. A common appraisal approach across all schools.
 - e. The seamless transfer of all payroll functions to the trust mid-year.
 - f. The seamless transfer of all Mercia School building management functions from BAM to the trust at year end.

Communication

3. A stronger communication strategy to better connect and inform staff / governors across the trust. This included:
 - a. A substantial increase in written communication to all staff & governors.
 - b. The launch of a new trust website with a refreshed mission and values.
 - c. The inaugural trust conference in February 2019.

Partnership work

4. The commitment to much greater collaborative working between staff and schools, when this has a clear benefit to school improvement. Elements of this included the creation of a trust curriculum framework, created by a trust working group, to ensure work in schools had fidelity to an agreed set of underpinning principles.

Summary

Overall 2018-19 was a successful year for Mercia Learning Trust. Some schools had an exceptional year (often securing record breaking outcomes), Mercia School had a superb first year, and the trust began to operate even more coherently as a partnership. Nevertheless, a small number of schools had mixed year which must not be repeated.

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

Strategic report (continued)

Financial review

a. Results for the year

For the year ended 31 August 2019, there was a deficit on GAG funds of £315,972 and a surplus of £121,933 on unrestricted funds.

At 31 August 2019, the net book value of fixed assets was £68,070,464 and movements in tangible fixed assets are shown in note 17 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 2019 and supporting notes to the accounts (see note 28).

b. 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.

Trust policy is that each school's annual spending plan operates within the parameters of annual income and expenditure. Trust free reserves should not fall below a minimum agreed level of 2% of income, and discretionary reserves above this amount will fund trust priorities as defined by the Board.

At 31 August 2019, the trust held unrestricted funds of £1,031,970 and GAG funds of £248,389 i.e. free funds of £1,280,359 which equates to 6% of income (after removing the donated fixed assets within the year). The Trust will reconsider the reserves policy during the next year.

c. Investment policy

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

d. Principal risks and uncertainties

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.

The Trust board has considered and agreed an ongoing risk register.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Fundraising

- The Trustees accept they have overall responsibility and accountability for fundraising.
- All fundraising is coordinated by staff, pupils and parents and we do not involve professional fundraisers or commercial participators to undertake any fundraising activities.
- The Trust does not subscribe to any fundraising standards or scheme for fundraising regulation.
- The Trust ensures fundraisers acting on our behalf are supervised and is not aware of any failure to comply with fundraising standards .
- The Trust has received no complaints within the year regarding fundraising activity.

Plans for future periods

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 through careful growth. 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.

Employee involvement and employment of the disabled

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

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

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

In accordance with the Multi Academy Trust's equal opportunities policy, the Multi Academy Trust has long-established fair employment practices in the recruitment, selection, retention and training of disabled staff.

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

MERCIA LEARNING TRUST
(A company limited by guarantee)

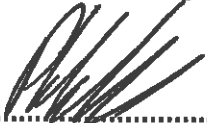
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Disclosure of information to auditor

Insofar as the Trustees are aware:

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

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


.....

P.D. Smith
Chair of Trustees

18 December 2019

MERCIA LEARNING TRUST
(A company limited by guarantee)

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 8 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 |
|---------------------------------------|-------------------|-------------------|
| P.D. Smith, Chair and Parent Governor | 8 | 8 |
| S. Pearson | 8 | 8 |
| R.A Dodds | 8 | 8 |
| J. Hope-Gill | 6 | 8 |
| J. Millward | 8 | 8 |
| J.F. Deal, Community Governor | 6 | 8 |

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.

The Risk and Audit Committee meet every term to discuss finance and audit matters and provide assurance over the suitability of, and compliance with its financial systems and controls

Attendance during the year at meetings was as follows:

| Trustee | Meetings attended | Out of a possible |
|---------------|-------------------|-------------------|
| Phil Smith | 3 | 3 |
| John Deal | 2 | 3 |
| Sarah Pearson | 3 | 3 |

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 transition to an in house payroll service securing a high class yet efficient function.
- Appointing a Trust Estates and Premises Manager to maintain premises to an adequate standard and make the best use of capital monies via trust wide procurement.
- Centralising the IT function to ensure strategic planning of IT replacement securing best value.

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 2018 to 31 August 2019 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 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of Trustees.

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; monthly management accounts are shared with the chair of trustees monthly and are considered by the board when they meet, taking action to maintain financial viability.
- regular reviews by the Risk and Audit 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.
- Ensure decisions about executive pay follow a robust evidence-based process reflective of the individual's roles and responsibilities, and that the board's approach to pay is transparent, proportionate and justifiable, in line with the handbook.

The board of Trustees has considered the need for a specific internal audit function and has decided to appoint BHP LLP as internal auditor for finance matters. Different external professionals will be appointed with the appropriate expertise to give advice on other areas subject to scrutiny such as health and safety.

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 payroll reconciliations
- testing of salary details
- testing of pay rises
- testing of severance procedures
- testing of joiners and leavers

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.

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 Trust managers 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 Risk and Audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

GOVERNANCE STATEMENT (CONTINUED)

18 December 2019

Approved by order of the members of the board of Trustees on [^] and signed on their behalf by:


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


.....
C. French
Accounting Officer

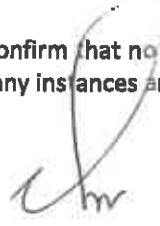
MERCIA LEARNING TRUST
(A company limited by guarantee)

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

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

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



C. French
Accounting Officer
Date: 12.12.19

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

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

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

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

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

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

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

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


.....
P.D. Smith

Chair of Trustees

18 December 2019

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 (the 'multi academy trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Multi 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 Multi 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 (CONTINUED)**

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the Multi 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 Multi 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 Multi Academy Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the charitable Multi 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 charitable Multi 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 charitable Multi Academy Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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



Philip Allsop (Senior statutory auditor)

for and on behalf of
BHP LLP

2 Rutland Park

Sheffield

S10 2PD

Date: 19 December 2019

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

In accordance with the terms of our engagement letter dated 1 November 2017 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Mercia Learning Trust during the year 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to 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 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 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 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by 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 Multi Academy Trust's income and expenditure.

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 ESFA approval has been obtained for relevant transactions;
- Discussions with Governors, Senior Leadership Team and the Accounting Officer throughout the audit process to ensure that regularity threats have been addressed.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Philip Allsop (Senior statutory auditor)

BHP LLP

Date: 19 December 2019

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

| | Note | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|---|------|------------------------------------|----------------------------------|--|-----------------------------|-----------------------------|
| Income from: | | | | | | |
| Donations and capital grants | 3 | 20,197 | 368,041 | 26,673,001 | 27,061,239 | 678,632 |
| Charitable activities | 4 | 163,346 | 19,282,975 | - | 19,446,321 | 18,581,410 |
| Teaching schools | 34 | - | 139,865 | - | 139,865 | 130,120 |
| Other trading activities | 6 | 467,563 | 15,168 | - | 482,731 | 238,299 |
| Investments | | 8,347 | - | - | 8,347 | 8,209 |
| Total income | | 659,453 | 19,806,049 | 26,673,001 | 47,138,503 | 19,636,670 |
| Expenditure on: | | | | | | |
| Raising funds | 9 | 94,306 | 359,512 | - | 453,818 | 351,915 |
| Charitable activities | 11 | 427,646 | 20,797,639 | 1,783,876 | 23,009,161 | 20,699,819 |
| Total expenditure | | 521,952 | 21,157,151 | 1,783,876 | 23,462,979 | 21,051,734 |
| Net income/(expenditure) | | 137,501 | (1,351,102) | 24,889,125 | 23,675,524 | (1,415,064) |
| Transfers between funds | 22 | (15,568) | 15,568 | - | - | - |
| Net movement in funds before other recognised gains/(losses) | | 121,933 | (1,335,534) | 24,889,125 | 23,675,524 | (1,415,064) |
| Other recognised gains/(losses): | | | | | | |
| Actuarial (losses)/gains on defined benefit pension schemes | 28 | - | (3,298,000) | - | (3,298,000) | 1,197,000 |
| Net movement in funds | | 121,933 | (4,633,534) | 24,889,125 | 20,377,524 | (218,064) |
| Reconciliation of funds: | | | | | | |
| Total funds brought forward | | 910,037 | (6,534,704) | 43,454,046 | 37,829,379 | 38,047,443 |
| Net movement in funds | | 121,933 | (4,633,534) | 24,889,125 | 20,377,524 | (218,064) |
| Total funds carried forward | | 1,031,970 | (11,168,238) | 68,343,171 | 58,206,903 | 37,829,379 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

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

The notes on pages 36 to 68 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 AUGUST 2019

| | Note | 2019 £ | 2018 £ |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Tangible assets | 17 | 68,070,464 | 43,029,326 |
| | | <u>68,070,464</u> | <u>43,029,326</u> |
| Current assets | | | |
| Debtors | 18 | 592,711 | 885,334 |
| Cash at bank and in hand | | 2,006,592 | 3,038,063 |
| | | <u>2,599,303</u> | <u>3,923,397</u> |
| Creditors: amounts falling due within one year | 19 | (915,205) | (1,730,484) |
| Net current assets | | <u>1,684,098</u> | <u>2,192,913</u> |
| Total assets less current liabilities | | <u>69,754,562</u> | <u>45,222,239</u> |
| Creditors: amounts falling due after more than one year | 20 | (1,659) | (8,860) |
| Net assets excluding pension liability | | <u>69,752,903</u> | <u>45,213,379</u> |
| Defined benefit pension scheme liability | 28 | (11,546,000) | (7,384,000) |
| Total net assets | | <u><u>58,206,903</u></u> | <u><u>37,829,379</u></u> |
| Funds of the Multi Academy Trust | | | |
| Restricted funds: | | | |
| Fixed asset funds | 22 | 68,343,171 | 43,454,046 |
| Restricted income funds | 22 | 377,762 | 849,296 |
| | | <u>68,720,933</u> | <u>44,303,342</u> |
| Restricted funds excluding pension liability | 22 | 68,720,933 | 44,303,342 |
| Pension reserve | 22 | (11,546,000) | (7,384,000) |
| Total restricted funds | 22 | <u>57,174,933</u> | <u>36,919,342</u> |
| Unrestricted income funds | 22 | <u>1,031,970</u> | <u>910,037</u> |
| Total funds | | <u><u>58,206,903</u></u> | <u><u>37,829,379</u></u> |

The financial statements on pages 31 to 68 were approved by the Trustees, and authorised for issue on and are signed on their behalf, by:

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

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2019


.....
P.D. Smith

The notes on pages 36 to 68 form part of these financial statements.

MERCIA LEARNING TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

| | Note | 2019 £ | 2018 £ |
|---|-------------|--------------------|-------------------|
| Cash flows from operating activities | | | |
| Net cash provided by operating activities | 24 | 25,218,060 | 74,743 |
| Cash flows from investing activities | 25 | (26,249,531) | (159,740) |
| Change in cash and cash equivalents in the year | | (1,031,471) | (84,997) |
| Cash and cash equivalents at the beginning of the year | | 3,038,063 | 3,123,060 |
| Cash and cash equivalents at the end of the year | 26 | 2,006,592 | 3,038,063 |

The notes on pages 36 to 68 form part of these financial statements

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

1. Accounting policies

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

1.1 Basis of preparation of financial statements

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

Mercia Learning Trust meets the definition of a public benefit entity under 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 Multi Academy Trust at the discretion of the Trustees.

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

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

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

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

1. Accounting policies (continued)

1.3 Income

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

- **Grants**

Grants are included in the Statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance sheet. Where income is received in advance of entitlement 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 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 in full when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grants are reflected in the Balance sheet in the restricted fixed asset fund.

- **Donations**

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

- **Other income**

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

1.4 Expenditure

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

- **Expenditure on raising funds**

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

- **Charitable activities**

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

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

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 Multi Academy Trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Multi Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Multi 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

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Depreciation is provided on the following bases:

| | |
|------------------------------|-----------------------------------|
| Long term leasehold property | - Straight line over 60 years |
| Furniture and fixtures | - 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.

1.7 Operating leases

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

1.8 Interest receivable

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

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

1. Accounting policies (continued)

1.9 Taxation

The Multi Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

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

1.10 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.

1.11 Liabilities

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

1.12 Financial Instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 18. Prepayments are not financial instruments. Amounts due to the Multi Academy Trust's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 19 and 20. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to the Multi Academy Trust's wholly owned subsidiary are held at face value less any impairment.

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

1. Accounting policies (continued)

1.13 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Multi Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the Multi 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 and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

1.14 Agency arrangements

The trust acts as an 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 any balances held are disclosed.

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

2. Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

3. Income from donations and capital grants

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|----------------------|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Donations | 20,197 | - | - | 20,197 | 11,539 |
| School fund income | - | 368,041 | - | 368,041 | 297,903 |
| Capital grants | - | - | 749,110 | 749,110 | 369,190 |
| Donated fixed assets | - | - | 25,923,891 | 25,923,891 | - |
| | <u>20,197</u> | <u>368,041</u> | <u>26,673,001</u> | <u>27,061,239</u> | <u>678,632</u> |
| Total 2018 | <u>11,539</u> | <u>297,903</u> | <u>369,190</u> | <u>678,632</u> | |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

4. Income from charitable activities

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| Education | 163,346 | 19,282,975 | 19,446,321 | 18,581,410 |
| Total 2018 | 283,664 | 18,297,746 | 18,581,410 | |

5. Funding for the Multi Academy Trust's educational operations

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|---------------------------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| <i>DfE/ESFA grants</i> | | | | |
| General Annual Grant | - | 16,852,582 | 16,852,582 | 15,509,617 |
| Pupil premium | - | 1,221,255 | 1,221,255 | 1,151,489 |
| Other | 70,821 | 587,891 | 658,712 | 553,268 |
| | 70,821 | 18,661,728 | 18,732,549 | 17,214,374 |
| <i>Other government grants</i> | | | | |
| Local authority grants | - | 621,247 | 621,247 | 979,852 |
| | - | 621,247 | 621,247 | 979,852 |
| <i>Other funding</i> | | | | |
| Non-DfE funding | 92,525 | - | 92,525 | 387,184 |
| | 163,346 | 19,282,975 | 19,446,321 | 18,581,410 |
| Total 2018 | 283,664 | 18,297,746 | 18,581,410 | |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

6. Income from other trading activities

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|--------------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| Lettings | 6,979 | - | 6,979 | 7,146 |
| School to school support | - | - | - | 635 |
| Other | 460,584 | 15,168 | 475,752 | 230,518 |
| Total 2019 | 467,563 | 15,168 | 482,731 | 238,299 |
| Total 2018 | 238,299 | - | 238,299 | |

7. Investment Income

| | Unrestricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|-------------------|------------------------------------|-----------------------------|-----------------------------|
| Investment income | 8,347 | 8,347 | 8,209 |
| Total 2018 | 8,209 | 8,209 | |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

8. Expenditure

| | Staff Costs 2019 £ | Premises 2019 £ | Other costs 2019 £ | Total 2019 £ | Total 2018 £ |
|--|--------------------------|-----------------------|--------------------------|--------------------|--------------------|
| Expenditure on raising voluntary income: | | | | | |
| Direct costs | - | - | 357,153 | 357,153 | 301,901 |
| Expenditure on fundraising trading activities: | | | | | |
| Direct costs | 18,685 | - | 77,980 | 96,665 | 50,014 |
| Education: | | | | | |
| Direct costs | 13,824,410 | 954,358 | 1,773,302 | 16,552,070 | 15,060,775 |
| Allocated support costs | 2,112,454 | 3,111,905 | 1,232,732 | 6,457,091 | 5,639,044 |
| | 15,955,549 | 4,066,263 | 3,441,167 | 23,462,979 | 21,051,734 |
| Total 2018 | 14,495,778 | 3,060,311 | 3,495,645 | 21,051,734 | |

9. Expenditure on raising funds

| | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|---|-------------------------------|--------------------------|--------------------------|
| <i>Cost of raising voluntary income</i> | | | |
| School fund expenditure | 357,153 | 357,153 | 301,901 |
| Total 2018 | 301,901 | 301,901 | |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

10. Expenditure on raising funds

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|-------------------------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| <i>Fundraising trading expenses</i> | | | | |
| Other expenses | 75,621 | 2,359 | 77,980 | 33,186 |
| Wages and salaries | 18,685 | - | 18,685 | 16,828 |
| | <u>94,306</u> | <u>2,359</u> | <u>96,665</u> | <u>50,014</u> |
| Total 2018 | <u>41,640</u> | <u>8,374</u> | <u>50,014</u> | |

11. Analysis of expenditure by activities

| | Activities undertaken directly 2019 £ | Support costs 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|------------|---|----------------------------|-----------------------------|-----------------------------|
| Education | <u>16,552,070</u> | <u>6,457,091</u> | <u>23,009,161</u> | <u>20,699,819</u> |
| Total 2018 | <u>15,060,775</u> | <u>5,639,044</u> | <u>20,699,819</u> | |

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

11. Analysis of expenditure by activities (continued)

Analysis of support costs

| | Education 2019 £ | Total funds 2019 £ | Total funds 2018 £ |
|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------------|
| Staff costs | 2,026,783 | 2,026,783 | 1,886,037 |
| Depreciation | 182,511 | 182,511 | 102,670 |
| Other support costs | 928,515 | 928,515 | 889,885 |
| Recruitment and support | 27,817 | 27,817 | 63,558 |
| Maintenance of premises and equipment | 614,972 | 614,972 | 262,081 |
| Cleaning | 50,296 | 50,296 | 26,554 |
| Rent and rates | 103,375 | 103,375 | 90,323 |
| Energy costs | 129,276 | 129,276 | 79,695 |
| Insurance | 150,131 | 150,131 | 133,228 |
| Catering | 8,556 | 8,556 | 9,364 |
| Technology costs | 1,461 | 1,461 | 13,814 |
| PFI property costs | 2,031,482 | 2,031,482 | 1,917,189 |
| Bank interest and charges | 1,150 | 1,150 | 869 |
| Governance costs | 200,766 | 200,766 | 163,777 |
| | 6,457,091 | 6,457,091 | 5,639,044 |

12. Net income/(expenditure)

Net income/(expenditure) for the year includes:

| | 2019 £ | 2018 £ |
|---------------------------------------|-------------------|-------------------|
| Operating lease rentals | 36,408 | 39,938 |
| Depreciation of tangible fixed assets | 1,216,742 | 750,983 |
| Fees paid to auditor for: | | |
| - audit | 18,185 | 16,685 |
| - other services | - | 2,910 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

13. Staff costs

a. Staff costs

Staff costs during the year were as follows:

| | 2019 £ | 2018 £ |
|---------------------------|--------------------------|--------------------------|
| Wages and salaries | 11,773,572 | 10,754,021 |
| Social security costs | 1,076,808 | 976,413 |
| Pension costs | 2,712,031 | 2,225,624 |
| | <u>15,562,411</u> | <u>13,956,058</u> |
| Agency staff costs | 331,710 | 442,827 |
| Staff restructuring costs | 61,428 | 96,893 |
| | <u><u>15,955,549</u></u> | <u><u>14,495,778</u></u> |

Staff restructuring costs comprise:

| | 2019 £ | 2018 £ |
|---------------------|---------------|---------------|
| Redundancy payments | 21,887 | 45,728 |
| Severance payments | 39,541 | 51,165 |
| | <u>61,428</u> | <u>96,893</u> |

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £39,541 (2018: £51,165).

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

13. Staff costs (continued)

c. Staff numbers

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

| | 2019 No. | 2018 No. |
|-------------------|---------------------|---------------------|
| Teachers | 184 | 164 |
| Management | 33 | 29 |
| Admin and support | 230 | 232 |
| | 447 | 425 |

The average headcount expressed as full-time equivalents was:

| | 2019 No. | 2018 No. |
|-------------------|---------------------|---------------------|
| Teachers | 157 | 139 |
| Management | 31 | 27 |
| Admin and support | 173 | 165 |
| | 361 | 331 |

d. Higher paid staff

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

| | 2019 No. | 2018 No. |
|---------------------------------|---------------------|---------------------|
| In the band £60,001 - £70,000 | 1 | 3 |
| In the band £70,001 - £80,000 | 3 | 2 |
| In the band £80,001 - £90,000 | 1 | 1 |
| In the band £90,001 - £100,000 | - | 2 |
| In the band £100,001 - £110,000 | 2 | - |
| In the band £150,001 - £160,000 | 1 | - |

The above employees participated in the Teachers' Pension Scheme or the local government pension scheme. During the period ended 31 August 2019, pension contributions for these staff amounted to £87,130 (2018: £88,832).

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

13. Staff costs (continued)

e. Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer's National Insurance and employer pension contributions) received by key management personnel for their services to the academy trust was £737,997 (2018: £759,873).

14. Trustees' remuneration and expenses

The Chief Executive Officer and other staff trustees only receive remuneration in respect of services they provide undertaking 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 roles as trustees.. The value of Trustees' remuneration and other benefits was as follows:

| | | 2019 | 2018 |
|---------------------------------------|--------------|-------------|----------------|
| | | £ | £ |
| L.A. Bowes (resigned 27 October 2017) | Remuneration | | 5,000 - 10,000 |

During the year ended 31 August 2019, no Trustee expenses have been incurred (2018 - £NIL).

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

15. Central services

The Multi Academy 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
- IT support
- Business Manager support
- In-house payroll
- Design Service
- Estates Manager
- Trust Improvement Plan Lead
- Senior Secondary Curriculum Lead
- Director of Primary phase
- School Improvement Partner

The Multi Academy Trust charges for these services on the following basis:

Flat percentage of GAG income - 4.5%.

The actual amounts charged during the year were as follows:

| | 2019 £ | 2018 £ |
|--------------------|----------------|----------------|
| King Egbert School | 281,339 | 152,488 |
| Newfield School | 244,787 | 129,328 |
| Totley School | 45,714 | 22,680 |
| Valley Park | 77,777 | 40,962 |
| Nether Edge | 72,429 | 39,282 |
| Mercia School | 30,586 | - |
| Total | 752,632 | 384,740 |

16. Trustees' and Officers' Insurance

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

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

17. Tangible fixed assets

| | Long-term leasehold property £ | Furniture and fixtures £ | Plant and equipment £ | Total £ |
|--------------------------|---|--------------------------------|-----------------------------|------------|
| Cost or valuation | | | | |
| At 1 September 2018 | 46,286,994 | 303,954 | 639,953 | 47,230,901 |
| Additions | 25,678,765 | 133,489 | 200,498 | 26,012,752 |
| Disposals | - | (95,333) | (189,764) | (285,097) |
| At 31 August 2019 | 71,965,759 | 342,110 | 650,687 | 72,958,556 |
| Depreciation | | | | |
| At 1 September 2018 | 3,331,892 | 270,411 | 599,272 | 4,201,575 |
| Charge for the year | 1,122,774 | 48,352 | 45,614 | 1,216,740 |
| On disposals | - | (95,333) | (189,764) | (285,097) |
| On revalued assets | (245,126) | - | - | (245,126) |
| At 31 August 2019 | 4,209,540 | 223,430 | 455,122 | 4,888,092 |
| Net book value | | | | |
| At 31 August 2019 | 67,756,219 | 118,680 | 195,565 | 68,070,464 |
| At 31 August 2018 | 42,955,102 | 33,543 | 40,681 | 43,029,326 |

Included in land and buildings is land at valuation of £9,298,000 (2018: £8,595,000) which is not depreciated.

Additions to property were as follows;

a) Mercia School - construction procured by Sheffield City Council and transferred to Mercia Learning Trust for £nil consideration on 1 September 2018. The property has been reflected at a valuation of £23,710,000 obtained from SMC Chartered Surveyors dated 3 April 2019.

b) Totley Primary School - construction of an extension to the school was also procured by Sheffield City Council and transferred to Mercia Learning Trust for £nil consideration on 1 September 2018. The value of the extension has been ascertained by valuation of the improved site by SMC Chartered Surveyors on 13 September 2019 at £6,140,000. The uplift in value compared with the previous book value of the school has been taken as the value of the new extension.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

18. Debtors

| | 2019 £ | 2018 £ |
|-----------------------------------|----------------|----------------|
| <i>Due within one year</i> | | |
| Trade debtors | 23,115 | 172,790 |
| Other debtors | 153,013 | 192,013 |
| Prepayments and accrued income | 416,583 | 520,531 |
| | <u>592,711</u> | <u>885,334</u> |

19. Creditors: Amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------------|----------------|------------------|
| Other loans | 7,201 | 7,201 |
| Trade creditors | 455,950 | 922,798 |
| Other taxation and social security | 24 | 324,200 |
| Other creditors | 328 | 2,923 |
| Accruals and deferred income | 451,702 | 473,362 |
| | <u>915,205</u> | <u>1,730,484</u> |

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Deferred income at 1 September 2018 | 269,535 | 240,039 |
| Resources deferred during the year | 315,290 | 269,535 |
| Amounts released from previous periods | (269,535) | (240,039) |
| | <u>315,290</u> | <u>269,535</u> |

At the financial year end £315,290 was recognised in deferred income in relation to income received which relates to the following financial year. The majority of this deferred income related to local government growth funding, Universal infant income and rates relief.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

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

| | 2019 | 2018 |
|-------------|-------|-------|
| | £ | £ |
| Other loans | 1,659 | 8,860 |

21. Prior year adjustments

A prior year adjustment has been made to reanalyse £68,906 of teaching school income to restricted funds as the income had been incorrectly included in unrestricted funds in 2018. This has the following effect on the brought forward funds balances;

| | |
|--|--------------|
| Restricted funds balance as at 1 September 2018 | (£6,603,610) |
| Reanalysis of teaching school income | £68,906 |
| Restricted funds balance as restated at 1 September 2018 | (£6,534,704) |
| Unrestricted funds balance as at 1 September 2018 | £978,943 |
| Reanalysis of teaching school income | (£68,906) |
| Unrestricted funds balance as restated at 1 September 2018 | £910,037 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

22. Statement of funds

| | As restated balance at 1 September 2018 £ | Income £ | Expenditure £ | Transfers In/out £ | Gains/ (Losses) £ | Balance at 31 August 2019 £ |
|---|---|-------------------|---------------------|--------------------------|-------------------------|-----------------------------------|
| Unrestricted funds | | | | | | |
| General funds | 910,037 | 659,453 | (521,952) | (15,568) | - | 1,031,970 |
| Restricted general funds | | | | | | |
| GAG | 564,361 | 16,754,138 | (17,070,110) | - | - | 248,389 |
| Pupil premium ESFA | - | 1,205,843 | (1,205,843) | - | - | - |
| Pupil premium LA | - | 15,412 | (15,412) | - | - | - |
| School fund | 110,697 | 368,041 | (357,153) | - | - | 121,585 |
| Development grant | 100,000 | 215,000 | (315,000) | - | - | - |
| Rates funding | 5,528 | 98,445 | (102,654) | - | - | 1,319 |
| PE grant | - | 56,860 | (56,860) | - | - | - |
| UIFSM grant | - | 150,329 | (149,312) | - | - | 1,017 |
| FEL funding | - | 359,985 | (354,533) | - | - | 5,452 |
| Growth fund | - | 85,313 | (85,313) | - | - | - |
| Teaching school | 45,962 | 139,865 | (185,827) | - | - | - |
| Teachers Pay | - | 147,556 | (147,556) | - | - | - |
| Other funds | 22,748 | 209,262 | (247,578) | 15,568 | - | - |
| Pension reserve | (7,384,000) | - | (864,000) | - | (3,298,000) | (11,546,000) |
| | (6,534,704) | 19,806,049 | (21,157,151) | 15,568 | (3,298,000) | (11,168,238) |
| Restricted fixed asset funds | | | | | | |
| Restricted fixed asset funds | 43,454,046 | 26,673,001 | (1,783,876) | - | - | 68,343,171 |
| Total Restricted funds | 36,919,342 | 46,479,050 | (22,941,027) | 15,568 | (3,298,000) | 57,174,933 |
| Total funds | 37,829,379 | 47,138,503 | (23,462,979) | - | (3,298,000) | 58,206,903 |

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

22. Statement of funds (continued)

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.

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.

Development grant - The project development funding is a one-off payment for presumption free schools (free schools in an LA where there is a need for places) paid by Sheffield City Council to cover additional revenue costs associated with opening a new school, such as project management, salary costs, staff recruitment etc.

Rates Funding - Academies can claim full funding from the ESFA for national non-domestic rates costs.

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 (FEL) - 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.

Teaching school - Mercia Learning Alliance receives grant funding to ensure the quality of system leadership remains as high as possible.

Teachers Pay - Grant fundings from the ESFA allocated on a formulaic basis to help fund the costs of teachers pay rate increases.

Other - miscellaneous funding towards specific purposes.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

22. Statement of funds (continued)

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 Multi Academy Trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2019.

Total funds analysis by academy

Fund balances at 31 August 2019 were allocated as follows:

| | 2019 £ | 2018 £ |
|---|---------------------|--------------------|
| King Egbert School | 308,693 | 726,173 |
| Newfield School | 443,520 | 479,309 |
| Totley School | 88,132 | 49,852 |
| Valley Park School | 303,245 | 69,363 |
| Nether Edge Primary School | 144,190 | 54,229 |
| Mercia School | 84,099 | - |
| Mercia Learning Trust | 37,853 | 380,407 |
| Total before fixed asset funds and pension reserve | 1,409,732 | 1,759,333 |
| Restricted fixed asset fund | 68,343,171 | 43,454,046 |
| Pension reserve | (11,546,000) | (7,384,000) |
| Total | 58,206,903 | 37,829,379 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

22. Statement of funds (continued)

Total cost analysis by academy

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

| | Teaching and educational support staff costs £ | Other support staff costs £ | Educational supplies £ | Other costs excluding depreciation £ | Total 2019 £ | Total 2018 £ |
|--------------------------------|--|--------------------------------------|------------------------------|---|--------------------|--------------------|
| King Egbert School | 5,156,320 | 408,376 | 241,892 | 1,896,269 | 7,702,857 | 7,642,787 |
| Newfield School | 3,879,956 | 401,883 | 187,397 | 1,680,388 | 6,149,624 | 5,957,439 |
| Totley School | 868,483 | 205,967 | 79,681 | 250,172 | 1,404,303 | 1,387,246 |
| Valley Park School | 1,352,480 | 332,889 | 101,540 | 465,814 | 2,252,723 | 2,145,203 |
| Nether Edge Primary School | 1,271,995 | 216,898 | 108,270 | 286,530 | 1,883,693 | 1,998,999 |
| Mercia School | 635,507 | 142,831 | 52,855 | 215,191 | 1,046,384 | - |
| Mercia Learning Trust | 659,667 | 422,295 | 65,910 | 658,782 | 1,806,654 | 1,169,077 |
| Multi Academy Trust | 13,824,408 | 2,131,139 | 837,545 | 5,453,146 | 22,246,238 | 20,300,751 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

22. Statement of funds (continued)

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

| | Balance at 1 September 2017 £ | As restated Income £ | As restated Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | As restated balance at 31 August 2018 £ |
|---|--|----------------------------|---------------------------------|--------------------------|-------------------------|---|
| Unrestricted funds | | | | | | |
| General funds | 980,346 | 541,711 | (580,172) | (31,848) | - | 910,037 |
| Restricted general funds | | | | | | |
| GAG | 1,004,326 | 15,414,830 | (15,854,795) | - | - | 564,361 |
| Pupil premium ESFA | - | 1,151,489 | (1,151,489) | - | - | - |
| Pupil premium - LA | - | 11,960 | (11,960) | - | - | - |
| School fund | 114,695 | 297,903 | (301,901) | - | - | 110,697 |
| Development grant | - | 275,000 | (175,000) | - | - | 100,000 |
| SEN grant | - | 24,000 | (24,000) | - | - | - |
| Rates funding | - | 94,786 | (89,258) | - | - | 5,528 |
| PE grant | - | 57,550 | (57,550) | - | - | - |
| UIFSM grant | 13,115 | 140,933 | (154,048) | - | - | - |
| FEL funding | - | 355,043 | (386,891) | 31,848 | - | - |
| Growth fund | - | 280,613 | (280,613) | - | - | - |
| Teaching school | - | 130,120 | (84,158) | - | - | 45,962 |
| UTC support grant | 8,000 | - | (8,000) | - | - | - |
| Teachers Pay | 10,001 | 275,380 | (262,633) | - | - | 22,748 |
| Mercia School set- up costs for loose equipment | - | 216,162 | (168,420) | (47,742) | - | - |
| Pension reserve | (8,032,000) | - | (549,000) | - | 1,197,000 | (7,384,000) |
| | (6,881,863) | 18,725,769 | (19,559,716) | (15,894) | 1,197,000 | (6,534,704) |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

22. Statement of funds (continued)

| | Balance at 1 September 2017 £ | As restated Income £ | As restated Expenditure £ | Transfers In/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
|--|--|----------------------------|---------------------------------|--------------------------|-------------------------|--------------------------------------|
| <i>Restricted fixed asset funds</i> | | | | | | |
| Restricted fixed asset funds | 43,948,960 | 369,190 | (911,846) | 47,742 | - | 43,454,046 |
| <i>Total Restricted funds</i> | 37,067,097 | 19,094,959 | (20,471,562) | 31,848 | 1,197,000 | 36,919,342 |
| <i>Total funds</i> | 38,047,443 | 19,636,670 | (21,051,734) | - | 1,197,000 | 37,829,379 |

23. Analysis of net assets between funds

Analysis of net assets between funds - current year

| | Unrestricted funds 2019 £ | Restricted funds 2019 £ | Restricted fixed asset funds 2019 £ | Total funds 2019 £ |
|--|------------------------------------|----------------------------------|---|-----------------------------|
| Tangible fixed assets | - | - | 68,070,464 | 68,070,464 |
| Current assets | 1,948,834 | 377,762 | 272,707 | 2,599,303 |
| Creditors due within one year | (915,205) | - | - | (915,205) |
| Creditors due in more than one year | (1,659) | - | - | (1,659) |
| Provisions for liabilities and charges | - | (11,546,000) | - | (11,546,000) |
| <i>Total</i> | 1,031,970 | (11,168,238) | 68,343,171 | 58,206,903 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

23. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Restricted fixed asset funds 2018 £ | Total funds 2018 £ |
|--|------------------------------------|----------------------------------|---|-----------------------------|
| Tangible fixed assets | - | - | 43,029,326 | 43,029,326 |
| Current assets | 2,085,573 | 1,413,104 | 424,720 | 3,923,397 |
| Creditors due within one year | (1,166,676) | (563,808) | - | (1,730,484) |
| Creditors due in more than one year | (8,860) | - | - | (8,860) |
| Provisions for liabilities and charges | - | (7,384,000) | - | (7,384,000) |
| Total | 910,037 | (6,534,704) | 43,454,046 | 37,829,379 |

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

| | 2019 £ | 2018 £ |
|--|-------------------|---------------|
| Net income/(expenditure) for the year (as per Statement of financial activities) | 23,675,524 | (1,415,064) |
| Adjustments for: | | |
| Depreciation | 1,216,740 | 750,983 |
| Dividends, interest and rents from investments | (8,347) | (8,209) |
| Defined benefit pension scheme cost less contributions payable | 652,000 | 293,000 |
| Defined benefit pension scheme finance cost | 212,000 | 256,000 |
| Decrease/(increase) in debtors | 292,623 | (198,603) |
| (Decrease)/increase in creditors | (822,480) | 396,636 |
| Net cash provided by operating activities | 25,218,060 | 74,743 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

25. Cash flows from investing activities

| | 2019 | 2018 |
|--|---------------------|------------------|
| | £ | £ |
| Dividends, interest and rents from investments | 8,347 | 8,209 |
| Donated fixed assets | (25,923,891) | - |
| Purchase of tangible fixed assets | (333,987) | (167,949) |
| Net cash used in investing activities | (26,249,531) | (159,740) |

26. Analysis of cash and cash equivalents

| | 2019 | 2018 |
|--|------------------|------------------|
| | £ | £ |
| Cash in hand | 2,006,592 | 3,038,063 |
| Total cash and cash equivalents | 2,006,592 | 3,038,063 |

27. Capital commitments

| | 2019 | 2018 |
|--|--------|------|
| | £ | £ |
| Contracted for but not provided in these financial statements | | |
| Acquisition of tangible fixed assets | 17,205 | - |

28. Pension commitments

The Multi Academy Trust's employees belong to two principal pension schemes: the Teachers' 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 Pension Fund. Both are multi-employer defined benefit schemes.

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

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

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

28. Pension commitments (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies 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 (amended) 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 2016 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (amended). The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return is 4.45%.

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. As a result of the latest valuation based on membership data as at 31 March 2016, TPS employees will pay an increased contribution rate of 23.68% from 1 September 2019 (this includes the administration levy of 0.08%).

The employer's pension costs paid to TPS in the year amounted to £1,259,541 (2018 - £1,127,082).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

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

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

28. Pension commitments (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £990,000 (2018 - £941,000), of which employer's contributions totalled £781,000 (2018 - £752,000) and employees' contributions totalled £ 209,000 (2018 - £189,000). The agreed contribution rates for future years are 16.4 per cent for employers and 5.5 - 12 per cent 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.

The valuation allows for the estimated impact of the recent McCloud judgement as a past service cost. The estimated impact on the total liabilities as at 31 August 2019 is £440,000.

Principal actuarial assumptions

| | 2019 | 2018 |
|--|------|------|
| | % | % |
| Rate of increase in salaries | 3.26 | 3.39 |
| Rate of increase for pensions in payment/inflation | 2.11 | 2.24 |
| Discount rate for scheme liabilities | 1.80 | 2.84 |
| Inflation assumption (CPI) | 2.01 | 2.14 |

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

| | 2019 Years | 2018 Years |
|-----------------------------|---------------|---------------|
| Retiring today | | |
| Males | 23.1 | 23 |
| Females | 25.9 | 25.8 |
| Retiring in 20 years | | |
| Males | 25.3 | 25.2 |
| Females | 28.3 | 28.1 |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

28. Pension commitments (continued)

Sensitivity analysis

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Discount rate +0.1% | 11,119,000 | 7,748,000 |
| Salary increase +0.1% | 11,644,000 | 8,117,000 |
| Mortality assumption - 1 year increase | 11,861,000 | 8,241,000 |
| CPI rate +0.1% | 11,984,000 | 8,322,000 |

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

| | At 31 August 2019 £ | At 31 August 2018 £ |
|-------------------------------------|---------------------------|---------------------------|
| Equities | 3,180,000 | 2,502,000 |
| Government bonds | 869,000 | 672,000 |
| Other bonds | 443,000 | 345,000 |
| Property | 530,000 | 457,000 |
| Cash and other liquid assets | 194,000 | 217,000 |
| Other | 863,000 | 513,000 |
| Total market value of assets | 6,079,000 | 4,706,000 |

The actual return on scheme assets was £398,000 (2018 - £197,000).

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

| | 2019 £ | 2018 £ |
|---|--------------------|--------------------|
| Current service cost | (1,003,000) | (1,045,000) |
| Past service cost | (440,000) | - |
| Interest income | 134,000 | 88,000 |
| Interest cost | (346,000) | (295,000) |
| Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement | - | (49,000) |
| Total amount recognised in the Statement of Financial Activities | (1,655,000) | (1,301,000) |

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

28. Pension commitments (continued)

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

| | 2019 £ | 2018 £ |
|--------------------------|-------------------|-------------------|
| At 1 September | 12,090,000 | 11,719,000 |
| Current service cost | 1,003,000 | 1,045,000 |
| Interest cost | 346,000 | 295,000 |
| Employee contributions | 200,000 | 189,000 |
| Actuarial losses/(gains) | 3,761,000 | (1,100,000) |
| Benefits paid | (215,000) | (107,000) |
| Losses on curtailments | - | 49,000 |
| Past service costs | 440,000 | - |
| At 31 August | 17,625,000 | 12,090,000 |

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

| | 2019 £ | 2018 £ |
|---------------------------|------------------|------------------|
| At 1 September | 4,706,000 | 3,687,000 |
| Expected return on assets | 134,000 | 88,000 |
| Actuarial gains | 463,000 | 97,000 |
| Employer contributions | 791,000 | 752,000 |
| Employee contributions | 200,000 | 189,000 |
| Benefits paid | (215,000) | (107,000) |
| At 31 August | 6,079,000 | 4,706,000 |

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

29. Operating lease commitments

At 31 August 2019 the Multi Academy Trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Not later than 1 year | 37,412 | 28,366 |
| Later than 1 year and not later than 5 years | 31,500 | 21,655 |
| | <u>68,912</u> | <u>50,021</u> |

30. Related party transactions

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

John Deal, a Trustee, has a spouse who works as an invigilator at King Egbert School.

Greg Raynor, a governor at Totley Primary School, has a spouse who works as a teacher and King Egbert School.

Michele Nott, a governor at Nether Edge Primary School, has a sister who works as a teacher at Valley Park.

All of these appointments were made in open competition with John Deal, Greg Reynor and Michele Nott, as applicable, not being involved in the decision making process regarding the respective appointments. All the individuals are paid within the normal pay scale for this role and receive no special treatment as a result of their relationship with the Trustee/Governor.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

31. Financial commitments under PFI arrangements

At 31 August 2019 the trust had future commitments under PFI arrangements as follows:

| | 2019 £ | 2018 £ |
|-------------------------|-------------------|------------|
| Amounts payable: | | |
| Within 1 year | 2,122,074 | 2,038,360 |
| Between 1 and 5 years | 8,488,295 | 8,153,442 |
| After more than 5 years | 18,978,607 | 18,255,897 |
| Total | 29,588,976 | 28,447,699 |

32. Agency arrangements

The Multi Academy Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2019 the trust received £26,197 (2018: £25,230) and disbursed £26,197 (2018: £25,230) from the fund.

33. 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.

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

34. Teaching school trading account

| | 2019 | 2019 | As restated | As restated |
|---|----------------|-----------------|--------------------|--------------------|
| | £ | £ | 2018 | 2018 |
| | | | £ | £ |
| <i>Income</i> | | | | |
| <i>Direct income</i> | | | | |
| Teaching school income | 139,865 | | 130,120 | |
| <i>Total income</i> | | 139,865 | | 130,120 |
| <i>Expenditure</i> | | | | |
| Direct staff costs | 185,827 | | 84,158 | |
| <i>Total expenditure</i> | | 185,827 | | 84,158 |
| <i>(Deficit)/surplus from all sources</i> | | (45,962) | | 45,962 |
| <i>Teaching school balances at 1 September 2018</i> | | 45,962 | | - |
| <i>Teaching school balances at 31 August 2019</i> | | - | | 45,962 |