

MERCIA LEARNING TRUST
(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

MERCIA LEARNING TRUST
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Members	J.F. Deal (resigned 1 September 2018) P.D. Smith S. Pearson (resigned 1 September 2018) 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)
Trustees	L.A. Bowes (resigned 27 October 2017) J.F. Deal, Community Governor P.D. Smith, Chair and Parent Governor S.P Chew (resigned 23 October 2017) R.A Dodds S. Pearson J. Hope-Gill (appointed 23 October 2017) J. Millward (appointed 23 May 2018)
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) L.A. Bowes (resigned 31 August 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

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018**

Advisers (continued)

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

Bankers

Yorkshire Bank
Fargate
S1 1LL

Virgin Money
Jubilee House
Gosforth
Newcastle upon Tyne
NE3 4PL

Natwest
997 Abbeydale Road
Sheffield
S7 2QE

Solicitors Browne Jacobson LLP
44 Castle Gate
Nottingham
NG1 7BJ

MERCIA LEARNING TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2017 to 31 August 2018. 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 SW Sheffield.

Structure, governance and management

a. Constitution

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

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

b. Members' liability

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

c. Trustees' indemnities

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

d. Method of recruitment and appointment or election of Trustees

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

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

e. Pay policy for key management personnel

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

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

f. Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the year	2
Full-time equivalent employee number	2

Percentage of time spent on facility time

<i>Percentage of time</i>	<i>Number of employees</i>
0%	-
1%-50%	2
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	64 %
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g. Policies and procedures adopted for the induction and training of Trustees

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

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

h. 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.

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.

b. Objectives, strategies and activities

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

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

Strategic objectives and priorities are detailed in a Mercia Learning Trust Improvement Plan and Local Governing Bodies will continue to be given the opportunity to work collaboratively to drive forward attainment and progress in our schools. The continuing growth of the Trust will achieve further economies of scale and value for money. Opportunities for staff to work across a number of schools will secure high quality recruitment and retention. The Chief Executive Officer will work with Headteachers of Trust schools to deploy staff across the Trust to provide best value in terms of curriculum management and specific academy needs. Succession planning will ensure that future leaders emerge from within the Trust and are developed with support from the teaching school, providing capacity into the future for all educational phases.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Objectives for the year 2017/18

The trust objectives for the year were to:

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

Our Offer:

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

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

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

c. Public benefit

In setting our objectives and planning our activities, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

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

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

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

basis can be found in the Statement of Accounting Policies.

c. Review of activities

King Egbert School

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

As a designated Teaching School, KES offers school to school support and CPD to other schools. Our teaching school also leads initial teacher training for new entrants to the profession through the School Direct model and works closely with the University of Sheffield to ensure excellent teachers are trained for the Sheffield City Region. This year the offer has been widened to include primary teacher training with the Sheffield SCITT.

2018 was the second year of the new specification GCSEs awarding grades 9-1 for all subjects. Outcomes over the last 3 years have been consistently strong, and encouragingly 2018 showed further improvement. Students made excellent progress and achieved very highly against national benchmarks for similar students. The 2018 results place the school in at least the top 10% when compared to all other schools nationally. The Progress 8 (P8) figure for the school is 0.57 which means, on average, students make half a grade better progress across each of 8 subjects than the national average. Disadvantaged students at KES have a P8 of 0.24 which means they have exceeded the national average for students who are not disadvantaged.

Progress 8	2017	2018
Overall	0.53	0.57
Disadvantaged	0.14	0.24

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

A Level grade (%)	2016	2017	2018
A*-B	64.8%	58.7%	65.7%
A*-E	98.1%	100%	99.6%

BTEC grade (%)	2016	2017	2018
Distinction* / Distinction	74.6%	72.4%	81%
Merit	23.9%	24.1%	19%
Pass	1.4%	3.4%	0

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King Ecgbert School continued -

Admissions and attendance:

The standard admission number is 193 in mainstream, in addition to a small number admitted to the integrated resource. The School continues 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.

Nevertheless, recruitment to Y12 fell as a result of a substantial demographic downturn. Whilst this will pick up in a few years, we expect this trend to continue next year also.

Attendance:

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

2015	2016	2017	2018
95.4%	95.5%	95.5%	95.6%

Overall, 2017-18 was a very successful year for the school.

Newfield School

Following the securely good Ofsted judgement in March 2017, and recently strong KS4 outcomes, Newfield School once again secured very positive 2018 summer results. Overall its effectiveness is securely good and moving towards outstanding. As a result of its much stronger reputation, the school is now over-subscribed.

In January 2018 Emma Anderson became sole Headteacher as Dean Webster (former co-headteacher) was appointed as Headteacher of the new Mercia School. Further excellent appointments were made to the senior team to ensure leadership capacity and quality is sustained.

2018 was the second year of the new specification GCSEs awarding grades 9-1 for all subjects. Nationally this depressed Progress 8 scores, and differentially affected schools with greater levels of disadvantage. Encouragingly Newfield students made excellent progress and achieved very highly against national benchmarks for similar students and for all vulnerable / key student groups.

The 2018 results place the school in at least the top 10% when compared to all other schools nationally. The Progress 8 (P8) figure for the school is 0.55 which means, on average, students make half a grade better progress across each of 8 subjects than the national average. Disadvantaged students have a P8 of 0.35 which means they have substantially exceeded the national average for students who are not disadvantaged.

Progress 8	2017	2018
Overall	0.84	0.55
Disadvantaged	0.61	0.35

Attendance fell below national, although persistent absence improved to just below national.

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TRUSTEES' REPORT (continued)
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Newfield school continued -

2015	2016	2017	2018
95.1%	94.7%	94.9%	93.6%

Overall, 2017-18 was a very successful year for the school.

Totley Primary School

Totley Primary School was inspected by Ofsted in July 2015 and judged to be Outstanding. Based on performance during 2017-18 it remains strongly outstanding. As a result of its reputation and popularity, it has been substantially over-subscribed for several years. In the light of this it was given permission to expand to two form entry (e.g. 60 pupils per year group) in 2018. To accommodate the change a new KS2 extension to the school was successfully planned and constructed ready for the start of the new 2018-19 academic year. As a consequence, the school learning environment (inside and outside) has in large part been transformed and is exceptional.

Attainment in the EYFS remains well above national standards and the proportion of children achieving a good level of development increased again to 85%. The proportion of children achieving the Y1 phonics standard was 86.7% and above the national average.

	2016	2017	2018
EYFS % GLD (good level of development)	79.3%	83.3%	85%
Y1 Phonics (%)	90%	83.3%	86.7%

Attainment at KS1 in reading and mathematics fell just below national standards although the proportion of students working at greater depth in all areas was well above national standards. This was a reflection of a more varied cohort than usual.

% Expected	2016	2017	2018
Reading	83.3%	90%	74.2%
Writing	80%	80%	74.2%
Mathematics	83.3%	83.3%	74.2%
% Greater depth	2016	2017	2018
Reading	23.3%	30%	32.3%
Writing	23.3%	20%	25.8%
Mathematics	26.7%	30%	29%

Outcomes at Key Stage 2 remain significantly above national standards in all subjects and children performed highly at greater depth, especially in writing and mathematics. 94% of children achieved combined ARE which was also significantly above national average. Progress was also well above the national average in writing and mathematics, although reading was just above national.

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Totley Primary School continued -

% Expected	2016	2017	2018
Combined	87.1%	90.3%	94%
Reading	87.7%	100%	97%
Writing	96.8%	100%	97%
Mathematics	96.8%	90.9%	94%
% Greater depth	2016	2017	2018
Combined	12.9%	16.1%	25%
Reading	32.3%	45.2%	34%
Writing	35.5%	41.9%	44%
Mathematics	25.6%	22.6%	38%

Attendance remains well above national averages.

2014-15	2015-16	2016-17	2017-18
96.8%	97%	97.2%	97%

The Headteacher (Nicola Wileman) left the school to begin a new post at a larger school in Sheffield at the end of the academic year. Ben Paxman was promoted to Interim Headteacher, alongside a very talented new leadership team. Overall, 2017-18 was a very successful year for the school.

The Nook

The Nook is a new wraparound childcare facility based in the former caretakers house at Totley Primary School. Totley Primary School has expanded to a 2 form entry primary school and there has been an increased demand for quality before and after school provision to cater for the needs of busy, working parents and carers.

Valley Park Community 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 in 2018, particularly in EYFS and KS2, show rapid improvement. Indeed, KS2 attainment and progress outcomes are exceptional.

Attainment in EYFS rose substantially in all subject areas. Importantly, for the first time overall GLD is above national at 74.5%. The proportion of children achieving the Y1 phonics standard increased substantially to 79.2% and is just below the national average.

	2016	2017	2018
EYFS % GLD (good level of development)	53.7%	67.3%	74.5%
Y1 Phonics (%)	73.1%	69%	79.2%

However, expected attainment fell at KS1 in all areas and is well below national standards, and the proportion of students working at greater depth also remains low.

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FOR THE YEAR ENDED 31 AUGUST 2018

% Expected	2016	2017	2018
Reading	43.4%	67.9%	54.4%
Writing	35.8%	55.4%	47.4%
Mathematics	35.8%	66.1%	54.4%
% Greater Depth	2016	2017	2018
Reading	0	8.9%	8.8%
Writing	0	3.6%	7%
Mathematics	0	14.3%	7%

Outcomes at Key Stage 2 improved significantly so that they are above national standards for attainment at expected and in all but mathematics at greater depth.

% Expected	2016	2017	2018
Combined	32.6%	54.5%	85.5%
Reading	41.9%	65.5%	90.9%
Writing	46.5%	70.9%	89.1%
Mathematics	55.8%	78.2%	89.1%
% Greater depth	2016	2017	2018
Combined	2.3%	5.5%	14.5%
Reading	7%	20%	47.3%
Writing	2.8%	30.9%	27.3%
Mathematics	14%	9.1%	21.8%

KS2 progress was exceptional, well above national and within the top 10% of schools nationally.

% progress	2016	2017	2018
Reading	-3.96	+2.08	+8.85
Writing	-4.89	+5.16	+5.66
Mathematics	-1.31	+3.95	+4.32

Attendance improved by 0.3% but is still below national. Whilst persistent absence fell it is still well above national.

2015	2016	2017	2018
93.5%	92.8%	93.4%	93.7%

Overall, 2017-18 was a very successful year for the school and it made a further substantial step on its improvement journey.

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FOR THE YEAR ENDED 31 AUGUST 2018

Nether Edge Primary School

Nether Edge was judged by Ofsted to be outstanding in 2015. Due to its reputation it is now over-subscribed. During the last few years it has secured very strong attainment and progress outcomes, particularly in KS2. However, in 2018 the outcome picture was more mixed with stronger EYFS and phonics results, stronger KS1 reading and mathematics, but weaker writing results; and lower KS2 results and progress. The latter is in part a result of a more demanding KS2 curriculum and a more vulnerable Y6 cohort.

Attainment in EYFS rose substantially in all subject areas, although overall, it is below national at 62.5%. The proportion of children achieving the Y1 phonics standard increased to 71.7% but is below the national average.

	2016	2017	2018
EYFS % GLD (good level of development)	38.6%	50%	62.5%
Y1 Phonics (%)	69.5%	66.1%	71.7%

KS1 expected attainment increased in reading and mathematics, but fell in writing. The proportion of students working at greater depth increased in reading but fell in writing and mathematics.

% Expected	2016	2017	2018
Reading	76.5%	75.9%	77.8%
Writing	58.8%	63.8%	51.9%
Mathematics	62.7%	63.8%	74.1%
% Greater Depth	2016	2017	2018
Reading	21.6%	22.4%	24.1%
Writing	9.8%	15.5%	5.6%
Mathematics	0	13.8%	11.1%

Outcomes at Key Stage 2 fell substantially so that only writing was above national, and progress was at or just above national. The proportion of pupils achieving greater depth also fell.

% Expected	2016	2017	2018
Combined	70.3%	88.6%	60.71%
Reading	73%	100%	72.7%
Writing	86.5%	91.4%	78.2%
Mathematics	89.2%	97.1%	85.5%
% Greater depth	2016	2017	2018
Combined	13.5%	11.4%	8.9%
Reading	24.3%	42.9%	12.7%
Writing	24.3%	28.6%	12.7%
Mathematics	21.6%	22.9%	12.7%

Attendance improved and is above national at 96.5%, whilst persistent absence fell to just above national.

2015	2016	2017	2018
94.1%	94.7%	96.6%	96.5%

Overall 2017-18 was a mixed year for outcomes but is still currently operating at a strong level.

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Mercia School

In 2016 Mercia Learning Trust was given the opportunity to open a new 11-18 school in the south west of Sheffield. This was in response to growth in student numbers and over-subscription in already established local schools. The area already has a number of successful 11-18 schools, all with strong feeder school and parental allegiance.

Mercia School does not have a defined catchment, but can draw students from a wide-geographical area. In September 2018 and 2019 its pupil admission number (PAN) is fixed at 120, after which it will increase permanently to 180.

2017-18 was a critical and successful year during which:

1. Dean Webster was appointed as Headteacher from January 2018.
2. The project to construct the new £25m school was completed on time.
3. The school was strongly and successfully marketed to parents and stakeholders.
4. A new and talented staff team was appointed.

As a result of exceptional leadership and vision, Mercia School successfully opened in September 2018 and was immediately over-subscribed.

Retirement of the Chief Executive Officer

After several years of exceptional leadership, which saw the Mercia Learning Trust grow from a single outstanding academy to a hugely successful and well-regarded trust of six schools (3 primary and 3 secondary), Lesley Bowes (CEO) retired at the end of the 2018 academic year.

Following a robust recruitment process Chris French was appointed as the new CEO, and after a successful transition began his post from September 2018.

Summary

Overall 2017-18 was an exceptionally successful year for Mercia Learning Trust. All schools maintained or improved their overall effectiveness, whilst most continued to improve student outcomes. In parallel the trust managed two complex building projects and successfully launched a new secondary school. As a consequence, Mercia Learning Trust is seen as a high performing and very effective trust.

Financial review

a. Financial risk management objectives and policies

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

b. Principal risks and uncertainties

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

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- changes in funding levels - all schools aim to maximise the recruitment and retention of students and the Trust board seeks to ensure maximum funding is received.
- increasing expenditure associated with staffing costs, for instance the progression within salary scales and also the rise in employer's pensions and national insurance contributions.
- the uncertainty around how the additional school places, which are required from September 2019 due to the population growth, will be managed across the city by the local authority and the impact this will have on Mercia Learning Trust schools and their catchment.

c. Reserves policy

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

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

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

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

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 2018, the trust held unrestricted funds of £978,943 and GAG funds of £541,417 i.e. free funds of £1,520,360 which equates to 7.7% of income.

d. Results for the year

For the year ended 31 August 2018, there was a deficit on GAG funds of £462,909 and a surplus of £30,445 on unrestricted funds.

At 31 August 2018, the net book value of fixed assets was £43,029,326 and movements in tangible fixed assets are shown in note 18 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Trust.

The Trust received an actuarial assessment of pension scheme deficit in accordance with FRS 102. The deficit balance is included within the balance sheet as at 31 August 2018 and supporting notes to the accounts (see note 25).

e. Investment policy

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

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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

a. Future developments

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

Mercia Learning Trust will continue to raise standards with our relentless focus on progress and learning as the top priority. A particular focus will be the progress of disadvantaged youngsters and white boys. This will ensure opportunity and bright futures for all of our students at 16+ and 18+, whether into employment or into further/higher education, and the avoidance of young people becoming classed NEET (not in education, employment or training). Our mission is to foster social mobility. Mercia Learning Trust has ambitions to support even more young people and communities 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 trust's Equal opportunities policy, the trust has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

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

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TRUSTEES' REPORT (continued)
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Disclosure of information to auditor

Insofar as the Trustees are aware:

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

The Trustees' report was approved by order of the board of Trustees, as the company directors, on 17 December 2018 and signed on its behalf by:



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

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GOVERNANCE STATEMENT

Scope of Responsibility

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

The board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Mercia Learning Trust and the Secretary of State for Education. They are also responsible for reporting to the board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of Trustees has formally met 7 times during the year. Attendance during the year at meetings of the board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
L.A. Bowes	5	7
J.F. Deal	7	7
P.D. Smith	7	7
S.P. Chew	0	0
R.A. Dodds	6	7
S. Pearson	6	7
J. Hope-Gill	7	7
J. Millward	0	0

Governance reviews:

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

During the year, finance and audit matters were discussed during meetings of the board of trustees. A sub-committee of the main board of Trustees, the Audit and Finance Committee provides assurance over the suitability of, and compliance with, its financial systems and controls. A separate meeting of the audit committee was not deemed necessary during the current financial year but its role is being reviewed for 2018/19.

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:

- Due to the large scale procurement of furniture required for both Mercia School and Totley Primary School's expansion, the trust has received significant discounts from suppliers which will be honoured at all schools moving forwards.
- IT procurement for a new secondary school has been based on the number of classrooms in the Trust which has led to substantial savings.
- Mercia Learning Trust has entered into a contract for new websites using a trust model whereby we pay a full fee for a single website and then a reduced fee for any other sites.

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 2017 to 31 August 2018 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 2017 to 31 August 2018 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 with an annual budget and periodic financial reports which are reviewed and agreed by the board of Trustees;
- regular reviews by the finance committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

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

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

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

On a periodic basis, the 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.

MERCIA LEARNING TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

Review of Effectiveness

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

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the finance committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of Trustees on 17 December 2018 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 2017.

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 2017.

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: 17 December 2018

MERCIA LEARNING TRUST
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- 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 and signed on its behalf by:



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

Date: 17 December 2018

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 'academy') for the year ended 31 August 2018 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2018 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 2017 to 2018 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 academy trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' 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

Responsibilities of trustees

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

In preparing the financial statements, the Trustees are responsible for assessing the academy trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the academy 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 academy trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy trust's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy trust and its members for our audit work, for this report, or for the opinions we have formed.



Philip Allsop (Senior statutory auditor)

for and on behalf of

BHP LLP

Chartered Accountants
Statutory Auditors

2 Rutland Park
Sheffield
S10 2PD
17 December 2018

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

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 2017 to 2018, 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 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The Accounting Officer is responsible, under the requirements of Mercia Learning Trust's funding agreement with the Secretary of State for Education dated 20 February 2012, and the Academies Financial Handbook extant from 1 September 2017, 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 2017 to 2018. 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 2017 to 31 August 2018 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 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

MERCIA LEARNING TRUST
(A company limited by guarantee)

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

The work undertaken to draw our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have 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

Chartered Accountants
Statutory Auditors

2 Rutland Park
Sheffield
S10 2PD

17 December 2018

MERCIA LEARNING TRUST
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

		Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
	Note					
Income from:						
Donations and capital grants	2	11,539	297,903	369,190	678,632	813,249
Charitable activities	3	283,664	18,297,746	-	18,581,410	17,446,594
Teaching schools	31	-	61,214	-	61,214	58,520
Other trading activities	4	307,205	-	-	307,205	149,580
Investments	5	8,209	-	-	8,209	4,414
Total income		610,617	18,656,863	369,190	19,636,670	18,472,357
Expenditure on:						
Raising funds:						
Voluntary income	6	-	301,901	-	301,901	240,694
Fundraising trading	7	41,640	8,374	-	50,014	41,573
Charitable activities	10	538,532	19,249,441	911,846	20,699,819	19,065,823
Total expenditure	8	580,172	19,559,716	911,846	21,051,734	19,348,090
Net income / (expenditure) before transfers		30,445	(902,853)	(542,656)	(1,415,064)	(875,733)
Transfers between funds	21	(31,848)	(15,894)	47,742	-	-
Net expenditure before other recognised gains and losses		(1,403)	(918,747)	(494,914)	(1,415,064)	(875,733)
Actuarial gains on defined benefit pension schemes	25	-	1,197,000	-	1,197,000	1,681,000
Net movement in funds		(1,403)	278,253	(494,914)	(218,064)	805,267
Reconciliation of funds:						
Total funds brought forward		980,346	(6,881,863)	43,948,960	38,047,443	37,242,176
Total funds carried forward		978,943	(6,603,610)	43,454,046	37,829,379	38,047,443

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

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£	2018 £	£	2017 £
Fixed assets					
Tangible assets	17		43,029,326		43,612,360
Current assets					
Debtors	18	885,334		733,193	
Cash at bank and in hand		3,038,063		3,123,060	
		3,923,397		3,856,253	
Creditors: amounts falling due within one year	19	(1,730,484)		(1,373,109)	
Net current assets			2,192,913		2,483,144
Total assets less current liabilities			45,222,239		46,095,504
Creditors: amounts falling due after more than one year	20		(8,860)		(16,061)
Net assets excluding pension scheme liabilities			45,213,379		46,079,443
Defined benefit pension scheme liability	25		(7,384,000)		(8,032,000)
Net assets including pension scheme liabilities			37,829,379		38,047,443
Funds of the academy					
Restricted income funds:					
Restricted income funds	21	780,390		1,150,137	
Restricted fixed asset funds	21	43,454,046		43,948,960	
Restricted income funds excluding pension liability		44,234,436		45,099,097	
Pension reserve		(7,384,000)		(8,032,000)	
Total restricted income funds			36,850,436		37,067,097
Unrestricted income funds	21		978,943		980,346
Total funds			37,829,379		38,047,443

MERCIA LEARNING TRUST
(A company limited by guarantee)

BALANCE SHEET (continued)
AS AT 31 AUGUST 2018

The financial statements on pages 28 to 60 were approved by the Trustees, and authorised for issue, on 17 December 2018 and are signed on their behalf, by:



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

MERCIA LEARNING TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Net cash provided by operating activities	23	74,743	485,218
Cash flows from investing activities:			
Dividends, interest and rents from investments		8,209	4,414
Purchase of tangible fixed assets		(167,949)	-
Net cash (used in)/provided by investing activities		(159,740)	4,414
Change in cash and cash equivalents in the year		(84,997)	489,632
Cash and cash equivalents brought forward		3,123,060	2,633,428
Cash and cash equivalents carried forward		3,038,063	3,123,060

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

1.2 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by 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 2018

1. Accounting Policies (continued)

1.3 Income

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

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

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

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

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

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

1.4 Expenditure

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

1.5 Going concern

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

1.6 Tangible fixed assets and depreciation

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

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

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

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

Long term leasehold property	-	Straight line over 60 years
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 incorporating income and expenditure account.

1.7 Operating leases

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

MERCIA LEARNING TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

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.

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 Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.10 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 and provisions

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

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 basis are as follows:

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

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

1.13 Pensions

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. Accounting Policies (continued)

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 25, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.14 Agency arrangements

The trust acts as agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 30.

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1. Accounting Policies (continued)

1.15 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, 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 2018. 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 liabilities.

2. Income from donations and capital grants

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
Donations	11,539	-	-	11,539	17,167
School Fund income	-	297,903	-	297,903	261,442
Capital grants	-	-	369,190	369,190	534,640
	11,539	297,903	369,190	678,632	813,249
Total 2017	17,167	261,442	534,640	813,249	

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**NOTES TO THE FINANCIAL STATEMENTS
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3. Income from charitable activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Education	283,664	18,297,746	18,581,410	17,446,594
Total 2017	63,726	17,382,868	17,446,594	

Funding for Academy Trust's educational operations

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
DfE/ESFA grants				
General Annual Grant	-	15,509,617	15,509,617	15,344,058
Pupil premium	-	1,151,489	1,151,489	1,076,148
Other	21,463	531,805	553,268	205,697
Conversion grant	-	-	-	25,000
	21,463	17,192,911	17,214,374	16,650,903
Other government grants				
Local authority grants	91,179	888,673	979,852	724,841
	91,179	888,673	979,852	724,841
Other funding				
Non-DfE funding	171,022	216,162	387,184	70,850
	171,022	216,162	387,184	70,850
	283,664	18,297,746	18,581,410	17,446,594
Total 2017	63,726	17,382,868	17,446,594	

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**NOTES TO THE FINANCIAL STATEMENTS
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4. Other trading activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Lettings	7,146	-	7,146	4,376
School to school support	635	-	635	-
Other	299,424	-	299,424	145,204
	<u>307,205</u>	<u>-</u>	<u>307,205</u>	<u>149,580</u>
Total 2017	<u>149,580</u>	<u>-</u>	<u>149,580</u>	

5. Investment income

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Investment income	8,209	-	8,209	4,414
	<u>8,209</u>	<u>-</u>	<u>8,209</u>	<u>4,414</u>
Total 2017	<u>4,414</u>	<u>-</u>	<u>4,414</u>	

6. Expenditure on raising voluntary income

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
School fund expenditure	-	301,901	301,901	240,694
	<u>-</u>	<u>301,901</u>	<u>301,901</u>	<u>240,694</u>
Total 2017	<u>-</u>	<u>240,694</u>	<u>240,694</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
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7. Fundraising trading expenditure

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Wages and salaries	16,828	-	16,828	16,304
Other expenses	24,812	8,374	33,186	25,269
Total	41,640	8,374	50,014	41,573
Total 2017	41,573	-	41,573	

8. Expenditure

	Staff costs 2018 £	Premises 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Expenditure on raising voluntary income					
Direct costs	-	-	301,901	301,901	240,694
Support costs	-	-	-	-	-
Expenditure on fundraising trading					
Direct costs	-	-	50,014	50,014	41,573
Support costs	-	-	-	-	-
Education:					
Direct costs	12,520,867	581,799	1,958,109	15,060,775	13,802,317
Support costs	1,974,911	2,478,512	1,185,621	5,639,044	5,263,506
	14,495,778	3,060,311	3,495,645	21,051,734	19,348,090
Total 2017	13,243,232	3,184,696	3,376,219	19,804,147	

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NOTES TO THE FINANCIAL STATEMENTS
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9. Governance costs

	2018 £	2017 £
Legal and professional	46,565	7,257
Other costs	7,493	2,314
Auditors' remuneration	16,685	16,355
Auditors' non audit costs	2,910	6,491
Internal audit costs	1,250	2,500
Wages and salaries	88,874	76,014
	<u>163,777</u>	<u>110,931</u>
Total	<u>163,777</u>	<u>110,931</u>

10. Analysis of expenditure by activities

	Activities undertaken directly 2018 £	Support costs 2018 £	Total 2018 £	Total 2017 £
Education	15,060,775	5,639,044	20,699,819	19,065,823
	<u>15,060,775</u>	<u>5,639,044</u>	<u>20,699,819</u>	<u>19,065,823</u>
Total 2017	13,802,317	5,263,506	19,065,823	
	<u>13,802,317</u>	<u>5,263,506</u>	<u>19,065,823</u>	

Support costs

	2018 £	2017 £
Support staff costs	1,886,037	1,549,431
Depreciation	102,670	110,375
Technology costs	13,814	102,462
Premises costs	2,375,842	2,503,163
Other support costs	1,096,904	1,033,714
Governance costs (note 9)	163,777	110,931
	<u>5,639,044</u>	<u>5,410,076</u>
Total	<u>5,639,044</u>	<u>5,410,076</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

11. Net income/(expenditure)

This is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets:		
- owned by the trust	750,983	735,832
Auditors remuneration - audit	16,685	16,355
Auditors remuneration - other services	2,910	6,491
Operating lease expense	39,938	30,313

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**NOTES TO THE FINANCIAL STATEMENTS
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12. Staff costs

a. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	10,754,021	9,849,393
Social security costs	976,413	945,698
Operating costs of defined benefit pension schemes	2,225,624	1,970,457
	13,956,058	12,765,548
Agency staff costs	442,827	456,057
Staff restructuring costs	96,893	21,627
	14,495,778	13,243,232

Staff restructuring costs comprise:

	2018 £	2017 £
Redundancy payments	45,728	3,127
Severance payments	51,165	18,500
	96,893	21,627

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £51,165 (2017: £18,500).

c. Staff numbers

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

	2018 No.	2017 No.
Teachers	164	185
Management	29	24
Admin and support	232	230
	425	439

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

12. Staff costs (continued)

Average headcount expressed as a full time equivalent:

	2018	2017
	No.	No.
Teachers	139	138
Management	27	29
Admin and support	165	159
	331	326

d. Higher paid staff

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

	2018	2017
	No.	No.
In the band £ 60,001 - £ 70,000	3	4
In the band £ 70,001 - £ 80,000	2	3
In the band £ 80,001 - £ 90,000	1	1
In the band £ 90,001 - £100,000	2	0

The above employees participated in the Teachers' Pension Scheme or the local government pension scheme. During the period ended 31 August 2018, pension contributions for these staff amounted to £88,832 (2017: £77,791).

e. Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer's National Insurance and employer pension contributions) received by key management personnel for their services to the academy trust was £759,873 (2017: £746,867).

13. Trustees' remuneration and expenses

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

L.A. Bowes:

Remuneration £0 - £10,000 (2017: £85,000 - £90,000)

Pension £Nil (2017: £5,000 - £10,000)

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

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NOTES TO THE FINANCIAL STATEMENTS
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14. Central services

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

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

The trust charges for these services on the following basis:

- Flat percentage of GAG income – 2.5%
 - 1.7% for services (£261,623)
 - 0.8% for contingency (£123,117)

The actual amounts charged during the year were as follows:

	2018	2017
	£	£
Newfield School	129,328	125,186
Totley School	22,680	20,053
Valley Park	40,962	40,503
King Egbert School	152,488	161,304
Nether Edge	39,282	34,166
Total	<u>384,740</u>	<u>381,212</u>

15. Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year ended 31 August 2018 was £905 (2017 - £905).

16. Other finance costs

	2018	2017
	£	£
Interest income on pension scheme assets	88,000	61,000
Interest on pension scheme liabilities	(295,000)	(273,000)
	<u>(207,000)</u>	<u>(212,000)</u>

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17. Tangible fixed assets

	Long term leasehold property £	Furniture and fixtures £	Plant and equipment £	Total £
Cost				
At 1 September 2017	46,211,235	259,506	592,211	47,062,952
Additions	75,759	44,448	47,742	167,949
At 31 August 2018	46,286,994	303,954	639,953	47,230,901
Depreciation				
At 1 September 2017	2,647,423	258,048	545,121	3,450,592
Charge for the year	684,469	12,363	54,151	750,983
At 31 August 2018	3,331,892	270,411	599,272	4,201,575
Net book value				
At 31 August 2018	42,955,102	33,543	40,681	43,029,326
At 31 August 2017	43,563,812	1,458	47,090	43,612,360

Included in land and buildings is land at valuation of £8,595,000 (2017: £8,595,000) which is not depreciated.

18. Debtors

	2018 £	2017 £
Trade debtors	172,790	88,300
Other debtors	192,013	167,184
Prepayments and accrued income	520,531	477,709
	885,334	733,193

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19. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Other loans	7,201	7,201
Trade creditors	922,798	465,894
Other taxation and social security	324,200	232,590
Other creditors	2,923	210,113
Accruals and deferred income	473,362	457,311
	<u>1,730,484</u>	<u>1,373,109</u>
	2018	2017
	£	£
<i>Deferred income</i>		
Deferred income at 1 September 2017	240,039	158,494
Resources deferred during the year	269,535	240,039
Amounts released from previous years	(240,039)	(158,494)
Deferred income at 31 August 2018	<u>269,535</u>	<u>240,039</u>

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

	2018	2017
	£	£
Other loans	<u>8,860</u>	<u>16,061</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

21. Statement of funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Unrestricted funds						
General funds	980,346	610,617	(580,172)	(31,848)	-	978,943
Restricted funds						
GAG	1,004,326	15,414,830	(15,877,739)	-	-	541,417
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	-	61,214	(61,214)	-	-	-
UTC Support Grant	8,000	-	(8,000)	-	-	-
Other funds	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)	18,656,863	(19,559,716)	(15,894)	1,197,000	(6,603,610)
Restricted fixed asset funds						
Restricted fixed asset funds	43,948,960	369,190	(911,846)	47,742	-	43,454,046
Total restricted funds	37,067,097	19,026,053	(20,471,562)	31,848	1,197,000	36,850,436
Total of funds	38,047,443	19,636,670	(21,051,734)	-	1,197,000	37,829,379

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

Unrestricted funds

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

21. Statement of funds (continued)

Restricted general funds

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

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

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

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

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.

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

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.

UTC support grant - Grant funding to provide a one off system leadership support and mentoring package in KS4 and KS5 at the University Technical College, Matilda Street, Sheffield (UTC). Objectives include support with raising

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21. Statement of funds (continued)

attainment and attendance, including the best use of PPI funding and training in assessment data tracking systems.

Mercia School set-up costs for loose equipment - to buy loose equipment for the new secondary school.

Other - miscellaneous funding towards specific purposes.

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

Restricted fixed asset funds

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

Under the funding agreement with the Secretary of State, the academy trust is not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

Total funds analysis by academy

Fund balances at 31 August 2018 were allocated as follows:

	Total 2018 £	Total 2017 £
King Egbert School	726,173	1,185,959
Newfield School	479,309	563,977
Totley School	49,852	100,727
Valley Park School	69,363	21,849
Nether Edge Primary School	54,229	(58,080)
Mercia Learning Trust	380,407	316,051
Total before fixed asset fund and pension reserve	1,759,333	2,130,483
Restricted fixed asset fund	43,454,046	43,948,960
Pension reserve	(7,384,000)	(8,032,000)
Total	37,829,379	38,047,443

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21. Statement of funds (continued)

Analysis of academies by cost

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2018 £	Total 2017 £
King Egbert School	5,002,094	502,843	278,125	1,859,727	7,642,789	7,197,292
Newfield School	3,672,240	491,984	251,887	1,541,327	5,957,438	5,405,217
Totley School	800,378	204,978	168,666	213,223	1,387,245	1,110,380
Valley Park School	1,359,607	317,149	102,124	366,324	2,145,204	2,210,131
Mercia Learning Trust	245,872	235,577	179,532	347,232	1,008,213	535,211
Nether Edge School	1,440,677	222,379	112,296	223,647	1,998,999	1,895,812
	12,520,868	1,974,910	1,092,630	4,551,480	20,139,888	18,354,043

Statement of funds - prior year

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
General funds	982,466	234,887	(215,210)	(21,797)	-	980,346

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21. Statement of funds (continued)

Restricted funds

GAG	931,111	15,344,768	(15,272,177)	624	-	1,004,326
Pupil premium - ESFA	-	1,076,148	(1,076,148)	-	-	-
Pupil premium - LA	-	7,915	(7,915)	-	-	-
School fund	94,657	260,732	(240,694)	-	-	114,695
Conversion support	77,374	25,000	(102,374)	-	-	-
SEN grant	-	47,750	(47,750)	-	-	-
PE grant	-	27,930	(27,930)	-	-	-
UIFSM grant	199	130,882	(117,966)	-	-	13,115
FEL funding	-	296,586	(317,759)	21,173	-	-
Growth fund	-	133,457	(133,457)	-	-	-
Core maths grant	-	24,623	(24,623)	-	-	-
Teaching school	-	58,520	(58,520)	-	-	-
Awkward year group	-	15,719	(15,719)	-	-	-
UTC Support Grant	-	16,000	(8,000)	-	-	8,000
Other funds	10,001	236,800	(236,800)	-	-	10,001
Pension reserve	(9,262,000)	-	(451,000)	-	1,681,000	(8,032,000)
	<u>(8,148,658)</u>	<u>17,702,830</u>	<u>(18,138,832)</u>	<u>21,797</u>	<u>1,681,000</u>	<u>(6,881,863)</u>

Restricted fixed asset funds

Restricted fixed asset funds	<u>44,408,368</u>	<u>534,640</u>	<u>(994,048)</u>	<u>-</u>	<u>-</u>	<u>43,948,960</u>
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22. Analysis of net assets between funds

	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	2,154,479	1,344,198	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)
	<u>978,943</u>	<u>(6,603,610)</u>	<u>43,454,046</u>	<u>37,829,379</u>

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FOR THE YEAR ENDED 31 AUGUST 2018**

22. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

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

23. Reconciliation of net movement in funds to net cash flow from operating activities

	2018 £	2017 £
Net expenditure for the year (as per Statement of Financial Activities)	(1,415,064)	(875,733)
Adjustment for:		
Depreciation charges	750,983	735,832
Dividends, interest and rents from investments	(8,209)	(4,414)
Increase in debtors	(198,603)	(251,512)
Increase in creditors	396,636	430,045
Defined benefit pension scheme finance cost	256,000	212,000
Defined benefit pension scheme cost less contributions payable	293,000	239,000
Net cash provided by operating activities	<u>74,743</u>	<u>485,218</u>

24. Analysis of cash and cash equivalents

	2018 £	2017 £
Cash in hand	3,038,063	3,123,060
Total	<u>3,038,063</u>	<u>3,123,060</u>

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25. Pension commitments

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

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

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

Teachers' Pension Scheme***Introduction***

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

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

Valuation of the Teachers' Pension Scheme

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

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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25. Pension commitments (continued)

The employer's pension costs paid to TPS in the period amounted to £1,127,082 (2017 - £1,034,014).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £941,000 (2017 - £874,000), of which employer's contributions totalled £752,000 (2017 - £705,000) and employees' contributions totalled £189,000 (2017 - £169,000). The agreed contribution rates for future years are 13.7% for employers and 5.5% to 12.5% for employees.

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

Principal actuarial assumptions:

	2018	2017
Discount rate for scheme liabilities	2.84 %	2.40 %
Rate of increase in salaries	3.39 %	3.45 %
Rate of increase for pensions in payment / inflation	2.24 %	2.20 %
Inflation assumption (CPI)	2.14 %	2.20 %

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

	2018	2017
Retiring today		
Males	23	22.9
Females	25.8	25.7
Retiring in 20 years		
Males	25.2	25.1
Females	28.1	28

	At 31 August 2018 £	At 31 August 2017 £
<i>Sensitivity analysis</i>		
Discount rate +0.1%	7,748,000	8,658,000

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

Salary increase +0.1%	8,117,000	9,401,000
Mortality assumption - 1 year increase	8,241,000	9,473,000
CPI rate +0.1%	8,322,000	9,574,000

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25. Pension commitments (continued)

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

	Fair value at 31 August 2018 £	Fair value at 31 August 2017 £
Equities	2,502,000	2,241,000
Government Bonds	672,000	509,000
Other Bonds	345,000	251,000
Property	457,000	335,000
Cash and other liquid assets	217,000	75,000
Other	513,000	276,000
Total market value of assets	<u>4,706,000</u>	<u>3,687,000</u>

The actual return on scheme assets was £197,000 (2017 - £414,000).

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

	2018 £	2017 £
Current service cost	(1,045,000)	(944,000)
Interest income	88,000	61,000
Interest cost	(295,000)	(273,000)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	(49,000)	-
Total	<u>(1,301,000)</u>	<u>(1,156,000)</u>
Actual return on scheme assets	<u>197,000</u>	<u>414,000</u>

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

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

	2018 £	2017 £
Opening defined benefit obligation	11,719,000	12,213,000
Current service cost	1,045,000	944,000
Interest cost	295,000	273,000
Employee contributions	189,000	169,000
Actuarial gains	(1,100,000)	(1,754,000)
Benefits paid	(107,000)	(126,000)
Losses on curtailments	49,000	-
	-	-
Closing defined benefit obligation	12,090,000	11,719,000

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

	2018 £	2017 £
Opening fair value of scheme assets	3,687,000	2,951,000
Return on plan assets (excluding net interest on the net defined pension liability)	88,000	61,000
Actuarial losses/(gains)	97,000	(73,000)
Employer contributions	752,000	705,000
Employee contributions	189,000	169,000
Benefits paid	(107,000)	(126,000)
Closing fair value of scheme assets	4,706,000	3,687,000

26. Operating lease commitments

At 31 August 2018 the total of the Academy trust's future minimum lease payments under non-cancellable operating leases was:

	2018 £	2017 £
Amounts payable:		
Within 1 year	28,366	63,320
Between 1 and 5 years	21,655	51,290
Total	50,021	114,610

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NOTES TO THE FINANCIAL STATEMENTS
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27. Financial commitments under PFI arrangements

At 31 August 2018 the trust had future commitments under PFI arrangements as follows:

	2018 £	2017 £
<i>Amounts payable:</i>		
Within 1 year	2,038,360	1,821,967
Between 1 and 5 years	8,153,442	7,287,869
After more than 5 years	18,255,897	18,157,124
	<hr/>	<hr/>
Total	28,447,699	27,266,960
	<hr/>	<hr/>

28. Related party transactions

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

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

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

Both of these appointments were made in open competition with John Deal and Greg Raynor, as applicable not being involved in the decision making process regarding the respective appointments. Both 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.

29. Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2018 the trust received £25,230 and disbursed £25,230 from the fund.

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FOR THE YEAR ENDED 31 AUGUST 2018**

30. 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.

31. Teaching school trading account

	2018	2018	2017	2017
	£	£	£	£
Income				
Direct income				
Teaching school income	61,214		58,520	
Total income		61,214		58,520
Expenditure				
Direct expenditure				
Direct staff costs	61,214		58,520	
Total expenditure		61,214		58,520
Surplus from all sources		<hr/>	<hr/>	
		-		-