

THE MERCIAN TRUST
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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THE MERCIAN TRUST
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REFERENCE AND ADMINISTRATIVE DETAILS

Members

Vivian Fairbank
David Lomax
Brian Powell
John Punch
John Vallance

Trustees

Kevin Davis, Chair
Rebecca Hearsey, Vice Chair
The Revd. Beverley Boden
Jane Bonner
Melanie Crooks
Mark Harland
The Rt Hon Sir Gary Hickenbottom (appointed 1 September 2021)
William Hodson (resigned 31 August 2021)
Paul Lee
Dr David Oloke (appointed 1 September 2021)
Roland Roberts
Eddie Stride

Company registered number

07611347

Company name

The Mercian Trust

Registered office

Mercian House
Sutton Road
Walsall
West Midlands
WS1 2PG

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REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Company secretary

Mrs Catherine Bennett (appointed 1 November 2021)

Chief executive officer

Daniel Parkes

Senior management team

Dan Parkes, Chief Executive and Accounting Officer
Lois Kelly, Trust, Executive Director of Education
Andrew Paulson, Chief Financial Officer
Ian Bryant, Aldridge School, Headteacher
Richard Langton, Queen Mary's Grammar School, Headteacher
Alison Bruton, Queen Mary's High School, Headteacher
Annabel Stoddart, Shire Oak Academy, Headteacher
Darren Perry, Walsall Studio School, Principal
Chris Bury, The Ladder School, Principal
Conrad Bourne, Trust, Director for Social Mobility
Julie Waddington, Trust, Director of School Improvement
Christina Haydock, Trust, Business Operations and Project Director

Independent auditor

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

Bankers

Lloyds Bank plc
The Bridge
Walsall
West Midlands
WS1 1LU

Principal office

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

THE MERCIAN TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2021

The Trustees of The Mercian Trust ("the Trust") present their annual report together with the audited financial statements and auditor's report of the Trust for the year ended 31 August 2021. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

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

The schools in the Trust are:

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

The Trust has a combined pupil capacity of 5,680 and had a roll of 5,576 in the school census on 1 October 2021.

STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

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

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

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

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

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

The above appointees act as trustees for the charitable activities of the Trust and are also the directors of the charitable company for the purposes of company law.

Under the Articles of Association of the Trust, the Board of Trustees does not include employees of the Trust. The Chief Executive Officer and the Chief Finance Officer attend meetings, but they are not Trustees.

MEMBERS' LIABILITY

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

TRUSTEES' INDEMNITIES

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

METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES

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

The Foundation is a charitable organisation with a board of trustees comprising governors from three schools (Queen Mary's Grammar School, Queen Mary's High School and Mayfield Preparatory School), and additional trustees with connections to the schools although not employed by them.

The Vine Trust, Walsall is a registered charity which works in Walsall and other Black Country boroughs engaged in economic, environmental and social regeneration.

POLICIES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

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

A review of skills audits, completed annually, inform a programme of bespoke training in-year. Training is providing online and special events are set up to meet particular needs. Areas covered include safeguarding and GDPR. Trustees also have the opportunity to attend formal governor training sessions held by Walsall Local Authority, as well as access to the Walsall Association of Governors.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

ORGANISATIONAL STRUCTURE

The Board of Trustees operates with three principal sub-committees: Finance and Resources Committee (FRC), Audit and Risk Committee (ARC) and the Achievement, Inclusion, Social Mobility and Safeguarding Committee (AIMS). These committees provide robust oversight of the Trust's work to ensure financial probity, the highest standards of governance, educational standards and outcomes for students.

Each school within the Trust maintains a Local Governing Body (LGB). These are appointed by the trustees and are special sub-committees of the Trust. A Trust document, Rhythms of the Year, sets out the timing and agendas for each LGB meeting and LGB Chairs are supporting by the Trust to hold school leaders to account for the educational standards and school improvement in each school. Communication between LGB Chairs, Trustees and the Trust Executive is maintained through Keeping in Touch (KIT) forums each term which include the sharing of best practice, alongside training and support.

Other panels are convened as required for dealing with matters of staffing, pupil discipline and appeals from these, and also a panel to deal with complaints that could not be resolved internally. The Clerk to the Board of Trustees has a remit to convene these panels as and when required from eligible Trustees.

Responsibility for day-to-day leadership and management of the Trust is delegated to the CEO, senior leaders in the Central Team and the headteachers from each of the Trust's six schools. Investment in the structures and systems of the Trust's central team has built capacity and increased the capability of the Trust to enable successful schools. This includes a team of subject specific lead professionals led by a Director of School improvement and a group of clinical professionals and therapists in our welfare and wellbeing multidisciplinary team led by a Director of Social Mobility.

During the year the MAT Executive Team including Headteachers held meetings each half term to discuss all aspects of the Trust's work, develop strategy and refine proposals to the board of Trustees. Where a course of action requires significant expenditure (capital projects, staffing, etc.) or more detailed scrutiny of educational impact, they refer decisions through the appropriate committee.

The CEO is the Accounting Officer of the Trust.

The Trust used the services of the Clerk to the Foundation during the course of the year. The Trust has employed a substantive Trust Governance Professional for 2021/22.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

ARRANGEMENTS FOR SETTING PAY AND REMUNERATION OF SENIOR STAFF AND MANAGEMENT

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

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

The Pay Committee receives recommendations from each of the LGB's regarding performance management and pay for teaching staff and for school senior leadership teams. The CEO presents the recommendations for Headteachers and for the Trust central team.

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

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

TRADE UNION FACILITY TIME

Relevant union officials

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

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	5
1%-50%	-
51%-99%	-
100%	-

Percentage of pay bill spent on facility time **£**

Total cost of facility time	533
Total pay bill	26,593,466
Percentage of total pay bill spent on facility time	- %

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	- %
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY TRANSACTIONS

The Trust maintains a register of Business Interests, including details of related parties, so as to identify potential conflicts of interest, if any. In the unlikely event of a potential conflict of interest, this enables the Trustees to manage the matter in the most appropriate way. In addition, all agendas for meetings (including Committee meetings) have "Declarations of Interest" as a standing item. Similar registers are maintained by each of the schools within The Trust and agendas of the meetings of the LGBs also have "Declarations of Interest" as a standing item.

Trustees receive no payment for their services but may in limited circumstances be reimbursed for out-of-pocket expenses incurred wholly and exclusively on behalf of the Trust's business.

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

Owing to the nature of the academy trust and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the Academy Financial Handbook (now Academy Trust Handbook) and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The Trust has identified a number of related parties as set out below:

- The Foundation
- Vine Trust Walsall
- Farchynys Estate Management Ltd

PTP Training Ltd ceased to be a related party on 4 May 2020. Details of the financial value of transactions are included in note 31 of the notes to the financial statements. All transactions incurred by the Trust were charged at cost and in accordance with the Academies Financial Handbook.

Queen Mary's Schools Foundation

The Foundation is a charitable trust and holds on trust, as a perpetual endowment, funds donated and investments made over the years since the founding of the school by the letters patent of Queen Mary in 1554, and subsequently the founding of Queen Mary's High School (for girls) and Mayfield Preparatory School. The endowment is used:

- To provide the above schools with benefits including funding of any kind as may be agreed from time to time between the governing bodies of the Foundation and the schools
- To promote the education of pupils of the schools it supports who may be in need of financial assistance

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

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

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STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

The Foundation owns the freehold land on which both Queen Mary's school sites are based. These are let at a peppercorn rental to the Trust under a 125-year lease for the main sites and 10 year leases for their playing fields, also at a peppercorn rent

Vine Trust Walsall

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

Vine Trust was instrumental in founding Walsall Studio School including providing buildings in which the school operates. Initially the school operated from the ground and second floors of the Goldmine Centre. This was subject to a 125-year lease at a peppercorn rental, approved by the ESFA when the school was founded in 2013. In September 2019 the ESFA acquired the Goldmine Centre from Vine Trust Walsall as part of the DFE's development of the surrounding site in order to create a new St. Matthew's Learning Campus including an extension to the Goldmine Building for Walsall Studio School and a permanent building for The Ladder School (the Trust's Alternative Provision Free School). The Trust entered into a new 125-year lease with the Secretary of State for Communities and Local Government in respect of the Goldmine Centre.

Farchynys Estate Management Ltd ("FEML").

In 1965 a group of former pupils of Queen Mary's Grammar School acquired a property at Farchynys Hall, near Barmouth in Wales, to provide boys from the school with the opportunity to benefit from outward bound activities at a residential centre. This property, the Coach House, is owned by four trustees, appointed by Queen Mary's Old Boys' Club. The facility is made available to the school and other schools in The Trust. With recent expansion at Queen Mary's Grammar School, the centre became outgrown. As a result, The Foundation, and the Queen Mary's (Old Boys') Club Scholarship Fund ("OBSF"), a linked charity of the Foundation, agreed to raise funds to acquire two additional buildings on an adjacent site. Thanks to generosity of old boys these were acquired in 2015. The Barn was acquired by The Foundation and is made available for the school's use. To provide greater control over the site, the adjacent cottage was acquired by the OBSF as an investment for that charity.

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

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

ENGAGEMENT WITH EMPLOYEES (INCLUDING DISABLED PERSONS)

Employees share their views throughout the year. Staff have been consulted on issues of interest and concern through a series of staff surveys and interactive webinars, have provided important feedback to Trustees regarding their experiences working in Trust schools throughout the year's COVID disruption.

Staff have been kept informed of specific matters directly by leaders including through informal briefings and meeting with school and Trust executive leaders. The use of online surveys, email communication and video briefings has become embedded in the Trust's working practices and ensures trustees receive the views of staff in all schools and central teams. Feedback from staff in the full staff survey (2021) shows that leadership communication had improved significantly since 2019.

Staff have been regularly updated about the Trust's partnership with Quaerere Academies Trust and a full staff and stakeholder consultation on a proposed Trust merger was undertaken with staff asked to say whether they supported proposals, were against the proposals or were unsure. More than 77% of Mercian Trust staff recorded their support for proposals with fewer than 10% against. An independent communications consultant provided analysis of staff feedback and provided assurance to trustees that they had received more responses than many similar stakeholder consultations and should therefore be confident that the consultation findings provided a compelling evidence base to inform decisions in relation to proposals.

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

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

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

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE TRUST

The Trust engages with suppliers and customers effectively through transparent procurement practices and ongoing dialogue with suppliers and potential vendors. The Trust has established procurement procedures and a Procurement Policy that sets out how the Trust will engage with suppliers. There has been effective engagement with suppliers during 2020/21 through:

- The Trust merger consultation process to engage with suppliers on how the proposed merger with Quaerere Academies Trust may impact them.
- Numerous procurement and tender exercises using government frameworks and other tender approaches – enabling direct communication as part of the processes. Regular meetings are held with vendors to discuss services and contract performance.

The Trust also ensures that suppliers are paid in line with payment terms and that any queries are resolved as quickly as possible.

THE MERCIAN TRUST
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

OBJECTIVES AND ACTIVITIES

OBJECTS AND AIMS

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

The Trust brings together a family of schools committed to each other; different schools serving a wide range of individual needs working as one charitable trust to offer the broadest and best education to all pupils regardless of their socio-economic, cultural or ethnic background.

Leveraging the strengths of the participating schools, students attending schools in The Mercian Trust have access to the opportunities each school brings – in teaching, leadership, breadth of curriculum, facilities, enrichment activities and community engagement.

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

Vision statement:

Throughout the year trustees, local governors, executive leaders and headteachers have each revisited the Trust's mission, vision, ethos and culture, alongside key partners The work of our Trust partnership is summarised as:

Equipping our students (and staff) to live life to the full in pursuit of what is good, right and true.

Mission statement:

Increasing opportunities and improving outcomes to enable our students to:

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

We exist to equip students to live life to the full so that they:

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

We behave to pursue of what is good, right and true.

- With Integrity, Honesty, Positivity
- With Purpose, Professionalism, a Pioneering Spirit and Teamwork
- With Accuracy, Precision and Sincerity

We increase opportunities and improve outcomes for students (and staff).

Through collaborative autonomy (commitment and collaboration, alignment not standardisation).

- A drive to get better at the things that matter
- A drive to direct our own lives/destiny
- A drive to connect to a cause bigger than ourselves

The Trust's intention as a family of schools is to help each consistent school increase opportunities and improve outcomes for students. The Trust's overarching commitment to social mobility and social justice means efforts in schools are prioritised to address generational failings for disadvantaged and vulnerable children including those with special educational needs and disabilities.

THE MERCIAN TRUST
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

OBJECTIVES AND ACTIVITIES (continued)

The Trust ensures each school has an ambitious, relevant, and responsive curriculum that is delivered expertly inside and outside of the classroom. The Trust provides the leadership and investment required to enable schools to embrace new opportunities for the digital transformation of teaching and facilitate students in the enjoyment of developing knowledge, understanding and skill.

As a result of the Trust's commitment to improvement and innovation, students in Mercian schools will demonstrate the cognitive and technical skills required to exemplify digital literacy, they will be the highest academic achievers who secure places at top universities, conservatoires and specialist colleges – and our students with talents in practical and vocational skills will secure qualifications and experiences that are valued by businesses and enable progression onto apprenticeship pathways with flagship employers.

As a result of constituent schools' commitment to each other, both staff and students will be physically and mentally healthy with the resilience, adaptability and values required to make good life choices and build successful personal and professional relationships. They will be the first to welcome people new to our local community and embrace opportunities to learn from diverse cultural experiences and from people with different religious faiths and beliefs.

PUBLIC BENEFIT

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

- Provides a broad and balanced curriculum that is expertly developed and delivered
- Provides the spiritual, moral, cultural, mental and physical development of all students
- Prepares students for the opportunities, responsibilities and experiences of later life
- Promotes, sustains, and increases individual and collective knowledge and understanding of specific areas of study, skills and expertise
- Works in partnership with others in order to share enthusiasm, experience and expertise as widely as possible in the Borough and beyond, not least to promote social mobility among disadvantaged children

OBJECTIVES, STRATEGIES, AND ACTIVITIES

The Trust's strategic plan 2020-2025 is structured around 5 strategic themes:

1. Social Justice and Social Mobility (through education)
2. Systems and structures that enable successful schools
3. Digital Transformation of how we teach, learn, lead and operate
4. Employer of Choice
5. Growing our Trust in size and influence

All reporting on the development and performance of the Trust is structured around these 5 strategic themes.

A Trust-wide development plan that sets out clearly how the ambitions of the strategic plan will be achieved has been refined throughout the period. This plan now provides a consolidated, common report for reporting to the Trust board and each of the substantive committees.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

OBJECTIVES AND ACTIVITIES (continued)

The Trust development plan brings together:

- 'Big Moves' (the strategic investment of leadership time and cash reserves to move the strategic plan forward)
- Critical Indicators and Defining Objectives (that ensure trustees and executive leaders remain focused on how the Trust is judged by external regulators and internal stakeholders)
- Mobility Measures that express the shared longer term social mobility and diversity goals set by trustees.

The work of the Trust to move the strategic plan forward in this period focused on:

- Embedding and accelerating the strategic plan including strategic relationships and growth
- Building capacity to accelerate school improvement
- Developing appropriate (and scalable) systems and structures to support successful schools and further develop a professional approach to business planning and support services.
- Increasing opportunities and improving outcomes for students (including disadvantaged students and those with SEND) in all Trust schools.
- Preparing schools for Section 5 Ofsted Inspections.

The work currently underway to further move the strategic plan forward includes:

- Further developing a culture of Trust leadership amongst the senior leaders of all schools and various leadership groups at all levels.
- Ensuring Trust growth, including by Trust merger.
- Launching the digital transformation of leadership, teaching and operations in each school
- Successfully completing the St Matthew's Learning Campus with the permanent school building for The Ladder Alternative Provision Free School and substantive extension for Walsall Studio School.

The Trust's commitment to social mobility and work to transform the life chances of students and the communities served by Trust schools has also provided a solid foundation on which to develop and implement appropriate plans and strategies in response to COVID-19 disruption.

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

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

OBJECTIVES AND ACTIVITIES (continued)

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

There are 5,576 students in Trust schools.

No Trust schools were inspected in this period, although Queen Mary's High School was inspected on 12th –13th October 2021 and judged by Ofsted to be **OUTSTANDING** in all areas. The inspection report published 11 November 2021 summarises: Pupils know, from the moment they walk through the gates, that the highest standards of work and behaviour will be expected from them. They also know that they will be well supported in reaching those standards. There are warm relationships between staff and pupils and wide-ranging support services. Pupils are happy at school, enjoy their learning and achieve exceptionally well.

No school performance tables or examination results from 2021 will be published due to COVID-19. Staff in all Trust schools worked exceptionally hard to ensure students were allocated accurate and appropriate Teacher Assessed Grades (TAGs) for their qualifications. The Trust central staff supported schools with the moderation of TAGs in line with the guidance provided by the Ofqual, Awarding Bodies and DFE, Schools followed the guidance of regulators explicitly regarding awarding grades and in the timely response to the small number of appeals that followed.

KEY PERFORMANCE INDICATORS

The Trustees set rigorous performance indicators for academic progress, which are reflected in performance management objectives and success measures for each individual headteacher in the Trust. As in the previous year, the Trust provided extensive guidance to headteachers and local governing bodies to ensure the consistent implementation of performance management appraisal reviews within the context of another school year disrupted by COVID-19.

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

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

- Student Outcomes at the end of each key stage and in-year (Attainment and Progress)
- School Self-Assessment and Trust External Reviews and moderation activities
- Government funding streams and other income levels
- Student numbers – both for 11-16 and 16-19 (Sixth Form)
- Staff numbers and curriculum provision through an Integrated Curriculum Financial Planning ICFP tool
- Revenue surpluses
- Capital projects income and spend

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRATEGIC REPORT (continued)

ACHIEVEMENTS AND PERFORMANCE (continued)

The board of trustees also monitor carefully the progress made on the Trust Strategic Plan through the annual Development Plan reporting and through CEO reports to the board.

Highlights from 2020-21 include:

- Growth and Social Mobility
 - o Increasing student recruitment and retention in the sixth form across the Trust including more disadvantaged students securing the academic entry requirements to progress into each school sixth form.
 - o Increasing the proportion of disadvantaged students at QMGS and QMHS as a result of ongoing outreach programmes (and virtual online events) as part of the Selective School Expansion Fund projects.
- School Improvement (and staff CPD development)
 - o Increasing the capacity and capability of the Trust school improvement team with Lead Practitioners for Maths and Science working alongside the Executive Director or Education, Director of School Improvement and Director of Social Mobility.
 - o Becoming a lead partner within the university of Birmingham Alliance for the development and delivery of the Early Careers Framework.
 - o Becoming a lead delivery partner with LLSE for the delivery of the new suite of NPQ qualifications.
- Systems and Structures to enable successful schools including governance
 - o Undertaking an external review of governance and agreeing an effective action plan to further develop and enhance governance at all levels including the successful recruitment of new trustees and non-executive committee members.
 - o Recruiting high quality, experience non-executive leaders that met the identified skills priorities for the board and increased the diversity of non-executive volunteers with more Black and Asian professionals joining our non-executive teams.
 - o Supporting each school in managing and responding to COVID-related operational challenges including with health and safety.
- Establishing a Trust Partnership with Quaerere Academies Trust to extend the reach and influence of a shared vision and ethos while exploring plans to increase opportunities and improve outcomes for students across Walsall and Sandwell.

GOING CONCERN

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRATEGIC REPORT (continued)

ACHIEVEMENTS AND PERFORMANCE (continued)

PROMOTING THE SUCCESS OF THE TRUST

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

- Trustees consider the consequences of any strategic decision in the long-term as part of their assessment. The Trust has a financial strategy that supports the delivery of its strategic goals and priorities. We aim to ensure that as an organisation we balance our income and expenditure to ensure that our organisation remains sustainable in the long term. This is balanced against the needs of our pupils, staff and other stakeholders, and the community, to ensure we are spending the funding we receive from the government in the most effective way to support our aims, and with integrity. This has included, for example, decisions relating to the long-term impact of the growth of the Trust through the expansions of QMGS and QMHS and through due diligence with potential growth partners. We have also invested in digital technology to positively impact teaching and learning (in and outside the classroom) and to enable efficient and new ways of working for the whole Trust.
- Details of how the Trustees give consideration to the interests of the organisation’s employees can be found in the section Engagement with employees within this report.
- The Trust fosters business relationships with suppliers, customers and others through effective engagement and transparent working practices. The Trust engages with suppliers, providing opportunities to be part of preferred supplier lists or as part of formal tender processes. Feedback is provided to successful and unsuccessful vendors.
- Details of how the Trustees give consideration to the impact on the community can be found in the sections entitled:
 - o Engagement with suppliers, customers and others in a business relationship with the Trust.
 - o Public Benefit.
- An example of how the Trust has engaged with and received feedback from the local community has been through the stakeholder consultation regarding a proposed Trust merger. The use of a professional communications company enabled The Trust to consider the feedback from the local community and to benchmark responses to those provided to other Trusts in other parts of the country.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRATEGIC REPORT (continued)

ACHIEVEMENTS AND PERFORMANCE (continued)

- The Trust are committed to establishing and maintaining professional relationships with integrity (a full statement of this is set out in our Trust strategic plan). The Trustees have approved a number of policies that help to ensure the charity maintains high standards of business conduct; these include the Investment Policy, Anti-Fraud and Whistleblowing Policy, and Gifts and Hospitality Policy.
- All schools are treated fairly and with equity, with the same access to information, the ability to directly contact trustees or the Executive, and being invited to participate in training or strategic development events; for example, all schools participate in and contribute to Executive meetings and the development of Trust development plans. Staff from all trust schools attend the annual staff conference and CPD workshops.

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

Financial Review

Most of the Trust's income comprises the General Annual Grant (GAG) from the DfE, which is restricted in use in furthering the objects of the Trust. GAG and the associated expenditure are therefore shown as restricted general funds in the Statement of Financial Activities.

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

- Selective Schools Expansion Funding for Queen Mary's Grammar School and Queen Mary's High School
- Additional SCA capital grant announced by the Prime Minister in 2020.

The Trust has two SSEF expansion projects at our Queen Mary sites. The project to expand QMGS is complete. The expansion project at QMHS has been delayed, due to Covid-19 related issues, changes to the allocated Local Authority planning officers and site constraints (including limitations arising from English Heritage and the potential presence of bats). This delayed start has incurred additional costs relating to temporary accommodation and increased design and build costs. These additional costs have been underwritten by Trustees from Trust reserves.

A new, permanent school building for The Ladder School (Alternative Provision Free School) is being funded and delivered by the DfE in the town centre. The development of the St Matthew's Campus will also provide an extension/additional building for Walsall Studio School. The new school buildings were originally planned for completion in September 2020 but are now expected to be completed in May 2022. Consequently, TLS remains in temporary accommodation (provided by the DfE Free Schools Capital Team), which is limiting. This delay in the new building, alongside the impact of Covid-19 and the temporary closure of schools (which removed the demand for alternative provision places during 2020/21), has significantly restricted the opportunities for TLS to grow and establish relationships with potential commissioning partners.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

STRATEGIC REPORT (continued)

ACHIEVEMENTS AND PERFORMANCE (continued)

TLS, like all AP Free Schools is also reliant upon place funding directly from the ESFA High Needs Funding team. The budgeted place funding for 2020-21 was not fully received and was not clarified by the ESFA until September 2021. This resulted in an in-year funding shortfall of £240,000, which has resulted in an in-year deficit at TLS of £169,330. This deficit is being underwritten by Trustees from reserves. Prudent financial management whilst waiting on the ESFA funding clarification enabled the deficit to be £70,670 less than the funding shortfall. A robust financial plan to stabilise and provide a balanced budget for 2021/22 and beyond has been established, but remains reliant upon on adequate place funding (which has been confirmed by the ESFA for 2021/22), the completion of the new school building and demand for AP places.

A strategic priority for the Trust is to increase pupil numbers to drive economies of scale and reduce and effectively manage costs. Pupil numbers across the Trust have increased internally year on year from October 2019 (5,196) to October 2021 (5,576), growing in total by 380 students. The Trust has continued to promote a cross school approach to sixth form recruitment and curriculum and is sharing teaching in selected subjects in a "MAT block". As a result of Integrated Curriculum Planning, all of the Trust's schools have reviewed the provision of education in ages 11 to 16 to improve efficiency without affecting quality of teaching and other schools have increased sharing of resources. Where To support education priorities additional classroom teaching is allocated where this is affordable from the in-year delegated budget. The Trust is also in the advanced stages of potentially adding schools to the Trust and significant due diligence work has been undertaken on this during 2020/21.

The Trust commissions an external independent procurement partner to support procurement activities across the Trust. During 2020/21 several successful trust wide tenders for contracted services have been undertaken, including energy, cleaning, catering, education supplies) benefiting from pooling resources and increased buying power. These have secured best value for the Trust.

The Trust has carefully managed its finances during the year and remains with a robust short- and medium-term financial position; student numbers are growing and are projected to remain close to PAN going forward, providing a predictable income stream through GAG and other pupil led grants. A surplus of £389,000 was budgeted, which provided for a significant amount of earmarked investment for medium term Trust priorities relating to teaching and learning improvements relating to investments in school improvement activities, digital technology and the Trust's estate. During the year spending patterns and needs have been significantly impacted by the Covid-19 pandemic, with education consumables and exam fees significantly underspent during the year. The final result for the year was an overall surplus of £549,783, which will utilised in the 2021/22 and wider medium term financial plans to invest in Trust priorities. Details of the reserves movements during the year are set out in the table below:

Reserves analysis	Unrestricted Revenue Reserve	Restricted Revenue Reserve	Revenue Reserves	Pension Reserve	Fixed asset Reserve	Total Reserves
		Exc pension reserve	Exc pension reserve			
	£	£	£	£	£	£
Net income / expenditure before other recognised losses	30,533	519,250	549,783	(1,515,000)	(1,036,027)	(2,001,244)

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TRUSTEES' REPORT (CONTINUED)
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STRATEGIC REPORT (continued)

ACHIEVEMENTS AND PERFORMANCE (continued)

Depreciation / amortisation charges of £1,637,547 were included in the Statement of Financial Activities (2020: £1,1,706,485). This reflects charges from investment in the estate and other fixed assets during 2020 and 2021.

A review of the valuation of the LGPS (Local Government Pensions Scheme) pension plans has been carried out by actuaries, Barnett Waddingham at 31 August 2021. The overall net deficit of the Trust's pension arrangements within the LGPS has increased to £16,572,000 (2020: £13,594,000).

After charging a further actuarial loss on LGPS pension schemes of £1,463,000 (2020: loss of £2,031,000) the overall net movement in funds was a net decrease of £2,978,000 (2020: net decrease of £2,083,000).

RESERVES POLICY

Trustees consider ongoing spending plans as part of annual and medium-term financial planning and the need to closely match plans to projected funding is always observed. Trustees also recognise there are risks and uncertainties which may lead to unexpected costs and of the need to accelerate projects and strategic priorities or fund future capital needs that are not covered from capital grants received. Trustees consider it good practice to maintain an appropriate level of reserves to cater for such items, while balancing this with a need not to hold onto reserves for an excessive period.

The Mercian Trust does not pool GAG so, in circumstances where a constituent school is unable to set a balanced in-year budget, reserves may be needed to cover this shortfall on a temporary basis only.

Consequently, Trustees have agreed a reserves policy which recognises ongoing spending plans and the need to closely match funding. They recognise there are risks and uncertainties, which may lead to unexpected costs and there may be a need to fund capital projects. The Trustees consider it good practice to maintain a minimum level of 5% of GAG as reserves to cater for such items, while balancing this with a need not to hold onto excessive reserves. The Mercian Trust amalgamates any surpluses realised at the end of each financial year as pooled reserves. This is done to ensure funding provided to constituent schools is directed where it is most needed and to ensure strategic priorities can be accelerated for the benefit of all constituent schools. Reserves will not be used to fund ongoing expenditure within constituent schools or central teams indefinitely.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Revenue reserves

The free revenue reserves of the five founding academies at the date of formation of the MAT in January 2018 were £4,947,000.

At 31 August 2021, total revenue reserves were £4,160,116 of which, restricted revenue reserves were £1,777,265 (2020: £1,258,015) and unrestricted reserves were £2,382,851 (2020: £2,352,018). Included in restricted revenue reserves was a sports restricted reserve of £254,138 (2020: £254,138) which is required to be reinvested in sports projects following the sale of playing fields at Aldridge School during 2018.

Since inception in January 2018, the Trust has invested reserves to support capital works and other priority investment areas in line with the Trust's strategic and school improvement priorities. As part of the financial strategy and plans to deliver the Trust Strategic priorities, Trustees have approved and earmarked an additional £1.2m of reserves for 2021-22 and £1.5m across 2022-24 to support targeted school improvement projects, building improvement works, digital transformation, wellbeing and the development of central services.

In addition to amounts reserved for specific capital or ongoing projects the Trustees believe it is appropriate to maintain a level of free revenue reserves of at least 5% of recurring grant income to cater for risks and uncertainties, unexpected costs or shortfalls in income; working capital needs and the potential need for further capital investment. Excluding reserves earmarked for strategic priority investments, such reserves were £4,160,116 at 31 August 2021 or 14% of GAG (2020: £3,610,000 or 13% of GAG). However, if adjusted for the earmarked £2.8m priority investment projects, the free revenue reserves level is 5% of GAG, which is in line with the Trust Reserves Policy.

Pension Reserve

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

Fixed Asset Reserve

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

INVESTMENT POLICY

The Board of Trustees is responsible for setting investment policy. The day-to-day responsibility for managing this function is delegated to the Trust's CFO in consultation with the individual schools and taking into account the returns from interest rates compared to cash requirements.

In view of current low interest rates, and the major capital projects being undertaken across the Trust most funds were held in current accounts at year-end. This position is regularly reviewed to respond to changes in available interest rates.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Trust has a duty to identify and review significant risks and to ensure that there are adequate controls over these risks to provide reasonable assurance to the Trustees that risks are being managed and mitigated.

The Trustees have instigated a risk assurance framework approach that assesses the main areas of risk for the Trust and identifies the sources of assurance and ownership of the risks. The Trust has an established approach to risk management which has been further refined throughout the period to ensure seamless connectivity between (1) risk management, (2) development planning and reporting (including financial investment), (3) the Trust strategic plan and (4) critical indicators for Trust regulators (ESFA and Ofsted).

The risk assurance process includes:

- Strategic risk management being aligned to the 5 strategic themes:
 1. Social Justice and Social Mobility (through education)
 2. Systems and structures
 3. Digital Transformation
 4. Employer of Choice
 5. Growing our Trust in size and influence
- The identified risks assigned to these strategic themes are assessed against the following risk categories: Educational Standards, Reputational, Compliance, Finance, Infrastructure/Systems, Health & Safety, HR and Safeguarding.
- The likelihood and impact of each risk is assessed separately, along with the residual risk (after appropriate control measures). Sources of assurance are identified and documented so that our strategic aims and risks to achieving these are more intrinsically linked rather than being considered separately.
- The Audit & Risk Committee oversee this work and commissioned appropriate scrutiny of this work by internal auditors. Risks are explicitly referenced to our Development Plan and include executive risk owners and non-executive risk oversight responsibilities.

Risks to note that the Trust is managing are:

Social Justice

Trustees, Local Governors and staff are keenly aware of their responsibilities to ensure that Trust schools provide a safe and comfortable place in which to study and work. This has been subject to the added dynamic around the potential impact of the Covid-19 pandemic on all staff and students, but particularly on our vulnerable students the schools. Robust health & safety procedures and services have been adopted throughout the Trust with regular assurances through commissioned external expertise and independent audits. Headteachers / Principals are responsible for Health and Safety in each school. Each school has a nominated local governor for Health and Safety. Support is provided by a nominated lead within the Trust Central Team and this input has been highly valued throughout the COVID challenges of this period.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

The success of the Trust's Studio and Alternative Provision schools are fundamental to promoting social justice. Student recruitment at Walsall Studio School and the commissioning of Alternative Provision places at The Ladder School do not meet business plan targets (as a direct or indirect result of COVID disruption). To address this risk and other strategic risks identified throughout the year, trustees have established processes to ensure:

- Close monitoring of student numbers and recruitment / commissioning activities throughout the year by executive and non-executive leaders.
- Increased investment in marketing, communication, and PR
- Business planning support for school leaders from the CFO and other professionals
- Proactive engagement with Walsall Local Authority at school and Trust level.

Systems and Processes

Capacity

Our ambition for growth exceeds our organisational capacity to 'enable successful schools'

- o Outstanding Ofsted inspection judgements are not maintained, and our schools are not judged GOOD or better at next inspection.

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

- There is a clear strategic plan with criteria for growth and appropriate resources are in place to manage the Trust partnership arrangements and planned Trust merger.
- The Trust central team provides robust processes and reporting to monitor educational standards and financial health of each school within the trust.
- Good communication, including regular meetings for headteachers with each of the executive leaders of the Trust (CEO, CFO, Executive Director for Education).
- Experience and Expertise from Trustees, a professional central Trust team and capable senior leaders in the schools within the Trust work effectively.

Safeguarding

Trustees continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline.

The Trust designated Safeguarding Lead works closely with each school's Designated Safeguarding Lead (DSL) who are responsible for:

- Ensuring there are adequate systems in place for identifying and reporting on pupil welfare and safety
- Liaising with authorities to ensure that schools fulfil their obligations for dealing with serious incidents
- Planning, coordinating and organising training for staff and pupils on safeguarding matters
- Ensuring that parents are fully informed of arrangements (and of their own responsibilities) through the individual schools' home school agreements

The Trust's Executive Director of Education is the Trust's lead for safeguarding and in addition to the regular quality assurance activities to provide assurance of schools' safeguarding culture and practice a focused review of safeguarding during COVID disruptions has been undertaken in each trust school. The work of Designated Safeguarding Leads and their teams in each school throughout this period has been commended by the Trust. Each school has been proactive in their appropriate response to the Rapid Review of Sexual Abuse in Schools undertaken by Ofsted in this period.

There is a nominated Trustee for safeguarding.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Fraud, misuse of funds, safekeeping of assets and value for money

The Trust employs a qualified and experienced CFO, supported by a suitably qualified finance team which is responsible for managing finances. The Trust is robust in setting internal controls, are diligent in setting the Trust's budget and monitoring performance closely. The Trustees utilises a bought in and independent internal audit service and agreed a programme of internal audit work with them to review internal controls and processes as required by the Academies' Financial Handbook. Reports are prepared for the Audit & Risk Committee who ensure that required actions are taken to address any identified issues. Details of the 2020/21 internal audit programme of work is included in the Governance Statement.

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

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

Costs efficiencies have been achieved through economies of scale through Trust wide procurement activity and procurement expertise provided through partners and the central finance function. Spend is rigorously monitored against budgets to ensure adequate control of costs.

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

Digital Transformation

Digital transformation is at the heart of the Trust's development of an ambitious, relevant, and responsive curriculum that is delivered expertly inside and outside of the classroom. Significant due diligence and procurement activity has been undertaken during 2020/21 to select a Digital Transformation partner to establish a Trust-wide platform and digital infrastructure for staff and students and to support the delivery of effective change management and transformation in the ways that students and staff utilise digital.

Employer of Choice

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

The Chairs of the LGBs, and the Headteachers in individual schools are responsible for managing change and communication / dissemination of information to staff. Senior staff, governors and Trustees involved in staff recruitment are trained in the safer recruitment.

The Trust and each school receive professional HR advice and support from an external team of professionals who support the Trust all year around.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Growing Our Trust in Size and Influence

Finance

A financial strategy supported by short and medium term financial plans have been developed to underpin the achievement of the overall strategic objectives as set out in the Trustees' strategic plan. The business planning process used by the Trust ensures that strategic and school improvement priorities drive the financial strategy and investment plans of the Trust over the short, medium and long term.

Expansion

Extensive due diligence processes have been undertaken throughout 2020/21 relating to a proposed expansion of the Trust through merger. This work covered all educational, financial and legal aspects and assessed the impact on the strategic priorities of the Trust. A decision is pending.

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

- Increasing student numbers for 11-16 provision through capital expansion work. Both Queen Mary's schools have used Selective Schools Expansion funding to increase their PAN's as a result. The QMHS expansion project is extremely complex due to site constraint and planning approval delays. The PAN increase to date has been managed through temporary accommodation and Trustees have earmarked £800,000 from reserves to enable this project, which is expected to be undertaken during 2021/22 and is critical to facilitating the PAN increase as added year groups progress through the key stages.
- Increasing 16 – 19 student number. The MAT block subjects enable the Trust to offer a broader curriculum while managing efficiency of delivery. Retention of existing students is key for all schools as well as increasing external recruitment. Student numbers have increased year on year, although additional growth capacity remains.
- The development of the St Matthew's Campus (led by the Department for Education) providing the permanent building for The Ladder School (alternative provision free school) providing places needed in the borough. This site will also provide an additional extension building for Walsall Studio School, which is co-located on the same site. Unfortunately, due to delays in planning and the impact of Covid, the DfE has been delayed in delivering the new build. This is a significant risk to the Trust as it restricts pupil capacity and ability to grow – particularly through the limitations of the Ladder School's temporary accommodation.
- Trustees are also focused on increasing other revenues to reduce the impact of lower grant funding.

FUNDRAISING ACTIVITIES/ INCOME GENERATION

The schools within the Trust seek to increase revenues where possible. This includes the letting of sports and building facilities to third parties. These arrangements are subject to checks on the third party including for safeguarding, insurance and risk assessment activities. However, opportunities for such activities during 2020/21 have been severely limited due to the restrictions imposed due to Covid 19.

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

FUNDRAISING ACTIVITIES/ INCOME GENERATION (continued)

Queen Mary's Grammar School and Queen Mary's High School both request voluntary donations towards wider enrichment activities carried out by staff in these schools. Without these, it would be difficult to finance some of the extra-curricular activities which take place outside of core education. Requests are made termly and are clearly marked as voluntary. The Trust is very grateful for the generosity of parents who support the schools in this way. The Trust operates a sensitive approach to fundraising from parents and there have been no complaints. An external professional fundraising organisations has been commissioned during 2020/21 to research the feasibility of raising funds to secure improvements to sporting facilities at the QMGS; this feasibility work is not yet complete. Several schools within the Trust also have active parents' associations, who support activities and raise funds.

STREAMLINED ENERGY AND CARBON REPORTING

UK energy use and associated greenhouse gas emissions

Annual energy usage and associated annual greenhouse gas ("GHG") emissions are reported pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") that came into force 1 April 2019.

Organisational boundary

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

Reporting period

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

Quantification and reporting methodology

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

The energy data was collated using existing reporting mechanisms. These methodologies provided a near continuous record of natural gas and electricity use, with a modest amount of pro-rating used to align consumption data the accounting year. Transport data related to minibuses has been estimated.

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FOR THE YEAR ENDED 31 AUGUST 2021

STREAMLINED ENERGY AND CARBON REPORTING (continued)

The associated emissions are divided into mandatory and voluntary emissions according to the 2018 Regulations, then further divided into the direct combustion of fuels and the operation of facilities (scope 1), indirect emissions from purchased electricity (scope 2) and further indirect emissions that occur as a consequence of Trust activities (scope 3).

Breakdown of energy consumption used to calculate emissions (kWh):	2019/20	2020/21
Gas	4,925,719	5,623,508
Purchased electricity from the grid	1,733,892	1,814,750
Transport fuel	62,669	8,008
Total gross energy consumed	6,722,280	7,446,266

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

Breakdown of emissions associated with the reported energy use (tCO₂e)	2019/20	2020/21
Scope 1		
Natural gas	905.7	1030
Transport - Company owned vehicles (mini-buses)	15.2	2
Scope 2		
Purchased electricity (location-based)	404.2	385.3
Scope 3		
Transport - Business travel in employee-owned vehicles	1	0
Total gross emissions (mandatory)	1,326.1	1,417.3

Intensity ratios (mandatory emissions only)

Tonnes of CO ₂ e per pupil	0.255	0.262
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

PLANS FOR FUTURE PERIODS

FUTURE DEVELOPMENTS

The Mercian Trust entered into a Memorandum of Understanding with Quarerere Academies Trust in July 2020 which details the strategic partnership of both parties and the commitment to explore a trust merger. The intention is for the Trusts to merge in the Academic year 2021-2022, which has now been approved by the Regional Schools Commissioner.

The key objectives for the forthcoming year are referred to as 'Big Moves'.

These priorities are described as 'Big Moves' because they move the strategic plan of the Trust forward at pace during the period. A 'Big Move' is defined as (1) a move that requires a special investment of time and money – beyond that which is sustainable year on year and (2) something that cannot easily be underdone.

Our four 'Big Moves' are as follows:

Developing a Culture of Trust Leadership

This includes the ongoing development of quality assurance and school improvement work between Trust schools as well as through the Trust central team.

It includes the further development of CPD throughout the Trust.

It also includes the work of the Trust's new Trust Governance Professional support executive and non-executive leaders including local governance in each school.

The success criteria for this 'Big Move' is:

- All senior leaders know how they 'fit' within the Trust and how they contribute to delivering shared priorities (and strategic plan). Leaders' contribution is visible to staff in each school and the collaboration accelerates demonstrable school improvement and improved outcomes for students.

Trust Growth, including by Trust Merger

This includes securing DFE approval for planned merger and the successful implementation of the substantive merger transition programme.

It also includes the further development of the Trust's scalable operating model (for school improvement and business operations).

The success criteria for this 'Big Move' is:

- A strong trust (as defined by the DFE) of 9 schools with central teams of appropriate size, shape and expertise is established with financial, corporate and governance strengths enabling an effective school improvement function.
- Firm foundations are established through partnership to increase opportunities for staff and students and improvements are accelerated in all our schools.

Digital Transformation & Data Insights

This includes the work with our Digital Transformation partner to establish a Trust-wide platform and digital infrastructure for staff and students. It also includes effective programmes of change management and investment in IT infrastructure across the Trust.

The success criteria for this 'Big Move' is:

- Every member of staff experiences Trust investment in technology positively and is better connected to colleagues in different schools as a result. Initial enhancements in teaching and leadership practice piloted with clear roadmap for embedded enhancements as the transformation progresses.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

PLANS FOR FUTURE PERIODS (continued)

St Matthew's Campus

This includes the completion of the Trust's new town centre campus as home to the permanent school building for The Ladder School (enabling growth in AP places) and the extension to Walsall Studio School. It also includes the development of a new Digital Hub to further support the development of T Levels (Digital) on the site.

The success criteria for this 'Big Move' is:

- The long-term future of The Ladder School is secured with a permanent school building and agreed pupil-place contracts with commissioners. The WSS extension and new Digital Hub provides increased visibility of the studio school and the specialist technical opportunities for students. TLS & WSS both have physical space sustainable student numbers.

FUNDS HELD AS CUSTODIAN

During the year ended 31 August 2021, the Trust did not hold any funds as custodian trustee on behalf of any other charitable organisation.

AGENCY ARRANGMENTS

The Trust acts as an agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received and subsequent disbursements to students are excluded from the statement of financial activities as the Trust does not have control over the charitable application of the funds. In some instances, the Trust can use a percentage of the allocation towards its own administrative costs and this is recognised in the statement of financial activities. The funds received and paid and any balances are disclosed in note 32.

DISCLOSURE OF INFORMATION TO AUDITOR

Insofar as the Trustees are aware:

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

The Trustees' Report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 14 December 2021 and signed on its behalf by:



Kevin Davis
Chair of Trustees

THE MERCIAN TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT

Scope of responsibility

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

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

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of Trustees has formally met 7 times during the year.

Attendance during the year at meetings of the board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
William Hodson (Chair)	7	7
Rebecca Hearsey, Vice Chair	5	7
Kevin Davis	7	7
Jane Bonner	5	7
The Revd. Beverley Boden	6	7
Mark Harland	7	7
Paul Lee	6	7
Melanie Crooks	4	2
Eddie Stride	3	0
Roland Roberts	2	2
The Rt Hon Sir Gary Hickenbottom	0	0
Dr David Oloke	0	0

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

Attendance during the year at meetings was as follows:

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

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GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

The Pay Committee was convened for a single meeting.

Attendance during the year at meetings was as follows:

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

The Trustees delegate responsibility for finance, and resources (FRC) Committee. The FRC Committee has formally met three times during the year ended 31 August 2021. The FRC Committee formally met 3 times. * Signifies Non-Trustee Committee Member.

Attendance during the year at meetings was as follows:

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

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

Attendance during the year at meetings was as follows:

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

The Trustees delegate responsibility for audit and risk to the Audit & Risk (ARC) Committee. The ARC Committee has formally met three times during the year ended 31 August 2021. The BAR Committee formally met 3 times. * Signifies Non-Trustee Committee Member.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Melanie Crooks (Chair)	3	3
Will Hodgson	3	3
Eddie Stride	2	3
Jane Mole*	3	3

THE MERCIAN TRUST
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GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

GOVERNANCE REVIEWS

The board of Trustees, having considered skills audits and appropriate reviews, identified opportunities to further strengthen the effectiveness of governance by co-opting new Trustees onto the board and its subcommittees.

A successful programme of non-executive leader recruitment, including through the Academy Ambassadors programme, was undertaken in this period in preparation for September 2021. In recognition of the significant capital building projects underway and in development, the Trust targeted the recruitment of a trustee with specific buildings and capital project experience. This recruitment was wholly successful with the appointment of Dr David Oloke, a university academic, Chartered Civil Engineer and Chartered Construction Manager. Dr Oloke joined the board in September 2021.

The Trust commissioned an external review of governance during the period. The reviewer engaged with trustees, executive leaders, headteachers and local governors in order to complete the review. The findings stated: The development of governance within the Mercian Trust is good compared to other MATs at this early stage in their development and the Board of Trustees have established some robust governance practice; this practice extends to the Members and also at a local governance level.

The reviewer validated each of the six governance development points in the Trust action plan and provided two further actions for trustees to consider. Following the external review, the Trust successfully recruited a substantive Trust Governance Professional for the 2021/22 onwards.

Governance was also reviewed in September 2021 with external reviews commissioned by the Regional Schools Commissioner in connection with the proposed Trust Merger. An Educational Expert and School Resource Management Advisor met with trustees and reviewed governance documents including minutes.

The SRMA document in the report to the Trust: The Trust has a mature central function that due to the way it is setup is scalable and flexible. The Trust has a skilled and knowledgeable body of Trustees on the Board and Committees that will provide the challenge and support to ensure the continuing growth of the Mercian Trust.

The Trust's Executive Director for Education reviews the effectiveness of local governance as part of the MAT-wide school self-evaluation process (SEFs). Local governance has been quality-assured as part of the Trust's QA (Quality Assurance) activities which take place throughout the year and the governance practices (at all levels) will be further enhanced by the work of the new Trust Governance Professional.

Review of value for money

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

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

THE MERCIAN TRUST
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GOVERNANCE STATEMENT (CONTINUED)

Review of value for money (continued)

Improving Educational Outcomes

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

- Monitoring and taking action on staffing levels and their efficient deployment, using tools such as ICFP Schools Benchmarking and Schools Resources Management.
- Developing tracking systems to record and monitor all aspects of pupil data including attainment, attendance and behavior.
- Using specific grants such as Pupil Premium to target additional funds to support to improve education and social outcomes
- Coordinating continuing professional development training for staff and regularly trust-wide CPD sessions to increase collaboration, efficiency of delivery and to encourage transfer of best practice and team working
- Within existing budgets, Trust wide posts focus on areas for improving outcomes for students.
- Seconding excellent teachers and middle leaders to work as Trust Lead Practitioners across the Trust to support the rapid improvement in different schools as identified by executive leaders. Trust Lead Practitioners in Maths and Science provided added improvement capacity in this period and has led to the Trust establishing a team of Trust Lead Professionals in a wider range of subjects for 2021/22.

Financial Governance and Monitoring

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

- The Trust has benefitted from purchasing as a Trust and making use of public sector framework agreements, in areas such as energy arrangements, IT systems and services and insurances to use funding efficiently. The Trust has also procured educational resources in bulk orders to maximise discounts, using public procurement networks such as ESPO to benefit from competitive frameworks where appropriate.
- The Trust tendered and awarded a Trust-wide preferred supplier contract to ensure best value for common products and commodities (such as educational supplies) used across our schools. This has enabled us to adopt our partners portal which provides for increased efficiency benefits including reducing administration time in schools and reducing transaction and processing costs through combining orders, consolidating invoices etc.
- Additional Trust tenders for catering, building cleaning and energy has delivered better value outcomes through economies of scale and improved services. A Trust wide procurement plan is in place that prioritises and schedules trust wide tenders and contracting opportunities to optimize economies of scale and other efficiencies. The Trust works with an external procurement company who specialise in public sector and education procurement to provide expertise and access to MCIPS qualified procurement services and support to aid our priority of driving down the costs of contracts and services where possible, whilst improving quality of the services being received.
- Increasing pupil growth and capacity with expansion projects at QMGS and QMHS.
- Working collectively with three external selective schools and an exam board to secure a significant reduction in the costs of operating a combined entrance examination for pupils entering grammar schools in the area

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GOVERNANCE STATEMENT (CONTINUED)

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 and school 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 across the Trust throughout the year ended 31 August 2021.

Capacity to handle risk

The Trustees have reviewed the key risks to which the Trust is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. Trustees have implemented a strategy to indicate how they are reassured that control measures are effective, and the Audit and Risk Committee is of the view that there was a formal ongoing process for identifying, evaluating, and managing the Trust's significant risks in place for the year ended 31 August 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Trustees.

The risk and control framework

The Trust's system of internal financial control is based on a framework of regular management information and administrative procedures with segregation of duties and a system of delegation & accountability, including:

- 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 Audit & Risk Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- Setting targets to measure financial and other performance
- Clearly defined purchasing (asset purchase or capital investment) guidelines
- Delegation of authority and segregation of duties
- Identification and management of risks

The Trust has an established approach to risk management, including the maintenance of a trust-wide risk register that is regularly reviewed by our Board and scrutinised by the relevant sub committee. We have used our view on risks facing the trust and the related assurances available to direct our internal scrutiny work for the year. Some of this assurance has been provided through a programme of risk management and assurance work undertaken by the Trust's appointed internal auditors - Bishop Fleming LLP.

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GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework (continued)

Work performed by Bishop Fleming

Key Controls Visit

During the general controls visit in April, testing was performed on a number of key control processes operating at the trust across the following areas:

- Bank and cash;
- Budgets and Financial Monitoring;
- Compliance;
- Credit cards;
- Fixed assets;
- Governance and Regularity;
- Income and debtors;
- Information Technology;
- Payroll;
- Purchases and procurement;
- Strategic and operational.

The findings from their work are summarised below. As a result of their testing, Bishop Fleming raised 8 low-level recommendations in the following areas:

Review area	Number of recommendations		
			
Bank and cash	-	-	-
Budgets and Financial Monitoring	-	-	2
Compliance	-	-	2
Credit cards	-	-	-
Fixed assets	-	-	1
Governance and Regularity	-	-	1
Income and debtors	-	-	-
Information Technology	-	-	-
Payroll	-	-	1
Purchases and procurement	-	-	-
Strategic and operational	-	-	1
Total	-	-	8

The recommendations raised related to observations regarding control framework design and operation in areas such as the periodic reperformance of DBS checks, the issue of annual salary change letters, ensuring the fixed asset register is updated during the year and the mechanism by which the Audit and Risk Committee receive assurance that census checks and related pupil returns completed by schools are complete, accurate and submitted on time.

Processes and procedures have either been changed or are under review against all of the recommendations made. Actions implemented to date include the issuing of annual salary change letters and all census returns are collated centrally and reviewed.

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GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework (continued)

Risk Management and Assurance (work to be carried out over 2020-21 and 2021-22)

We asked Bishop Fleming to carry out a multi stage review of our risk management process to examine how the Trust currently monitors and reports the degree to which risks are managed at both Trust level and at local school level, the mechanisms by which risks can be escalated and collated from school level, and thematic issues shared across the Trust. After an initial status review of the format and use of the current risk register, Bishop Fleming will over the course of 2021/22 review our wider assurance framework and how we as a Trust identify key assurances that should be reviewed and relied on as indicators of how well or effectively risks are being managed in practice.

Bishop Fleming commented that our recently revised risk register format and related approach provided a good platform on which to monitor risks facing the trust, and to prompt or direct focus, discussion and challenge. The fact that the risks are now also more explicitly referenced to our updated Development Plan with both highlighting executive risk owners and non-executive risk oversight responsibilities, as well as KPIs and "Reassurance Source", means that our strategic aims and risks to achieving these are more intrinsically linked rather than being considered separately.

Bishop Fleming agreed that there are opportunities for us to further evolve the risk management process, particular with regard to a greater and more consistent understanding, focus and use of sources of assurance across the trust. As above, this will be a focus of their support in 2021/22.

Onboarding

Bishop Fleming also carried out a high level advisory review considering the Trust's plans and preparations for onboarding new schools which indicated that the trust's approach to the process involved in preparing for and implementing the onboarding of new schools appeared reasonable and had considered the associated risks that such a process naturally increases. Executive involvement in and non-executive oversight over the process and risks meant that the trust were able to plan for, monitor and adapt to changing circumstances and timelines, and consequently increase the prospect of a smooth process for all parties and stakeholders.

The role and scope of the internal assurance provider

We acknowledge and accept that the work of our internal auditors is only one source of assurance available to the trust and internal scrutiny work does not seek to cover all risks faced by and processes operating within the trust. It is ultimately for the Board, guided by the Audit and Risk Committee, to ensure that sufficient assurances are received in relation to all key risks. It is management's responsibility to develop and maintain sound systems of internal control to ensure that adequate controls are in place and operating effectively across the trust.

The internal audit team are not authorised to perform any operational duties on behalf of the trust, initiate or approve any transactions or related accounting on behalf of the trust, or instruct or direct the activities of any member of staff of the trust. Consequently, any suggested actions raised within internal assurance reports as above are assessed and accepted by the trust before they are implemented.

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GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework (continued)

Other Internal Scrutiny Work

In addition to the internal scrutiny reviews provided by Bishop Fleming summarised above, the trust also commissioned / received the following other assurances provided by third parties:

A School Resource Management Advisor (SRMA) was commissioned by the ESFA to review:

- Efficiencies - To identify potential cost savings and clarify the use of ICFP
- Financial Governance and Capacity for Growth – to assess the Trust’s capacity to expand through additional schools joining the Trust

The report identified some areas of potential efficiency relating to a low pupil to teacher ratio compared to national averages, but similarly recognised that this represented target investment into teaching and learning priorities. The report concluded that the “Trust is also in a very strong financial position with each mainstream school having healthy and sustainable in-year surpluses (hence growing reserves which they use for further development of Educational Outcomes across the Trust)”.

Trustees also receive assurance from external reviews, site visits to each school and regular reports provided by Elite Safety in Education.

Review of effectiveness

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

- Work of the Chief Financial Officer (CFO) and finance teams across the Trust
- Extended assurance reviews by the Trust’s external auditors
- Scrutiny of the Audit & Risk Committee and Trustees
- The financial management and governance self-assessment process
- The work of the Trust’s external auditors in connection with their audit of the annual report and financial statements and in management letters

During the year to 31 August 2021, the accounting officer was advised of the implications of the result of their review of the system of internal control by the Audit & Risk committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 14 December 2021 and signed on their behalf by:



Kevin Davis
Chair of Trustees



Dan Parkes
Accounting Officer

THE MERCIAN TRUST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of The Mercian Trust I have considered my responsibility to notify the Trust board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, under the funding agreement in place between the Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2020.

I confirm that I and the Trust board of Trustees are able to identify any material irregular or improper use of all funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2020.

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



Daniel Parkes
Accounting Officer
Date: 14 December 2021

THE MERCIAN TRUST
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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2021

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2019 and the Academies Accounts Direction 2020 to 2021;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Trustees on 14 December 2021 and signed on its behalf by:

Kevin Davis
Chair of Trustees



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

Opinion

We have audited the financial statements of The Mercian Trust (the 'trust') for the year ended 31 August 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2019 and the Academies Accounts Direction 2020 to 2021 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 August 2021 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2019 and the Academies Accounts Direction 2020 to 2021 issued by the Education and Skills Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Trustees are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102), Companies Act 2006, Academies Accounts Direction and the Academy Trust Handbook. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company for fraud. The key laws and regulations we considered in this context were General Data Protection Regulation, health and safety legislation, Ofsted and employee legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquire of the Trustees and other management and inspection of regulatory and legal correspondence, if any. We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing and completeness of income recognition and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Board about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the ESFA, and reading minutes of meetings of those charged with governance.

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

Use of our report

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



Helen Drew (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Black Country House

Rounds Green Road

Oldbury

West Midlands

B69 2DG

17 December 2021

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

In accordance with the terms of our engagement letter dated 23 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2020 to 2021, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Mercian Trust during the year 1 September 2020 to 31 August 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The accounting officer is responsible, under the requirements of The Mercian Trust's funding agreement with the Secretary of State for Education dated 27 May 2011 and the Academies Financial Handbook, extant from 1 September 2020, 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 2020 to 2021. 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 2020 to 31 August 2021 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 Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

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

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2020 to 31 August 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor

Date: 17 December 2021

THE MERCIAN TRUST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2021**

	Note	Unrestricted funds 2021 £	Restricted funds 2021 £	Restricted fixed asset funds 2021 £	Total funds 2021 £	Total funds 2020 £
Income from:						
Donations and capital grants	3	67,327	21,000	1,321,411	1,409,738	1,600,148
Other trading activities		211,291	-	-	211,291	214,159
Investments	7	890	-	-	890	7,285
Charitable activities	4	785,161	32,120,110	-	32,905,271	30,661,229
Total income		1,064,669	32,141,110	1,321,411	34,527,190	32,482,821
Expenditure on:						
Charitable activities		1,034,136	33,856,750	1,637,548	36,528,434	33,593,283
Total expenditure		1,034,136	33,856,750	1,637,548	36,528,434	33,593,283
Net income/(expenditure)		30,533	(1,715,640)	(316,137)	(2,001,244)	(1,110,462)
Transfers between funds	21	-	719,890	(719,890)	-	-
Net movement in funds before other recognised gains/(losses)		30,533	(995,750)	(1,036,027)	(2,001,244)	(1,110,462)
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension schemes	28	-	(1,463,000)	-	(1,463,000)	(2,031,000)
Net movement in funds		30,533	(2,458,750)	(1,036,027)	(3,464,244)	(3,141,462)

THE MERCIAN TRUST
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
(CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Note	Unrestricted funds 2021 £	Restricted funds 2021 £	Restricted fixed asset funds 2021 £	Total funds 2021 £	<i>Total funds 2020 £</i>
Reconciliation of funds:					
Total funds brought forward	2,352,318	(12,335,985)	68,120,693	58,137,026	61,278,488
Net movement in funds	30,533	(2,458,750)	(1,036,027)	(3,464,244)	(3,141,462)
Total funds carried forward	<u><u>2,382,851</u></u>	<u><u>(14,794,735)</u></u>	<u><u>67,084,666</u></u>	<u><u>54,672,782</u></u>	<u><u>58,137,026</u></u>

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

The notes on pages 49 to 82 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 AUGUST 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	15	16,840	37,330
Tangible assets	16	64,066,684	63,608,744
		<u>64,083,524</u>	<u>63,646,074</u>
Current assets			
Stocks	17	39,602	41,167
Debtors	18	2,102,978	3,132,159
Cash at bank and in hand		7,865,164	7,899,073
		<u>10,007,744</u>	<u>11,072,399</u>
Creditors: amounts falling due within one year	19	(2,735,495)	(2,942,141)
Net current assets		<u>7,272,249</u>	<u>8,130,258</u>
Total assets less current liabilities		<u>71,355,773</u>	<u>71,776,332</u>
Creditors: amounts falling due after more than one year	20	(110,991)	(45,306)
Net assets excluding pension liability		<u>71,244,782</u>	<u>71,731,026</u>
Defined benefit pension scheme liability	28	(16,572,000)	(13,594,000)
Total net assets		<u><u>54,672,782</u></u>	<u><u>58,137,026</u></u>

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

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2021

	Note	2021 £	2020 £
Funds of the Trust			
Restricted funds:			
Fixed asset funds	21	67,084,666	68,120,693
Restricted income funds	21	1,777,265	1,258,015
Pension reserve	21	(16,572,000)	(13,594,000)
Total restricted funds	21	52,289,931	55,784,708
Unrestricted income funds	21	2,382,851	2,352,318
Total funds		54,672,782	58,137,026

The financial statements on pages 44 to 82 were approved by the Trustees, and authorised for issue on 14 December 2021 and are signed on their behalf, by:


Kevin Davis
Chair of Trustees

The notes on pages 49 to 82 form part of these financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Net cash provided by operating activities	23	781,331	1,488,604
Cash flows from investing activities	25	(922,150)	463,582
Cash flows from financing activities	24	106,910	(14,723)
Change in cash and cash equivalents in the year		(33,909)	1,937,463
Cash and cash equivalents at the beginning of the year		7,899,073	5,961,610
Cash and cash equivalents at the end of the year	26, 27	7,865,164	7,899,073

The notes on pages 49 to 82 form part of these financial statements

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

1. Accounting policies

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

1.1 Basis of preparation of financial statements

The financial statements of the Trust, which is a public benefit entity under FRS 102, have been prepared under the historic cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2020 to 2021 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

1.2 Going concern

The Trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements, and have factored in the financial and operational impact of COVID-19 on the Trust, and have concluded that the Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

1. Accounting policies (continued)

1.3 Income

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

• **Grants**

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

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

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

• **Donations**

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

• **Other income**

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

1.4 Expenditure

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

• **Charitable activities**

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

1. Accounting policies (continued)

1.5 Intangible assets

Intangible assets costing £2,500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

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

The estimated useful lives are as follows:

Amortisation is provided on the following basis:

Software	- 3 years
----------	-----------

1.6 Tangible fixed assets

Assets costing £2,500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where items are purchased as a group the value of the group is considered not the value of the individual items when considering if the group should be capitalised.

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

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

The estimated useful lives range as follows:

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

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

1. Accounting policies (continued)

1.7 Interest receivable

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

1.8 Operating leases

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

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.10 Debtors

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

1.11 Fund accounting

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

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

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

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

1.12 Cash at bank and in hand

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.13 Liabilities

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

1. Accounting policies (continued)

1.14 Financial instruments

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

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

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

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 19 and 20. Taxation and social security are not included in the financial instruments disclosure definition.

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

1.15 Taxation

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

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

1. Accounting policies (continued)

1.16 Pensions

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

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

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

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

1.17 Agency arrangements

The charitable company acts as an agent in distributing bursary funds and grants from the ESFA and other government bodies. Payments received and subsequent disbursements to students are excluded from the Statement of financial activities as the Trust does not have control over the charitable application of the funds. In some instances the Trust can use a percentage of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 31

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

2. Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 August 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The Trustees have exercised judgement in estimating the expected useful life of the School's leasehold buildings and other fixed assets. These estimates are then used to calculate the depreciation cost of the assets.

Critical areas of judgment:

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

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

3. Income from donations and capital grants

	Unrestricted funds 2021 £	Restricted funds 2021 £	Restricted fixed asset funds 2021 £	Total funds 2021 £
Donations	67,327	21,000	170,937	259,264
Capital Grants	-	-	1,150,474	1,150,474
	<u>67,327</u>	<u>21,000</u>	<u>1,321,411</u>	<u>1,409,738</u>

	<i>Unrestricted funds 2020 £</i>	<i>Restricted fixed asset funds 2020 £</i>	<i>Total funds 2020 £</i>
Donations	67,061	-	67,061
Capital Grants	-	1,533,087	1,533,087
	<u>67,061</u>	<u>1,533,087</u>	<u>1,600,148</u>

4. Income from charitable activities

	Unrestricted funds 2021 £	Restricted funds 2021 £	Total funds 2021 £
Funding for educational operations (note 5)	-	31,918,796	31,918,796
Catering income	414,341	-	414,341
School fund	227,179	-	227,179
Other income	143,641	201,314	344,955
	<u>785,161</u>	<u>32,120,110</u>	<u>32,905,271</u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

4. Income from charitable activities (continued)

	<i>Unrestricted funds 2020 £</i>	<i>Restricted funds 2020 £</i>	<i>Total funds 2020 £</i>
Funding for educational operations (note 5)	-	29,207,813	29,207,813
Catering income	610,685	-	610,685
School fund	472,649	-	472,649
Other income	165,496	204,586	370,082
	<u>1,248,830</u>	<u>29,412,399</u>	<u>30,661,229</u>

5. Funding for the Trust's educational operations

	Restricted funds 2021 £	Total funds 2021 £
DfE/ESFA grants		
General Annual Grant (GAG)	27,756,721	27,756,721
Other DfE/ESFA grants		
Other Dfe/ESFA Grants	449,333	449,333
Pupil Premium	1,006,265	1,006,265
Teachers Pension Grant	1,059,599	1,059,599
	<u>30,271,918</u>	<u>30,271,918</u>
Other Government grants		
Local Authority Grants	862,368	862,368
	<u>862,368</u>	<u>862,368</u>
COVID-19 additional funding (DfE/ESFA)		
Catch-up Premium	345,840	345,840
Other DfE/ESFA COVID-19 funding	438,670	438,670
	<u>784,510</u>	<u>784,510</u>
	<u>31,918,796</u>	<u>31,918,796</u>

THE MERCIAN TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

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

	<i>Restricted funds 2020 £</i>	<i>Total funds 2020 £</i>
DfE/ESFA grants		
General Annual Grant (GAG)	26,053,282	26,053,282
Other DfE/ESFA grants		
Other Dfe/ESFA Grants	487,991	487,991
Pupil Premium	988,943	988,943
Teachers Pension Grant	1,001,571	1,001,571
	28,531,787	28,531,787
Other Government grants		
Local Authority Grants	620,636	620,636
	620,636	620,636
COVID-19 additional funding (DfE/ESFA)		
Other DfE/ESFA COVID-19 funding	55,390	55,390
	55,390	55,390
	29,207,813	29,207,813

Following the reclassification in the Academies Accounts Direction 2020/21 of some grants received from the Department of Education and ESFA, the trust's funding for Pupil Premium is no longer reported under the Other DfE Group grants heading, but as separate lines under the Other DfE/ESFA grants heading. The prior year numbers have been reclassified.

The academy received £345,840 of funding for catch-up premium and costs incurred in respect of this funding totalled £275,840, with the remaining £70,000 to be spent in 2021/22.

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

THE MERCIAN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

6. Income from other trading activities

	Unrestricted funds 2021 £	Total funds 2021 £
School Uniform & Other Sales	61,700	61,700
Staff Catering	9,860	9,860
Lettings Income	43,602	43,602
Music Income	96,129	96,129
	<hr/> 211,291 <hr/>	<hr/> 211,291 <hr/>
	<i>Unrestricted funds 2020 £</i>	<i>Total funds 2020 £</i>
School Uniform & Other Sales	60,109	60,109
Staff Catering	10,782	10,782
Lettings Income	74,288	74,288
Music Income	68,980	68,980
	<hr/> 214,159 <hr/>	<hr/> 214,159 <hr/>

THE MERCIAN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

7. Investment income

	Unrestricted funds 2021 £	Total funds 2021 £
Investment Income	890	890
	<i>Unrestricted funds 2020 £</i>	<i>Total funds 2020 £</i>
Investment Income	7,285	7,285

8. Expenditure

	Staff Costs 2021 £	Premises 2021 £	Other 2021 £	Total 2021 £
Funding for educational operations:				
Direct costs	22,862,211	1,617,057	2,575,267	27,054,535
Allocated support costs	4,945,683	3,017,830	1,510,386	9,473,899
	27,807,894	4,634,887	4,085,653	36,528,434
	<i>Staff Costs 2020 £</i>	<i>Premises 2020 £</i>	<i>Other 2020 £</i>	<i>Total 2020 £</i>
Funding for educational operations:				
Direct costs	21,437,781	1,704,968	2,559,454	25,702,203
Allocated support costs	4,162,534	2,337,241	1,391,305	7,891,080
	25,600,315	4,042,209	3,950,759	33,593,283

THE MERCIAN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

9. Analysis of support costs

	Total funds 2021 £	<i>Total funds 2020 £</i>
Wages and Salaries	4,945,683	4,162,534
Premises Costs	3,017,830	2,337,241
Governance Costs	63,712	50,922
Other support costs	1,446,674	1,340,383
	9,473,899	7,891,080

10. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2021 £	<i>2020 £</i>
Operating lease rentals	12,197	22,390
Depreciation of tangible fixed assets	1,617,057	1,704,968
Amortisation of intangible assets	20,590	24,588
Fees paid to auditor for:		
- audit	23,915	23,400
- other services	18,435	20,302

THE MERCIAN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

11. Staff

a. Staff costs

Staff costs during the year were as follows:

	2021 £	2020 £
Wages and salaries	19,497,402	18,443,805
Social security costs	1,987,616	1,862,261
Pension costs	5,684,889	4,764,992
	<u>27,169,907</u>	<u>25,071,058</u>
Agency staff costs	621,599	479,257
Staff restructuring costs	16,388	50,000
	<u>27,807,894</u>	<u>25,600,315</u>

Staff restructuring costs comprise:

Severance payments	<u>16,388</u>	<u>50,000</u>
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b. Non-statutory/non-contractual staff severance payments

Two settlement payments were made to employees in the 2020/2021 financial year totalling £16,388 (2020: two payments totalling £50,000). Individually the payments were: £4,624 and £11,764. The payments were authorised 22 June 2021 and 21 July 2021. The payment was duly authorised by Trustees as per requirements of the Academies Financial Handbook

c. Staff numbers

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

	2021 No.	2020 No.
Teachers	313	347
Administration and support	273	273
Management	46	32
	<u>632</u>	<u>652</u>

THE MERCIAN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
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11. Staff (continued)

d. Higher paid staff

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

	2021	2020
In the band £60,001 - £70,000	14	11
In the band £70,001 - £80,000	4	7
In the band £80,001 - £90,000	2	2
In the band £90,001 - £100,000	3	1
In the band £100,001 - £110,000	1	1
In the band £110,001 - £120,000	-	1
In the band £120,001 - £130,000	1	-

e. Key management personnel

The key management personnel of the Trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Trust was £1,158,028 (2020: £1,069,670).

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12. Central services

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

- Strategic direction and coordination of activities
- School Improvement including access to a trained Ofsted Lead inspector
- Central financial services including Financial policy and management, Statutory accounting and returns, Strategic financial planning, Financial management advice and support, Transactional procurement, creditor management, payroll.
- Central IT services
- Coordination of a Trust-wide approach to GDPR compliance
- Tax advice
- Programmes of trust-wide developed CPD and initial teacher training
- Insurance advisory and broking, claims management
- Estates project management and advice
- HR advice
- Annual external audit, pension valuations and extended audit assurance
- Other educational services organised centrally by the Trust
- Additional resources to schools for SEND and social mobility

The Trust charges for these services on the following basis:

The Trust charged for the services by means of a “top slice approach”. In the current year the Trust charged 5% of grant income. This fee was charged for the full 12 months.

The actual amounts charged during the year were as follows:

	2021	2020
	£	£
Aldridge School	387,624	374,295
Queen Marys Grammar School	284,952	258,102
Queen Marys High School	194,484	181,264
Shire Oak Academy	380,976	362,248
Walsall Studio School	91,128	88,157
The Ladder School	39,996	38,474
Total	1,379,160	1,302,540

13. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2020 - £NIL).

During the year ended 31 August 2021, no travel and subsistence expenses (2020: £NIL) were reimbursed to any Trustees.

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14. Trustees' and Officers' insurance

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

15. Intangible assets

	Software £
Cost	
At 1 September 2020	84,570
At 31 August 2021	84,570
Amortisation	
At 1 September 2020	47,240
Charge for the year	20,490
At 31 August 2021	67,730
Net book value	
At 31 August 2021	16,840
<i>At 31 August 2020</i>	37,330

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16. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Assets under construction £	Plant and Equipment £	Total £
Cost or valuation					
At 1 September 2020	46,588,953	20,723,955	534,719	3,004,641	70,852,268
Additions	142,170	262,947	1,503,868	166,012	2,074,997
At 31 August 2021	<u>46,731,123</u>	<u>20,986,902</u>	<u>2,038,587</u>	<u>3,170,653</u>	<u>72,927,265</u>
Depreciation					
At 1 September 2020	1,909,674	3,200,852	-	2,132,998	7,243,524
Charge for the year	724,465	507,000	-	385,592	1,617,057
At 31 August 2021	<u>2,634,139</u>	<u>3,707,852</u>	-	<u>2,518,590</u>	<u>8,860,581</u>
Net book value					
At 31 August 2021	<u><u>44,096,984</u></u>	<u><u>17,279,050</u></u>	<u><u>2,038,587</u></u>	<u><u>652,063</u></u>	<u><u>64,066,684</u></u>
At 31 August 2020	<u><u>44,679,279</u></u>	<u><u>17,523,103</u></u>	<u><u>534,719</u></u>	<u><u>871,643</u></u>	<u><u>63,608,744</u></u>

17. Stocks

	2021 £	2020 £
Finished goods and goods for resale	<u><u>39,602</u></u>	<u><u>41,167</u></u>

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18. Debtors

	2021 £	2020 £
Due within one year		
Trade debtors	96,392	62,778
Other debtors	1,386	209
VAT repayable	461,835	339,316
Prepayments and accrued income	1,543,365	2,729,856
	<u>2,102,978</u>	<u>3,132,159</u>

19. Creditors: Amounts falling due within one year

	2021 £	2020 £
Other loans	56,058	14,185
Trade creditors	315,281	513,736
Other taxation and social security	490,073	452,942
Other creditors	881,043	905,362
Accruals and deferred income	993,040	1,055,916
	<u>2,735,495</u>	<u>2,942,141</u>

	2021 £	2020 £
Deferred income at 1 September 2020	184,603	351,094
Resources deferred during the year	36,766	187,870
Amounts released from previous periods	(140,436)	(354,361)
	<u>80,933</u>	<u>184,603</u>

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

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

	2021	<i>2020</i>
	£	£
Other loans	110,991	<i>45,306</i>

Other loans includes £56,058 (2020: £14,185) falling within one year and £110,991 (2020: £45,306) falling due after more than one year for the balance of three Salix loans, one CIF loan and one SSEF loan.

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

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

The total amount to be advanced as SSEF loans is £200,000. As at 31 August 2021 £121,095 has been received. This loan is charged at an interest rate of 1.81%, is unsecured and repayable in equally monthly instalments of £3,517 over a period of five years.

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NOTES TO THE FINANCIAL STATEMENTS
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21. Statement of funds

	Balance at 1 September 2020 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2021 £
Unrestricted funds						
General Funds	2,352,318	1,064,669	(1,034,136)	-	-	2,382,851
Restricted general funds						
General Annual Grant (GAG)	1,003,877	27,756,721	(28,027,361)	719,890	-	1,453,127
Other DfE/ESFA grants	-	449,333	(449,333)	-	-	-
Pupil Premium	-	1,006,265	(1,006,265)	-	-	-
Catch-up Premium	-	345,840	(275,840)	-	-	70,000
Other DfE/ESFA COVID-19	-	438,670	(438,670)	-	-	-
Local Authority Grants	-	862,368	(862,368)	-	-	-
Other	-	222,314	(222,314)	-	-	-
Teachers Pension Grant	-	1,059,599	(1,059,599)	-	-	-
Sports reserve	254,138	-	-	-	-	254,138
Pension reserve	(13,594,000)	-	(1,515,000)	-	(1,463,000)	(16,572,000)
	(12,335,985)	32,141,110	(33,856,750)	719,890	(1,463,000)	(14,794,735)
Restricted fixed asset funds						
DfE/ESFA capital grants	11,160,546	1,150,474	-	(548,953)	-	11,762,067
Voluntary capital income	9,907,465	-	-	-	-	9,907,465
Capital donations from private sector	1,167,599	-	-	-	-	1,167,599
Depreciation	(7,290,763)	-	(1,637,548)	-	-	(8,928,311)
Donations on transfer	53,175,846	-	-	-	-	53,175,846
Donations	-	170,937	-	(170,937)	-	-

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21. Statement of funds (continued)

	Balance at 1 September 2020 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2021 £
	68,120,693	1,321,411	(1,637,548)	(719,890)	-	67,084,666
Total Restricted funds	55,784,708	33,462,521	(35,494,298)	-	(1,463,000)	52,289,931
Total funds	58,137,026	34,527,190	(36,528,434)	-	(1,463,000)	54,672,782

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

Fund descriptions:

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

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

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

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

The excess of restricted fixed asset funds over the total net book value of fixed assets represents capital monies not yet spent. At 31 August 2021 this amounted to £3,001,142 (2020: £4,474,619).

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2021.

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

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

	<i>Balance at 1 September 2019 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2020 £</i>
Unrestricted funds						
General Funds	2,143,094	1,537,335	(1,398,121)	70,010	-	2,352,318
Restricted general funds						
General Annual Grant (GAG)	1,611,044	26,999,463	(28,000,670)	394,040	-	1,003,877
Other DfE/ESFA grants	-	1,375,185	(1,375,185)	-	-	-
Pupil Premium	-	1,037,751	(1,037,751)	-	-	-
Sports reserve	254,138	-	-	-	-	254,138
Pension reserve	(11,511,000)	-	(52,000)	-	(2,031,000)	(13,594,000)
	<u>(9,645,818)</u>	<u>29,412,399</u>	<u>(30,465,606)</u>	<u>394,040</u>	<u>(2,031,000)</u>	<u>(12,335,985)</u>
Restricted fixed asset funds						
DfE/ESFA capital grants	10,091,509	1,533,087	-	(464,050)	-	11,160,546
Voluntary capital income	9,907,465	-	-	-	-	9,907,465
Capital donations from private sector	1,167,599	-	-	-	-	1,167,599
Depreciation	(5,561,207)	-	(1,729,556)	-	-	(7,290,763)
Donations on transfer	53,175,846	-	-	-	-	53,175,846
	<u>68,781,212</u>	<u>1,533,087</u>	<u>(1,729,556)</u>	<u>(464,050)</u>	<u>-</u>	<u>68,120,693</u>
Total Restricted funds	<u>59,135,394</u>	<u>30,945,486</u>	<u>(32,195,162)</u>	<u>(70,010)</u>	<u>(2,031,000)</u>	<u>55,784,708</u>
Total funds	<u><u>61,278,488</u></u>	<u><u>32,482,821</u></u>	<u><u>(33,593,283)</u></u>	<u><u>-</u></u>	<u><u>(2,031,000)</u></u>	<u><u>58,137,026</u></u>

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

Total funds analysis by academy

Fund balances at 31 August 2021 were allocated as follows:

	2021 £	2020 £
Aldridge School	1,419,321	1,119,731
Aldridge School Sports Regime	254,138	254,138
Queens Mary's Grammar School	1,096,118	1,134,933
Queen Mary's High School	710,714	431,265
Shire Oak Academy	795,687	528,575
Walsall Studio School	256,480	201,842
The Mercian Trust	(352,472)	(209,611)
The Ladder School	(19,870)	149,460
Total before fixed asset funds and pension reserve	<u>4,160,116</u>	<u>3,610,333</u>
Restricted fixed asset fund	67,084,666	68,120,693
Pension reserve	(16,572,000)	(13,594,000)
Total	<u><u>54,672,782</u></u>	<u><u>58,137,026</u></u>

The following academies are carrying a net deficit on their portion of the funds as follows:

	Deficit £
The Ladder School	(19,870)
The Mercian Trust	<u><u>(353,955)</u></u>

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

The deficit shown for The Ladder School is as a result of the budgeted place funding for 2020-21 not being fully received and was not clarified by the ESFA until September 2021. This resulted in an in-year funding shortfall of £240,000, which has resulted in an in-year deficit of £169,330. Prudent financial management whilst waiting on the ESFA funding clarification enabled the deficit to be £70,670 less than the funding shortfall. A robust financial plan to stabilise and provide a balance budget for 2021/22 and beyond has been established, but remains reliant upon adequate place funding (which has been confirmed by the ESFA for 2021/22), the completion of the new school building and demand for AP places.

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

Total cost analysis by academy

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2021 £
Aldridge School	6,581,023	338,850	609,204	1,358,059	8,887,136
Queens Mary's Grammar School	4,065,279	646,323	651,620	1,005,497	6,368,719
Queen Mary's High School	3,039,783	290,547	394,202	543,967	4,268,499
Shire Oak Academy	6,556,271	788,374	561,927	1,089,153	8,995,725
Walsall Studio School	1,390,348	156,804	164,316	210,569	1,922,037
The Mercian Trust	496,963	2,551,833	62,198	226,456	3,337,450
The Ladder School	732,544	172,952	111,309	94,515	1,111,320
Trust	22,862,211	4,945,683	2,554,776	4,528,216	34,890,886

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

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

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22. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2021 £	Restricted funds 2021 £	Restricted fixed asset funds 2021 £	Total funds 2021 £
Tangible fixed assets	-	-	64,066,684	64,066,684
Intangible fixed assets	-	-	16,840	16,840
Current assets	2,382,851	4,623,751	3,001,142	10,007,744
Creditors due within one year	-	(2,735,495)	-	(2,735,495)
Creditors due in more than one year	-	(110,991)	-	(110,991)
Provisions for liabilities and charges	-	(16,572,000)	-	(16,572,000)
Total	2,382,851	(14,794,735)	67,084,666	54,672,782

Analysis of net assets between funds - prior year

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

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FOR THE YEAR ENDED 31 AUGUST 2021

23. Reconciliation of net expenditure to net cash flow from operating activities

	2021 £	2020 £
Net expenditure for the year (as per Statement of Financial Activities)	(2,001,244)	(1,110,462)
Adjustments for:		
Depreciation charges	1,617,057	1,704,968
Amortisation charges	20,490	24,588
Bank interest	(890)	(7,285)
Decrease/(increase) in stocks	1,565	3,791
Increase in debtors	1,029,181	1,385,534
(Decrease)/increase in creditors	(247,871)	913,167
Capital grants from DfE and other capital income	(1,151,957)	(1,477,697)
Defined benefit pension scheme cost less contributions payable	1,303,000	(153,000)
Defined benefit pension scheme finance cost	212,000	205,000
Net cash provided by operating activities	781,331	1,488,604

24. Cash flows from financing activities

	2021 £	2020 £
Cash inflows from new borrowing	121,095	-
Repayments of borrowing	(14,185)	(14,723)
Net cash provided by/(used in) financing activities	106,910	(14,723)

25. Cash flows from investing activities

	2021 £	2020 £
Bank interest	890	7,824
Purchase of tangible fixed assets	(2,074,997)	(805,943)
Capital grants from the DfE and ESFA	1,151,957	1,261,701
Net cash (used in)/provided by investing activities	(922,150)	463,582

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26. Analysis of cash and cash equivalents

	2021 £	2020 £
Cash in hand and at bank	7,865,164	7,899,073
Total cash and cash equivalents	7,865,164	7,899,073

27. Analysis of changes in net debt

	At 1 September 2020 £	Cash flows £	At 31 August 2021 £
Cash at bank and in hand	7,899,073	(33,909)	7,865,164
Debt due within 1 year	(14,185)	(41,873)	(56,058)
Debt due after 1 year	(45,306)	(65,685)	(110,991)
	7,839,582	(141,467)	7,698,115

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NOTES TO THE FINANCIAL STATEMENTS
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28. Pension commitments

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

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

Contributions amounting to £491,104 were payable to the schemes at 31 August 2021 (2020 - £458,682) and are included within creditors.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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28. Pension commitments (continued)

The employer's pension costs paid to TPS in the year amounted to £4,808,449 (2020 - £3,117,640).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2021 was £1,129,440 (2020 - £946,845), of which employer's contributions totalled £876,440 (2020 - £723,350) and employees' contributions totalled £ 253,000 (2020 - £223,495). The agreed contribution rates for future years are 20.9 per cent for employers and between 5.5 and 12.5 per cent for employees.

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

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

Principal actuarial assumptions

	2021	<i>2020</i>
	%	%
Rate of increase in salaries	3.9	3.25
Rate of increase for pensions in payment/inflation	2.9	2.25
Discount rate for scheme liabilities	1.65	1.60
Inflation assumption (CPI)	2.90	2.25

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

	2021	<i>2020</i>
	Years	Years
<i>Retiring today</i>		
Males	21.6	21.9
Females	24	24.1
<i>Retiring in 20 years</i>		
Males	23.4	23.8
Females	25.8	26.0

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

Sensitivity analysis

	2021	<i>2020</i>
	£000	<i>£000</i>
Discount rate +0.1%	(85,000)	<i>(57,000)</i>
Discount rate -0.1%	88,000	<i>58,000</i>
Mortality assumption - 1 year increase	121,000	<i>71,000</i>
Mortality assumption - 1 year decrease	(116,000)	<i>(69,000)</i>

Share of scheme assets

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

	2021	<i>2020</i>
	£	<i>£</i>
Equities	8,794,000	<i>6,355,000</i>
Gilts	1,193,000	<i>1,227,000</i>
Corporate bonds	884,000	<i>439,000</i>
Property	1,014,000	<i>853,000</i>
Cash and other liquid assets	532,000	<i>750,000</i>
Other	2,020,000	<i>1,688,000</i>
Total market value of assets	14,437,000	<i>11,312,000</i>

The actual return on scheme assets was £2,088,000 (*2020 - £884,000*).

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

	2021	<i>2020</i>
	£	<i>£</i>
Current service cost	2,184,000	<i>1,305,000</i>
Interest cost	211,000	<i>200,000</i>
Administrative expenses	1,000	<i>5,000</i>
Total amount recognised in the Statement of Financial Activities	2,396,000	<i>1,510,000</i>

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28. Pension commitments (continued)

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

	2021 £	2020 £
At 1 September	24,906,000	<i>20,046,000</i>
Current service cost	2,184,000	<i>1,305,000</i>
Interest cost	400,000	<i>371,000</i>
Employee contributions	253,000	<i>193,000</i>
Actuarial losses	3,362,000	<i>3,171,000</i>
Benefits paid	(96,000)	<i>(180,000)</i>
At 31 August	31,009,000	<i>24,906,000</i>

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

	2021 £	2020 £
At 1 September	11,312,000	<i>8,535,000</i>
Interest income	189,000	<i>171,000</i>
Actuarial gains	1,899,000	<i>1,140,000</i>
Employer contributions	881,000	<i>1,458,000</i>
Employee contributions	253,000	<i>193,000</i>
Benefits paid	(96,000)	<i>(180,000)</i>
Administration expenses	(1,000)	<i>(5,000)</i>
At 31 August	14,437,000	<i>11,312,000</i>

29. Operating lease commitments

At 31 August 2021 the Trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2021 £	2020 £
Not later than 1 year	5,477	<i>12,197</i>
Later than 1 year and not later than 5 years	1,686	<i>4,211</i>
	7,163	<i>16,408</i>

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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. Related party transactions

Owing to the nature of the Trust and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the Trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

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

Queen Mary's Schools Foundation

During the year, the Trust received donations from The Foundation relating to running the entrance tests for Queen Mary's Grammar School and Queen Mary's High School, as well as donations from parents for enrichment activities. The total value of this income from donations was £60,866 (2020: £64,488).

The Foundation owns the freehold land for both Queen Mary's school sites, let at a peppercorn rent to the Trust under a 125-year lease for the main sites and 10-year leases for playing fields.

Vine Trust Walsall

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

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

The long term plan, agreed with the ESFA, is to expand the Goldmine Centre (the main building) in conjunction with development of The Ladder School.

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

Vine Trust Walsall has previously provided catering provision to students at Walsall Studio School.

Charges from Vine Trust Walsall during the year in relation to catering and education support was £NIL (2020: £11,265).

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31. Related party transactions (continued)

PTP Training Ltd ("PTP")

Based in Walsall, PTP has been providing training to companies and schools throughout the Midlands for over 40 years. PTP was graded as 'Outstanding' by Ofsted for partnership engagement. PTP offer a wide range of services including:

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

PTP is a subsidiary of Walsall Business Services Ltd a company limited by guarantee (formerly known as The East Mercia Chamber of Commerce and Industry and Walsall Chamber of Commerce). Until 4th May 2020 a member of the Trust was a member of Walsall Business Services and director of both Walsall Business Services and PTP. A trustee of the Trust was also a director of PTP until 4th May 2020.

All apprenticeship training providers are approved by the ESFA which determines a maximum cap that can be funded. PTP charges the Trust for this service in accordance with the rates approved by the ESFA and this is paid from the Trust's levy account.

Payments made to PTP during the year ended 31 August 2020 via the levy account amounted to £27,165.

Farchynys Estate Management Ltd ("FEML")

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

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

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

In accordance with the service level agreement The Trust paid the total amount of £27,500 in the year ended 31 August 2020 (2020: £33,000) to cover the costs of running and maintenance of the educational part of the estate. A new service level agreement was agreed during 2019/20. Under the terms and conditions of the SLA a credit of £10,701 (2020: £6,000) has been accounted for as costs for the running and maintenance of the educational part of the estate was below the full value of the SLA.

32. Agency arrangements

The Trust distributes 16-19 funds to students as an agent for the ESFA. In the accounting period 31st August 2021 the Trust Received £112,941 and disbursed £65,360 from the fund in addition to the Trusts costs of administering the fund of £5,647. An amount of £130,737 (2020 £88,804) is included in the Other Creditors relating to the undistributed funds that is repayable to the ESFA if unspent.