

Company Registration No. 08748904 (England and Wales)

**MERCIA PRIMARY ACADEMY TRUST**  
**(A COMPANY LIMITED BY GUARANTEE)**

**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

# MERCIA PRIMARY ACADEMY TRUST

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# MERCIA PRIMARY ACADEMY TRUST

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Trustees

L M Colclough (Ofsted Reg. Childminder)  
R J Lane (Chief Executive Officer and Accounting Officer)  
V M Van Den Bergh (Minister of Religion, Chair)  
E Bryan (Resigned 1 May 2018)  
M Haywood

### Members

M Hambly  
M L Booth  
V M C Van Den Bergh

### Senior management team

- Executive Headteacher	R J Lane
- Headteacher	M L Booth
- Business Manager	S M Adams *to May 2018
- Headteacher	N Probert
- MAT Operational Offices Manager	T J Matthews
- Bursar	R G McConnell

### Company secretary

R G McConnell

### Company registration number

08748904 (England and Wales)

### Registered office

Chestnut Avenue  
Tamworth  
B79 8QZ

### Academies operated

Lakeside Primary Academy  
Lark Hall Infant & Nursery Academy  
Flax Hill Junior Academy

### Location

Staffordshire  
Staffordshire  
Staffordshire

### Principal

N Probert  
R Lane  
R Lane

### Independent auditor

Haines Watts Tamworth  
Sterling House  
97 Lichfield Street  
Tamworth  
Staffordshire  
B79 7QF

### Bankers

Lloyds Bank  
17 George Street  
Tamworth  
B79 7LW

### Other advisors

Entrust Support Services  
Riverway Centre  
Riverway  
Stafford  
Staffordshire  
ST16 3TH

# MERCIA PRIMARY ACADEMY TRUST

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2018

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The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operates one infant and two junior academies in Tamworth, Staffordshire.

Lark Hall Infant has a capacity of 120 with 120 on roll as of the January 2018 census.

Flax Hill Junior has a capacity of 300 with 275 on roll as of the January 2018 census.

At the time of joining the Trust, Lakeside had a capacity of 210 with 210 on roll from the January 2018 census.

#### **Structure, governance and management**

##### Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The constituent academies of the trust are:

- Lark Hall Infant & Nursery Academy
- Flax Hill Junior Academy
- Lakeside Primary Academy

The trustees of Mercia Primary Academy Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as Mercia Primary Academy Trust.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 1.

##### Members' liability

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

##### Trustees' indemnities

As part of the overall insurance cover taken out with third party insurers the Academy has taken out insurance relating to Governors' indemnity. The limit of indemnity cover is £25 million in this respect.

##### Method of recruitment and appointment or election of trustees

The management of the academy trust is the responsibility of the trustees who are elected and co-opted under the terms of the Articles of Association pages 20 – 26.

##### Policies and procedures adopted for the induction and training of trustees

The training and induction provided for new governors and trustees will depend upon their existing experience. Induction is tailored specifically to the individual. New trustees are invited to attend "Welcome to being a Governor" training event run by Entrust Education Services. Webinars are also available for trustees to participate in. All new trustees are provided with an induction pack and an informal induction talk by the Headteacher.

The Clerk to Trustees keeps a log of courses attended and training is a standard agenda item.

Trustees participate in an annual self-review process to highlight any weaknesses and to address any additional training needs.

The Bursar will provide training relating to the finance system if required.

# MERCIA PRIMARY ACADEMY TRUST

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Organisational structure

The board of trustees are responsible for the overall strategic direction of the academy trust. The trustees have a duty to act in the fulfilment of the academy trust objects. They set the strategic direction, and determine the policies and procedures of the academy trust whilst holding each academy within the academy trust to account. The trustees will meet at least three times a year and local governing body committees will report to meetings of the board of trustees throughout the year.

Each academy within the academy trust is governed by a Local Governing Body (LGB) which is appointed by the board of trustees and elected by staff and parents in a manner similar to the board of trustees. The LGB is responsible for determining the strategic direction of the academy in accordance with the overall strategic direction of the academy trust. The LGB should engage with the local community, constructively challenge the leadership team of the academy and provide evaluative feedback and supporting evidence to the board of trustees on the impact and effectiveness of the collective and individuals aims, objectives, policies, targets and future plans.

The board of trustees and each LGB do not exercise a managerial role. The leadership and management across the academy trust is delegated by the board of trustees to the Senior Leadership Team within each academy. The Senior Leadership Teams are responsible at an executive level for implementing the policies laid down by board of trustees and reporting back to them through various committees. This includes actions concerning the budget, staffing, and school improvement.

The Executive Headteacher is the Accounting Officer and is responsible for the authorisation of spending within agreed budgets.

### Arrangements for setting pay and remuneration of key management personnel

The arrangements for setting the pay and remuneration of the key management personnel of the academy trust are subject to the 'school teachers pay and conditions document and guidance on school teachers pay and conditions'. The determination of leadership pay is in line with the school group size and relevant scale points attributed to the group pay range.

Incremental rises are dependent upon the successful completion of the previous years' performance management cycle and quality assured by the Senior Leadership Team within each academy. Recommendations for pay increases are made by the Senior Leadership Team to the academy committee and their decision is validated by the board of trustees at the Autumn term meeting.

### Related parties and other connected charities and organisations

The members, board of trustees, academy committee members and the accounting officer all complete a pecuniary interest declaration on an annual basis. This declaration sets out any relationship with the academy trust that is not directly related to their duties within these roles. Each individual is also required to declare a potential 'conflict of interest' if it arises between such declarations. Once a declaration has been made, the individual concerned takes no further part in any decision relating to the matter declared.

In respect of the current year, no transactions have taken place with related parties and other connected charities and organisations.

# MERCIA PRIMARY ACADEMY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### **Objectives and activities**

##### Objects and aims

Our Aim - Everyone is valued and shares responsibility for the challenging learning that takes place.

Through partnership between Governors, staff, parents, pupils, external partners and the local community, the Academy Trust will provide the facilities, resources and vision to enable the Academy to flourish and provide pupils with the best possible education.

Improvement focusses identified for this year included:

- Able children
- Marking
- Middle leadership
- Reaching out to other local schools who may wish to join the Trust

##### Objectives, strategies and activities

The strategic goals of the academy trust are:

1. To provide high quality education provision for all academies within the academy trust that improve the outcomes of all of our pupils. This will be achieved by providing appropriate and proportionate support and challenge each academy within the academy trust. There will be a focus on:

- Establish and monitoring a system of governance through effective academy committees.
- Providing intervention to support school improvement.
- Developing collaborative curriculum activities to support key skill development, increasing independence and vocational/work-related learning.
- Developing monitoring and evaluating strategies and procedures that will drive school improvement.
- Supporting the procurement of best value central services.
- Collaboratively sharing and supporting best practice.

2. To provide the same high quality of education provision to pupils outside of the trust to help achieve the government's aim of the same standard of education for all children. This will be achieved by:

- Developing a systematic marketing strategy and work with local stakeholders, Headteacher forums and the DfE to identify potential schools and academies that wish to join the academy trust.
- Build capacity by creating a robust management structure which involves building a central team to support the board of trustees.
- Develop training based on the expertise within the academy trust that can be delivered to other education providers.
- Develop more effective means on collaboration with other education providers to share best practice and encourage

##### Public benefit

Mercia Primary Academy Trust is approved by the Department of Education (DfE) and funded wholly by the Education and Skills Funding Agency (ESFA) to further the education of pupils admitted under the requirements set by the ESFA Funding Agreement with the admission of pupils without fee. Parents are able to apply for their children to be admitted in accordance with these requirements. Governors ensure that applications are considered appropriately.

The trustees confirm that they have referred to the guidance contained in the Charity Commissioner's general guidance on public benefit when reviewing the academy trust objective and aims and in planning future activities for the period. The trustees consider that the academy trust can clearly demonstrate that its aims are to advance education for public benefit.

# MERCIA PRIMARY ACADEMY TRUST

## TRUSTEES' REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 AUGUST 2018*

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### **Strategic report**

#### **Lakeside Primary Academy**

**This school is good**

Strong leadership from the Headteacher, working together with senior leaders, managers and governors, has successfully driven improvements since the previous inspection. As a result, the quality of teaching and pupils' academic achievement has improved and are now good. Leaders have successfully maintained pupils' positive attitudes to learning and their good behaviour. They have made sure the whole school community is ambitious to achieve well. In informal discussions and the online survey, parents were confident that the school has improved and that their children achieve well.

#### **Achievements and performance**

Both Lark Hall Infant Academy and Flax Hill Junior Academy received Ofsted during 2016-2017. As an independent report on the school's quality and progress they reflect the long term progress both schools are making. Lakeside Primary Academy was graded as good during their Ofsted inspection in 2014-2015.

#### **Flax Hill**

This school continues to be good.

The leadership team has maintained the good quality of education in the school since the last inspection. You have further strengthened leadership within the school, through the appointment of the deputy headteacher and the leader of provision for pupils who have special educational needs and/or disabilities. They, together with the head of school, provide strong and effective leadership that has helped to improve teaching and outcomes for pupils. You have also ensured that those pupils who had not been making the progress that was expected of them, and who were falling behind the attainment of their classmates, are now provided with appropriate support that allows them to catch up in their learning.

Flax Hill Junior Academy is a warm and welcoming school that provides a safe and nurturing environment for its pupils. Nov 2016 Ofsted

# MERCIA PRIMARY ACADEMY TRUST

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### Attainment: End of KS2

Yr Group	Attainment (scaled score)	Reading		Writing		Mathematics		SPAG		RWM	
		All		All		All		All		All	
		Sch	NA*	Sch	NA*	Sch	NA*	Sch	NA*	Sch	NA*
6	EXP+ (%)	78	<b>75</b>	78	<b>78</b>	78	<b>76</b>	71	<b>78</b>	68	<b>64</b>

(\*NA( KS2) 2018)

### Lark Hall

This school continues to be good.

The leadership team has maintained the good quality of education in the school since the last inspection. Following the school's conversion to an academy in 2014, you took the opportunity to reorganise leadership roles and responsibilities. You appointed subject leaders for English and mathematics to work and share expertise across the two trust schools. This has helped to sustain the drive for improvement.

You and the deputy Headteacher form a strong partnership and provide effective leadership and direction for the school. You frequently check the quality of teaching and pupils' learning. You work closely with teachers to agree the precise steps that need to be taken in order to improve the quality of teaching further. You provide well-planned support for teachers, including opportunities for them to visit other schools and learn from outstanding practice. As a result, there is a climate of professional learning and a strong team spirit across the school. Staff comments include, 'This is a small school with a caring, family atmosphere and we all want the very best for every child', and, 'Leaders are always ready to support us and, as a staff, we help and support each other.' Nov 2016 Ofsted

### EYFS

Yr Group	Attainment	All		
		Sch 2017	Sch 2018	NA 2018
R	GLD (%)	67	<b>67</b>	<b>71</b>

### Phonics (Year 1)

Yr Group	Attainment	All		
		Sch 2017	Sch 2018	NA 2018
1	EXS (%)	88	<b>86</b>	<b>82</b>

(\*NA( Phonics) 2018)

### Attainment: End of KS1

Yr Group	Attainment (scaled score)	Reading		Writing		Mathematics		SPAG		RWM	
		All		All		All		All		All	
		Sch	NA*	Sch	NA*	Sch	NA*	Sch	NA*	Sch	NA*
2	EXP+ (%)	81	<b>75</b>	77	<b>70</b>	81	<b>76</b>	-	<b>nk</b>	67	<b>nk</b>
	High scaled score/GDS (%)	19	<b>26</b>	19	<b>16</b>	23	<b>22</b>	-	<b>nk</b>	-	<b>nk</b>

(\*NA( KS1) 2018)



# MERCIA PRIMARY ACADEMY TRUST

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### Lakeside Primary Academy

This school is good:

Strong leadership from the Headteacher, working together with senior leaders, managers and governors, has successfully driven improvements since the previous inspection. As a result, the quality of teaching and pupils' academic achievement has improved and are now good. Leaders have successfully maintained pupils' positive attitudes to learning and their good behaviour. They have made sure the whole school community is ambitious to achieve well. In informal discussions and the online survey, parents were confident that the school has improved and that their children achieve well.

### EYFS

Yr Group	Attainment	All		
		Sch 2017	Sch 2018	NA 2018
R	GLD (%)	nk	73	71

### Phonics (Year 1)

Yr Group	Attainment	All		
		Sch 2017	Sch 2018	NA 2018
1	EXS (%)	nk	70	82

(\*NA( Phonics) 2018)

### Attainment: End of KS1

Yr Group	Attainment (scaled score)	Reading		Writing		Mathematics		SPAG		RWM	
		All		All		All		All		All	
		Sch	NA*	Sch	NA*	Sch	NA*	Sch	NA*	Sch	NA*
2	EXP+ (%)	87	75	73	70	84	76	-	nk	-	nk
	High scaled score/GDS (%)	17	26	10	16	27	22	-	nk	-	nk

(\*NA( KS1) 2018)

Sch 2018 Reading 12% above NA 2018

Sch 2018 Writing 3% above NA 2018

Sch 2018 Mathematics 8% above NA 2018

### Attainment: End of KS2

Yr Group	Attainment (scaled score)	Reading		Writing		Mathematics		SPAG		RWM	
		All		All		All		All		All	
		Sch	NA*	Sch	NA*	Sch	NA*	Sch	NA*	Sch	NA*
6	EXP+ (%)	87	75	70	78	91	76	91	78	61	64
	High scaled score/GDS (%)	17	28	13	20	9	24	35	34	9	10
	Avg Score	106	105	n/a	n/a	103	104	107	106	n/a	n/a

(\*NA( KS2) 2018)

1. RWM combined score 3% below NA 2018
2. Sch 2018 Reading 12% above NA 2018
3. Sch 2018 Writing 8% below NA 2018
4. Sch 2018 Mathematics 15% above NA 2018
5. Sch 2018 SPAG 13% above NA 2018

# MERCIA PRIMARY ACADEMY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### Key Performance Indicators

Key financial performance indicators show that the budget set allowed the Trust to fulfil all its functions more than effectively.

As funding is based on pupil numbers this is also a key performance indicator. Pupil numbers at 31 August 2017 were 338. It is anticipated that this number will increase in the coming year.

#### Going Concern

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

#### **Financial review**

Income for the year was £3,420,639 of which £2,010,585 excluding capital grants was provided by the Department of Education (DfE) via the Education and Skills Funding Agency (ESFA) by means of standard grants to cover operational and capital costs. £1,160,467 related to the balances on conversion of Lakeside Primary. This was supplemented by donations and Capital Grants and other trading activities including third party lettings and funds generated by extended school activities which totalled the remaining £249,587.

All expenditure supports the academy trust key objectives to deliver quality education to our pupils and community. Expenditure for the year was £2,408,105 with the largest element of this expenditure being attributed to staff costs totalling £1,842,769 for the year. The depreciation charge on assets of £59,815 has been included. Net income for the year was £1,012,534.

The academy trust element of the Pension fund that forms part of the Local Government Pension Scheme was valued at 31 August 2018, showing a net deficit of £1,061,000.

As at 31 August 2017, the net book value of fixed assets was £3,566,546 and the movement in tangible fixed assets are shown in Note 13 of the financial statements. The assets were used exclusively in providing education and the associated support services to the pupils across the academy trust.

The academy trust complies with the principles of financial control as outlined in the Academies Financial Handbook and the Accounts Direction. The financial procedures, Scheme of Delegation and Value for Money statement together with systems of financial control ensure that the academy trust conforms to the requirements of propriety, regularity and sound financial management.

The board of trustees are accountable for the allocation of resources to meet the objectives set out in the School Development Plan. The Accounting Officer together with the Finance Committee is responsible for reviewing the Financial Procedures on an annual basis and recommending approval to the main board of trustees. The intention is for individual academy budgets to be monitored on a monthly basis with reports and commentary on income and expenditure against budget provided to the Finance Committee on a twice termly basis and to the board of trustees on a termly basis.

# MERCIA PRIMARY ACADEMY TRUST

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Reserves policy

Any reserves held are in accordance with the requirements laid down in the Master Funding Agreement and by the Education and Skills Funding Agency. The level of reserves held takes into account the nature of income and expenditure streams, the need to match them to commitments, including future capital projects, and the need to maintain sufficient reserves to cover any unexpected urgent expenditure requirements, especially to buildings repair not covered by insurance. The board of trustees identify capital projects on an annual basis and reserves are reviewed alongside this exercise. The board of trustees will review the level of reserves and reserves policy annually.

As at 31 August 2018 the academy trust has reserves excluding restricted fixed asset funds and pension deficit of £320,767. Of this amount unrestricted funds total £199,850 and restricted funds total £120,917.

### Investment policy and powers

The academy trust currently has no material investments.

### Principal risks and uncertainties

A review of the principal risks highlights the financial risk involved in the reliance on Government funding and the limited influence of the academy trust on the level and future of this funding.

The deficit on the Local Government Pension Scheme of £1,061,000 presents a concern. However, Parliament has agreed, at the request of the Secretary of State for Education, to guarantee that in the event of academy closure, outstanding local government pension scheme liability would be met by the Department for Education. This guarantee came into force on 18 July 2013.

### **Plans for future periods**

In accordance with the aims and objectives of Mercia Primary Academy Trust, it will continue to further the education and drive improvements in the performance of all pupils to the best of their abilities. The Academy will continue to develop its resources, assets and staff to achieve these aims and objectives.

It is anticipated that during 2018/19 further academies will join the Trust.

### **Funds held as custodian trustee on behalf of others**

The Academy has no such funds.

### **Auditor**

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the 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.

A resolution proposing that Haines Watts Tamworth be reappointed as auditor of the charitable company will be put to the members.

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

.....  
V M Van Den Bergh  
**Minister of Religion, Chair**

# MERCIA PRIMARY ACADEMY TRUST

## GOVERNANCE STATEMENT

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Scope of responsibility

As trustees we acknowledge we have overall responsibility for ensuring that Mercia Primary Academy 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 principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Mercia Primary Academy 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 3 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

<b>Trustees</b>	<b>Meetings attended</b>	<b>Out of possible</b>
L M Colclough (Ofsted Reg. Childminder)	3	3
R J Lane (Chief Executive Officer and Accounting Officer)	3	3
V M Van Den Bergh (Minister of Religion, Chair)	2	3
E Bryan (Resigned 1 May 2018)	1	3
M Haywood	2	3

The Joint Governing Body have met formally three times during the period. Attendance as follows:

Mrs M Couchman (LH) (Chair)	3	3
W Pell-Walpole (FH)	2	3
RJ Lane (Headteacher)	3	3
Mrs S Boden (FH) *resigned 31.08.2017	2	3
Mrs D Golder (FH)	2	3
Mrs N Taylor (FH)	3	3
Mrs C Keast (FH)	2	3
M Hambly (FH)	-	3
L Kelly (LH)	2	3
Mrs M Booth (LH)	2	3
Mrs M Pitt (LH) *resigned 12.10.2016	-	1
Mr A Miladowski (LH)	3	3
Mrs C Kendall (LH)	2	3
C Plume (FH) (appointed 27.02.2017)	2	2
A Roberts (FH) (appointed 27.02.2017)	2	2
Mrs H Hadley (LH) (appointed 01.06.2017)	1	1
G Hirons (LH) (appointed 01.03.2017)	2	2
Mrs V Lawson (FH) *resigned 30.04.2016		
Mrs J Meah (FH) *resigned 31.08.2016		
T Soult (FH) *resigned 30.04.2016		
Mrs L M Colclough (FH) *resigned 30.04.2016		
Rev. VMC Van den Bergh (LH) *resigned 30.04.2016		

# MERCIA PRIMARY ACADEMY TRUST

## GOVERNANCE STATEMENT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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The joint finance committee have met formally once during the period. Attendance as follows:

	Meetings attended	Out of possible
M Couchman	3	3
R LAne	3	3
S Boden	2	3
D Golder	3	3
H Hadley	2	3
G Hirons	2	3
C Keast	2	3
L Kelly	1	3
C Kendall	2	3
W Pell Walpole	2	3
C Plume	2	3
A Roberts	3	3
N Taylor	2	3

#### Review of value for money

As accounting officer the Headteacher has responsibility for ensuring that the academy 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:

- Introduction of a new finance software.
- Deploying staff in the most appropriate way to provide best value in terms of quality of teaching, quality of learning, adult-pupil ratio and curriculum management.
- Continue to negotiate contracts and services at trust level.
- The academy has invested in further developing effective tracking systems in relation to the new curriculum to record all aspects of student data including progress through the school; ensuring interventions and support are targeted to achieve value for money
- The academy trust has produced a detailed analysis of how the pupil premium was spent and the impact of the funding for individual pupils.
- Sports funding continues to be used to provide enriching opportunities for children, extra sport opportunities after school and by providing expert PE coaching.

#### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Mercia Primary Academy Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and accounts.

# MERCIA PRIMARY ACADEMY TRUST

## GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **Capacity to handle risk**

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the board of trustees.

### **The risk and control framework**

The academy trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

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

The board of trustees has considered the need for a specific internal audit function and has decided:

- to appoint Staffordshire County Council via Entrust Support Services Limited as internal auditor.

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

- testing of payroll systems
- testing of purchase systems
- testing of control account/bank reconciliations

On an annual basis, an auditor's report is presented to the trustees with their findings and recommendations. The findings of the latest health check carried out on 25th July 2018 awarded an overall opinion of Adequate Assurance at both Lark Hall and Flax Hill sites.

### **Review of effectiveness**

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

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

# MERCIA PRIMARY ACADEMY TRUST

## GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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The accounting officer has been advised of the implications of the result of their review of the system of internal control by the finance and general purposes committee. Both academies within the trust received substantial assurance.

Approved by order of the board of trustees on ..... and signed on its behalf by:

R J Lane  
**Chief Executive Officer and Accounting  
Officer**

V M Van Den Bergh  
**Minister of Religion, Chair**

# MERCIA PRIMARY ACADEMY TRUST

## STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

***FOR THE YEAR ENDED 31 AUGUST 2018***

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As accounting officer of Mercia Primary Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the academy trust's board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2017.

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

R J Lane  
**Accounting Officer**

.....



# MERCIA PRIMARY ACADEMY TRUST

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

**FOR THE YEAR ENDED 31 AUGUST 2018**

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

Company law requires the trustees to prepare accounts for each financial year. Under company law the trustees must not approve the accounts 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 accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgements 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 accounts; and
- prepare the accounts 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 accounts 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 that 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 accounts may differ from legislation in other jurisdictions.

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

V M Van Den Bergh  
**Minister of Religion, Chair**

# MERCIA PRIMARY ACADEMY TRUST

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCIA PRIMARY ACADEMY TRUST

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### Opinion

We have audited the accounts of Mercia Primary Academy Trust for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018.

### 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 accounts' section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

# MERCIA PRIMARY ACADEMY TRUST

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCIA PRIMARY ACADEMY TRUST (CONTINUED)

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### **Opinions 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 incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated 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 the knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, including the incorporated 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 accounts 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.

### **Responsibilities of trustees**

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the trustees are responsible for assessing the academy trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company, 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 accounts 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 accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# MERCIA PRIMARY ACADEMY TRUST

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCIA PRIMARY ACADEMY TRUST (CONTINUED)

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This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

for and on behalf of Haines Watts Tamworth

**Chartered Accountants**

**Statutory Auditor**

Sterling House

97 Lichfield Street

Tamworth

Staffordshire

B79 7QF

Dated: .....

# MERCIA PRIMARY ACADEMY TRUST

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

**FOR THE YEAR ENDED 31 AUGUST 2018**

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In accordance with the terms of our engagement letter dated 26 March 2014 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Mercia Primary Academy Trust during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Respective responsibilities of Mercia Primary Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Mercia Primary Academy Trust's funding agreement with the Secretary of State for Education dated 23 December 2013 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Review and document systems and internal controls
- Walk through testing of key systems and controls
- Review of trustees/governors minutes
- Test check of income and expenditure

# MERCIA PRIMARY ACADEMY TRUST

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

*FOR THE YEAR ENDED 31 AUGUST 2018*

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### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### **Reporting Accountant**

Haines Watts Tamworth

Dated: .....

# MERCIA PRIMARY ACADEMY TRUST

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total 2018 £	Total 2017 £
<b>Income and endowments from:</b>						
Donations and capital grants	3	1,965	440	14,548	16,953	137,351
Donations - transfer from local authority on conversion	26	94,922	(406,000)	1,471,545	1,160,467	-
Charitable activities:						
- Funding for educational operations	4	22,482	2,145,969	-	2,168,451	1,609,977
Other trading activities	5	61,080	13,493	-	74,573	63,161
Investments	6	195	-	-	195	254
<b>Total</b>		<u>180,644</u>	<u>1,753,902</u>	<u>1,486,093</u>	<u>3,420,639</u>	<u>1,810,743</u>
<b>Expenditure on:</b>						
Charitable activities:						
- Educational operations	9	71,005	2,277,285	59,815	2,408,105	1,867,546
<b>Total</b>	7	<u>71,005</u>	<u>2,277,285</u>	<u>59,815</u>	<u>2,408,105</u>	<u>1,867,546</u>
<b>Net income/(expenditure)</b>		109,639	(523,383)	1,426,278	1,012,534	(56,803)
Transfers between funds	18	(83,723)	80,940	2,783	-	-
<b>Other recognised gains/(losses)</b>						
Actuarial gains on defined benefit pension schemes	20	-	240,000	-	240,000	153,000
<b>Net movement in funds</b>		25,916	(202,443)	1,429,061	1,252,534	96,197
<b>Reconciliation of funds</b>						
Total funds brought forward		173,934	(737,640)	2,164,089	1,600,383	1,504,186
Total funds carried forward		<u>199,850</u>	<u>(940,083)</u>	<u>3,593,150</u>	<u>2,852,917</u>	<u>1,600,383</u>

# MERCIA PRIMARY ACADEMY TRUST

## STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

Comparative year information Year ended 31 August 2017	Notes	Unrestricted	Restricted funds:		Total
		Funds	General	Fixed asset	2017
		£	£	£	£
<b>Income and endowments from:</b>					
Donations and capital grants	3	7,415	5,814	124,122	137,351
Charitable activities:					
- Funding for educational operations	4	25,265	1,584,712	-	1,609,977
Other trading activities	5	63,161	-	-	63,161
Investments	6	254	-	-	254
<b>Total</b>		<u>96,095</u>	<u>1,590,526</u>	<u>124,122</u>	<u>1,810,743</u>
<b>Expenditure on:</b>					
Charitable activities:					
- Educational operations	9	48,452	1,768,614	50,480	1,867,546
<b>Total</b>	7	<u>48,452</u>	<u>1,768,614</u>	<u>50,480</u>	<u>1,867,546</u>
<b>Net income/(expenditure)</b>		47,643	(178,088)	73,642	(56,803)
Transfers between funds	18	(71,177)	61,367	9,810	-
<b>Other recognised gains/(losses)</b>					
Actuarial gains on defined benefit pension schemes	20	-	153,000	-	153,000
<b>Net movement in funds</b>		<u>(23,534)</u>	<u>36,279</u>	<u>83,452</u>	<u>96,197</u>
<b>Reconciliation of funds</b>					
Total funds brought forward		197,468	(773,919)	2,080,637	1,504,186
Total funds carried forward		<u>173,934</u>	<u>(737,640)</u>	<u>2,164,089</u>	<u>1,600,383</u>



# MERCIA PRIMARY ACADEMY TRUST

## BALANCE SHEET

AS AT 31 AUGUST 2018

		2018		2017	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	13		5,789		4,288
Tangible assets	14		3,560,757		2,146,045
			<u>3,566,546</u>		<u>2,150,333</u>
<b>Current assets</b>					
Debtors	15	189,339		98,535	
Cash at bank and in hand		403,766		286,982	
		<u>593,105</u>		<u>385,517</u>	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	16	(245,734)		(164,467)	
<b>Net current assets</b>			<u>347,371</u>		<u>221,050</u>
<b>Net assets excluding pension liability</b>			<u>3,913,917</u>		<u>2,371,383</u>
Defined benefit pension scheme liability	20		(1,061,000)		(771,000)
<b>Net assets</b>			<u>2,852,917</u>		<u>1,600,383</u>
<b>Funds of the academy trust:</b>					
<b>Restricted funds</b>	18				
- Fixed asset funds			3,593,150		2,164,089
- Restricted income funds			120,917		33,360
- Pension reserve			(1,061,000)		(771,000)
<b>Total restricted funds</b>			<u>2,653,067</u>		<u>1,426,449</u>
<b>Unrestricted income funds</b>	18		<u>199,850</u>		<u>173,934</u>
<b>Total funds</b>			<u>2,852,917</u>		<u>1,600,383</u>

The accounts on pages 21 to 45 were approved by the trustees and authorised for issue on ..... and are signed on their behalf by:

.....  
V M Van Den Bergh  
Minister of Religion, Chair

Company Number 08748904

# MERCIA PRIMARY ACADEMY TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

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	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Net cash provided by (used in) operating activities	21		11,602		(36,075)
Cash funds transferred on conversion			94,922		-
			<u>106,524</u>		<u>(36,075)</u>
<b>Cash flows from investing activities</b>					
Dividends, interest and rents from investments		195		255	
Capital grants from DfE and EFA		14,548		124,122	
Payments to acquire intangible fixed assets		(2,783)		(5,250)	
Payments to acquire tangible fixed assets		(1,700)		(128,394)	
			<u>10,260</u>		<u>(9,267)</u>
<b>Change in cash and cash equivalents in the reporting period</b>			116,784		(45,342)
Cash and cash equivalents at 1 September			286,982		332,324
<b>Cash and cash equivalents at 31 August</b>			<u>403,766</u>		<u>286,982</u>

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### 1 Accounting policies

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

##### 1.1 Basis of preparation

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

Mercia Primary Academy Trust meets the definition of a public benefit entity under FRS 102.

##### 1.2 Going concern

The trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company 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 accounts and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the accounts.

##### 1.3 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Lakeside Primary School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

##### Land and Buildings

On the transfer date of 1st April 2018, the trust was gifted land and buildings by Staffordshire County Council. These assets have been credited as a donation in the restricted fixed asset funds column of the Statement of Financial Activities and included within tangible fixed assets on the balance sheet.

##### Local Government Pension Scheme (LGPS) Deficit

The obligation relating to the employees in the LGPS scheme that were transferred as part of the conversion from the maintained schools were transferred to Mercia Primary Academy Trust on 1st April 2018. The deficit on the LGPS has been debited as a donation in the restricted funds column of the Statement of Financial Activities and included in the LGPS liability on the balance sheet.

##### Cash

Cash balances at 1st April 2018 in respect of the maintained school and school funds were transferred to The New Guild Trust. These cash balances have been credited as a donation in the Statement of Financial Activities under the unrestricted funds columns and included within the cash at bank balance on the balance sheet.

Further details of the transaction are set out in note 26.

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### 1 Accounting policies

(Continued)

##### 1.4 Income

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

##### Grants receivable

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 period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised in full when there is 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.

##### Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

##### 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 period it is receivable and to the extent the academy trust has provided the goods or services.

##### Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

##### Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### 1 Accounting policies

(Continued)

#### 1.5 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 are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

##### Expenditure on raising funds

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

##### Charitable activities

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

#### 1.6 Intangible fixed assets and amortisation

Intangible assets costing £1,000 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 fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

- Purchased computer software 5 years

#### 1.7 Tangible fixed assets and depreciation

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding that require 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, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Land and buildings	50 years
Plant & Machinery	10 years
Computer equipment	5 years
Fixtures, fittings & equipment	3 years

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### 1 Accounting policies

(Continued)

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

#### 1.8 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 academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods of services it must provide.

#### 1.9 Provisions

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

#### 1.10 Leasing and hire purchase commitments

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

#### 1.11 Financial instruments

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

##### Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

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. 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.

#### 1.12 Taxation

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### 1 Accounting policies

(Continued)

#### 1.13 Pensions benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy 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 projected unit method. The 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 are 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 academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

#### 1.14 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by 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 Education and Skills Funding Agency.

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### 2 Critical accounting estimates and areas of judgement

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

##### Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

##### Critical areas of judgement

The trustees consider the critical areas involve the forecasting process and going concern evaluation.

#### 3 Donations and capital grants

	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Total 2018 £</b>	<b>Total 2017 £</b>
Capital grants	-	14,548	14,548	124,122
Other donations	1,965	440	2,405	13,229
	<u>1,965</u>	<u>14,988</u>	<u>16,953</u>	<u>137,351</u>



# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 4 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
<b>DfE / ESFA grants</b>				
General annual grant (GAG)	-	1,731,851	1,731,851	1,309,359
Start up grants	-	25,000	25,000	-
Other DfE group grants	-	253,734	253,734	194,412
	-	2,010,585	2,010,585	1,503,771
<b>Other government grants</b>				
Local authority grants	-	135,384	135,384	80,941
<b>Other funding</b>				
Other incoming resources	22,482	-	22,482	25,265
<b>Total funding</b>	22,482	2,145,969	2,168,451	1,609,977

### 5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Hire of facilities	440	-	440	11,464
Catering income	4,523	-	4,523	5,451
Parental contributions	55,052	13,493	68,545	46,246
Other income	1,065	-	1,065	-
	61,080	13,493	74,573	63,161

### 6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Short term deposits	195	-	195	254

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 7 Expenditure

	Staff costs £	Non Pay Expenditure Premises £	Other £	Total 2018 £	Total 2017 £
Academy's educational operations					
- Direct costs	1,394,628	-	113,094	1,507,722	1,186,751
- Allocated support costs	448,141	213,698	238,544	900,383	680,795
	<u>1,842,769</u>	<u>213,698</u>	<u>351,638</u>	<u>2,408,105</u>	<u>1,867,546</u>

Net income/(expenditure) for the year includes:	2018 £	2017 £
Fees payable to auditor for audit services	5,250	5,250
Depreciation of tangible fixed assets	58,533	50,480
Amortisation of intangible fixed assets	1,282	-
Net interest on defined benefit pension liability	25,000	17,000
	<u>90,065</u>	<u>72,730</u>

### 8 Central services

No central services were provided by the academy trust to its academies during the year and no central charges arose.

### 9 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Direct costs - educational operations	31,923	1,475,799	1,507,722	1,186,751
Support costs - educational operations	39,082	861,301	900,383	680,795
	<u>71,005</u>	<u>2,337,100</u>	<u>2,408,105</u>	<u>1,867,546</u>

	2018 £	2017 £
<b>Analysis of support costs</b>		
Support staff costs	448,141	336,505
Depreciation and amortisation	59,815	50,480
Technology costs	29,748	18,343
Premises costs	135,327	89,421
Other support costs	171,842	157,136
Governance costs	55,510	28,910
	<u>900,383</u>	<u>680,795</u>

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 10 Staff

#### Staff costs

Staff costs during the year were:

	2018 £	2017 £
Wages and salaries	1,367,784	1,084,225
Social security costs	113,948	97,197
Pension costs	337,370	262,395
Staff costs	1,819,102	1,443,817
Agency staff costs	17,037	2,761
Staff development and other staff costs	6,630	7,532
Total staff expenditure	1,842,769	1,454,110

#### Staff numbers

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

	2018 Number	2017 Number
Teachers	24	15
Administration and support	31	18
Management	5	5
	60	38

#### Higher paid staff

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

	2018 Number	2017 Number
£80,001-£90,000	1	1

#### Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £320,230 (2017: £341,229).

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### 11 Trustees' remuneration and expenses

The executive headteacher and staff trustees only received remuneration in respect of services they provide undertaking the roles of executive headteacher and staff and not in respect of their services as trustees. Other trustees did not receive any payments from the trust in respect of their role as trustees.

The value of trustees' remuneration was as follows:

R Lane (principal):

- Remuneration £85,000 - £90,000 (2017: £85,000-£90,000)
- Employer's pension contributions £10,000- £15,000 (2017: £10,000-£15,000)

There were no trustees' expenses paid for the year ended 31 August 2018 nor for the year ended 31 August 2017.

Other related party transactions involving the trustees are set out within the related parties note.

#### 12 Trustees and officers insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides cover up to £5m on any one claim and the cost for the year ended 31 August 2018 was £610 (2017: £610).

#### 13 Intangible fixed assets

	<b>Computer software £</b>
<b>Cost</b>	
At 1 September 2017	5,250
Additions	2,783
	-----
At 31 August 2018	8,033
	-----
<b>Amortisation</b>	
At 1 September 2017	962
Charge for year	1,282
	-----
At 31 August 2018	2,244
	-----
<b>Carrying amount</b>	
At 31 August 2018	5,789
	=====
At 31 August 2017	4,288
	=====

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 14 Tangible fixed assets

	Land and buildings	Plant & Machinery	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 September 2017	2,124,821	127,016	32,043	32,287	2,316,167
Transfer on conversion	1,471,545	-	-	-	1,471,545
Additions	-	1,700	-	-	1,700
At 31 August 2018	3,596,366	128,716	32,043	32,287	3,789,412
<b>Depreciation</b>					
At 1 September 2017	119,841	6,233	30,610	13,438	170,122
Charge for the year	38,468	12,702	906	6,457	58,533
At 31 August 2018	158,309	18,935	31,516	19,895	228,655
<b>Net book value</b>					
At 31 August 2018	3,438,057	109,781	527	12,392	3,560,757
At 31 August 2017	2,004,980	120,783	1,433	18,849	2,146,045

### 15 Debtors

	2018 £	2017 £
Trade debtors	-	5,662
VAT recoverable	27,513	49,395
Other debtors	-	1,068
Prepayments and accrued income	161,826	42,410
	189,339	98,535

### 16 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	76,094	64,793
Other taxation and social security	38,292	22,757
Other creditors	62,179	25,803
Accruals and deferred income	69,169	51,114
	245,734	164,467

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

17 Deferred income	2018 £	2017 £
Deferred income is included within:		
Creditors due within one year	46,834	37,960
Deferred income at 1 September	37,960	23,000
Released from previous years	(37,960)	(23,000)
Amounts deferred in the year	46,834	37,960
<b>Deferred income at 31 August</b>	<b>46,834</b>	<b>37,960</b>

At the balance sheet date the academy trust was holding funds received in advance for Universal Infant Free School Meals, Rates Rebate, Devolved Formula Capital and Special Educational Needs. Deferred income also includes fees received from parents in advance for trips taking place in October 2017.

18 Funds	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	1,731,851	(1,758,559)	80,940	54,232
Start up grants	-	25,000	(13,310)	-	11,690
Other DfE / ESFA grants	33,360	253,734	(236,027)	-	51,067
Other government grants	-	135,384	(132,498)	-	2,886
Other restricted funds	-	13,933	(12,891)	-	1,042
Pension reserve	(771,000)	(406,000)	(124,000)	240,000	(1,061,000)
	(737,640)	1,753,902	(2,277,285)	320,940	(940,083)
<b>Restricted fixed asset funds</b>					
DfE group capital grants	2,164,089	1,486,093	(59,815)	2,783	3,593,150
<b>Total restricted funds</b>	<b>1,426,449</b>	<b>3,239,995</b>	<b>(2,337,100)</b>	<b>323,723</b>	<b>2,653,067</b>
<b>Unrestricted funds</b>					
General funds	173,934	180,644	(71,005)	(83,723)	199,850
<b>Total funds</b>	<b>1,600,383</b>	<b>3,420,639</b>	<b>(2,408,105)</b>	<b>240,000</b>	<b>2,852,917</b>

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 18 Funds

(Continued)

The transfers between funds for the year relate to the funding of fixed asset acquisitions from unrestricted and non-capital grant income, the use of DFC towards expenditure not capitalised, and the use of unrestricted funds to cover restricted expenditure.

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

#### Restricted general funds

These comprise all restricted funds other than restricted fixed asset funds and includes grants from The Education Funding Agency and Staffordshire County Council.

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

#### Unrestricted funds

These comprise resources that may be used towards meeting any of the charitable objectives of the academy trust at the discretion of the trustees.

#### Restricted Fixed Asset Funds

These comprise resources which are to be applied to specific capital purposes imposed by the Education Funding Agency and Staffordshire County Council where the asset acquired or created is held for a specific purpose.

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

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	26,172	1,309,359	(1,389,040)	53,509	-
Other DfE / ESFA grants	32,909	194,412	(193,961)	-	33,360
Other government grants	-	80,941	(80,941)	-	-
Other restricted funds	-	5,814	(13,672)	7,858	-
Pension reserve	(833,000)	-	(91,000)	153,000	(771,000)
	<u>(773,919)</u>	<u>1,590,526</u>	<u>(1,768,614)</u>	<u>214,367</u>	<u>(737,640)</u>
<b>Restricted fixed asset funds</b>					
DfE group capital grants	2,080,637	124,122	(50,480)	9,810	2,164,089
	<u>2,080,637</u>	<u>124,122</u>	<u>(50,480)</u>	<u>9,810</u>	<u>2,164,089</u>
<b>Total restricted funds</b>	<u>1,306,718</u>	<u>1,714,648</u>	<u>(1,819,094)</u>	<u>224,177</u>	<u>1,426,449</u>
<b>Unrestricted funds</b>					
General funds	197,468	96,095	(48,452)	(71,177)	173,934
	<u>197,468</u>	<u>96,095</u>	<u>(48,452)</u>	<u>(71,177)</u>	<u>173,934</u>
<b>Total funds</b>	<u>1,504,186</u>	<u>1,810,743</u>	<u>(1,867,546)</u>	<u>153,000</u>	<u>1,600,383</u>

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 18 Funds

(Continued)

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	26,172	3,041,210	(3,147,599)	134,449	54,232
Start up grants	-	25,000	(13,310)	-	11,690
Other DfE / ESFA grants	32,909	448,146	(429,988)	-	51,067
Other government grants	-	216,325	(213,439)	-	2,886
Other restricted funds	-	19,747	(26,563)	7,858	1,042
Pension reserve	(833,000)	(406,000)	(215,000)	393,000	(1,061,000)
	<u>(773,919)</u>	<u>3,344,428</u>	<u>(4,045,899)</u>	<u>535,307</u>	<u>(940,083)</u>
<b>Restricted fixed asset funds</b>					
DfE group capital grants	2,080,637	1,610,215	(110,295)	12,593	3,593,150
	<u>2,080,637</u>	<u>1,610,215</u>	<u>(110,295)</u>	<u>12,593</u>	<u>3,593,150</u>
<b>Total restricted funds</b>	<u>1,306,718</u>	<u>4,954,643</u>	<u>(4,156,194)</u>	<u>547,900</u>	<u>2,653,067</u>
<b>Unrestricted funds</b>					
General funds	197,468	276,739	(119,457)	(154,900)	199,850
	<u>197,468</u>	<u>276,739</u>	<u>(119,457)</u>	<u>(154,900)</u>	<u>199,850</u>
<b>Total funds</b>	<u>1,504,186</u>	<u>5,231,382</u>	<u>(4,275,651)</u>	<u>393,000</u>	<u>2,852,917</u>

#### Total funds analysis by academy

	2018 £	2017 £
Fund balances at 31 August 2018 were allocated as follows:		
Lakeside Primary School	163,582	-
Lark Hall Infant School	25,758	38,258
Flax Hill Junior School	131,427	169,036
	<u>320,767</u>	<u>207,294</u>
Total before fixed assets fund and pension reserve	320,767	207,294
Restricted fixed asset fund	3,593,150	2,164,089
Pension reserve	(1,061,000)	(771,000)
	<u>2,852,917</u>	<u>1,600,383</u>
Total funds	2,852,917	1,600,383



# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

#### 18 Funds

(Continued)

##### Total cost analysis by academy

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

	Teaching and educational support staff	Other support staff costs	Educational supplies	Other costs excluding depreciation	Total
	£	£	£	£	£
Lakeside Primary Academy	279,989	45,101	17,486	64,912	407,488
Lark Hall Infant & Nursery Academy	363,398	142,405	20,930	128,933	655,666
Flax Hill Junior Academy	757,242	254,634	74,677	198,583	1,285,136
	<u>1,400,629</u>	<u>442,140</u>	<u>113,093</u>	<u>392,428</u>	<u>2,348,290</u>

#### 19 Analysis of net assets between funds

	Unrestricted Funds	Restricted funds: General	Fixed asset	Total Funds
	£	£	£	£
<b>Fund balances at 31 August 2018 are represented by:</b>				
Intangible fixed assets	-	-	5,789	5,789
Tangible fixed assets	-	-	3,560,757	3,560,757
Current assets	199,850	366,651	26,604	593,105
Creditors falling due within one year	-	(245,734)	-	(245,734)
Defined benefit pension liability	-	(1,061,000)	-	(1,061,000)
<b>Total net assets</b>	<u>199,850</u>	<u>(940,083)</u>	<u>3,593,150</u>	<u>2,852,917</u>

	Unrestricted Funds	Restricted funds: General	Fixed asset	Total Funds
	£	£	£	£
<b>Fund balances at 31 August 2017 are represented by:</b>				
Intangible fixed assets	-	-	4,288	4,288
Tangible fixed assets	-	-	2,146,045	2,146,045
Current assets	173,934	190,994	20,589	385,517
Creditors falling due within one year	-	(157,634)	(6,833)	(164,467)
Defined benefit pension liability	-	(771,000)	-	(771,000)
<b>Total net assets</b>	<u>173,934</u>	<u>(737,640)</u>	<u>2,164,089</u>	<u>1,600,383</u>

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

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### 20 Pensions and similar obligations

The academy 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 Hymens Robertson LLP. Both are multi-employer defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £35,192 (2017: £24,131) were payable to the schemes at 31 August 2018 and are included within creditors.

#### Teachers' Pension Scheme

##### Introduction

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

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

##### Valuation of the Teachers' Pension Scheme

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

The key elements of the valuation and subsequent consultation are:

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

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

The employer's pension costs paid to the TPS in the period amounted to £131,833 (2017: £111,188)

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

#### 20 Pensions and similar obligations

(Continued)

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 19% for employers.

The LGPS obligation relates to the employees of the academy trust who were employees transferred as part of the conversion from the maintained school (as described in note 26) together with new employees who joined the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy 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.

Total contributions made	2018 £	2017 £
Employer's contributions	113,000	84,000
Employees' contributions	30,000	24,000
	<hr/>	<hr/>
Total contributions	143,000	108,000
	<hr/> <hr/>	<hr/> <hr/>

Principal actuarial assumptions	2018 %	2017 %
Rate of increases in salaries	2.8	2.8
Rate of increase for pensions in payment	2.4	2.4
Discount rate	2.8	2.5
Inflation assumption (CPI)	2.4	2.4
	<hr/> <hr/>	<hr/> <hr/>

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

	2018 Years	2017 Years
Retiring today		
- Males	22.1	22.1
- Females	24.4	24.4
Retiring in 20 years		
- Males	24.1	24.1
- Females	26.4	26.4
	<hr/> <hr/>	<hr/> <hr/>

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 20 Pensions and similar obligations

(Continued)

#### The academy trust's share of the assets in the scheme

	2018 Fair value £	2017 Fair value £
Equities	1,012,900	716,680
Bonds	274,930	113,160
Property	115,760	75,440
Other assets	43,410	37,720

Total market value of assets	1,447,000	943,000
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Actual return on scheme assets - gain/(loss)	89,000	164,000
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#### Amounts recognised in the statement of financial activities

	2018 £	2017 £
Current service cost	212,000	158,000
Interest income	(28,000)	(15,000)
Interest cost	53,000	32,000
Total operating charge	237,000	175,000

#### Changes in the present value of defined benefit obligations

	2018 £	2017 £
Obligations at 1 September 2017	1,714,000	1,515,000
Obligations acquired on conversion	691,000	-
Current service cost	212,000	158,000
Interest cost	53,000	32,000
Employee contributions	30,000	24,000
Actuarial gain	(179,000)	(4,000)
Benefits paid	(13,000)	(11,000)
At 31 August 2018	2,508,000	1,714,000

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 20 Pensions and similar obligations

(Continued)

#### Changes in the fair value of the academy trust's share of scheme assets

	2018 £	2017 £
Assets at 1 September 2017	943,000	682,000
Assets acquired on conversion	285,000	-
Interest income	28,000	15,000
Actuarial gain	61,000	149,000
Employer contributions	113,000	84,000
Employee contributions	30,000	24,000
Benefits paid	(13,000)	(11,000)
	<u>1,447,000</u>	<u>943,000</u>
At 31 August 2018	<u>1,447,000</u>	<u>943,000</u>

### 21 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2018 £	2017 £
Net income/(expenditure) for the reporting period (as per the Statement of Financial Activities)	1,012,534	(56,803)
Adjusted for:		
Net surplus on conversion to academy	(1,160,467)	-
Capital grants from DfE/ESFA and other capital income	(14,548)	(124,122)
Investment income receivable	(195)	(254)
Defined benefit pension costs less contributions payable	99,000	74,000
Defined benefit pension net finance cost	25,000	17,000
Depreciation of tangible fixed assets	58,533	50,480
Amortisation of intangible fixed assets	1,282	-
(Increase) in debtors	(90,804)	(28,127)
Increase in creditors	81,267	31,751
	<u>11,602</u>	<u>(36,075)</u>
<b>Net cash provided by/(used in) operating activities</b>	<u>11,602</u>	<u>(36,075)</u>

### 22 Major non-cash transactions

During the period, net assets totalling £1,471,545 were transferred to the academy trust from the local authority as detailed in note 26

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

### 23 Commitments under operating leases

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

	2018	2017
	£	£
Amounts due within one year	790	790
Amounts due in two and five years	698	1,488
	<u>1,488</u>	<u>2,278</u>

### 24 Related party transactions

No related party transactions took place in the period of account other than certain trustees' remuneration and expenses already disclosed in note 11.

### 25 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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

### 26 Conversion to an academy

On 1 April 2018 the Lakeside Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Mercia Primary Academy Trust from the Staffordshire County Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the statement of financial activities as donations – transfer from local authority on conversion.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

Academy	Location	Date of conversion
Lakeside Primary Academy	Staffordshire	1 April 2018

	2018
	£
<b>Net assets transferred:</b>	
Leasehold land and buildings	1,471,545
Cash	94,922
LGPS pension surplus/(deficit)	(406,000)
	<u>1,160,467</u>

# MERCIA PRIMARY ACADEMY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### 26 Conversion to an academy

(Continued)

Funds surplus/(deficit) transferred:	Unrestricted	Restricted funds:		Total
	Funds	General	Fixed asset	2018
	£	£	£	£
Fixed assets funds	-	-	1,471,545	1,471,545
LA budget funds	94,922	-	-	94,922
LGPS pension funds	-	(406,000)	-	(406,000)
	<u>94,922</u>	<u>(406,000)</u>	<u>1,471,545</u>	<u>1,160,467</u>