

Company Registration No. 07968898 (England and Wales)

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
(A COMPANY LIMITED BY GUARANTEE)**

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

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST (FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY) CONTENTS

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**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
REFERENCE AND ADMINISTRATIVE DETAILS**

Members

Miss A Gleeson
Miss S Christson
Mrs A Shanks
Miss J Carlin

Trustees

Miss A Gleeson
Mrs A M Shanks (Chair)
Miss J C Carlin
Mrs C Barrett (Resigned 30/11/2017)
Mrs J M Adamson
Mrs K L Richardson-Dunn
Mrs M Forbes
Mrs M Shepherd (Accounting Officer)
Mrs A Haq (Resigned 23/03/2018)
Mrs E J Ashton
Mrs A M Bashton
Mrs D Donkin (Resigned 23/03/2018)
Mr M Flores
Fr M Lyden-Smith
Mrs A Machin
Mrs S Ward
Mrs M A Galbraith (Appointed 01/12/2017)

Senior management team

- Headteacher	Mrs M Shepherd
- Deputy headteacher	Mr M McDonagh
- Deputy headteacher	Mrs M Lanaghan
- Senior assistant headteacher	Mrs F Collins

Secretary

Mrs J Liddell

Company registration number

07968898 (England and Wales)

Registered office

Thornhill Terrace
Sunderland
Tyne & Wear
SR2 7JN

Independent auditor

Baldwins Audit Services
Wynyard Park House
Wynyard Avenue
Wynyard
TS22 5TB

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
REFERENCE AND ADMINISTRATIVE DETAILS**

Bankers

Natwest
Sunderland City Branch
52 Fawcett Street
Sunderland
SR1 1SB

Solicitors

Watson Burton LLP
1 St James' Gate
Newcastle upon Tyne
Tyne & Wear
NE99 1YQ

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST (FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY) TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2018

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the 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 an Academy for pupils aged 11-18 situated in the City of Sunderland. It has a pupil capacity of 1350 and has a roll of 1314 in the school census October 2018.

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 Academy was incorporated on 1 February 2012 as a company limited by guarantee with no share capital, registration number 07968898. The Company commenced operation as an Academy on 1 April 2012. The Charitable Company's memorandum and articles of association are the primary governing documents of the Academy.

The company changed its name on 8 November 2018.

The governors act as the trustees for the charitable activities of Our Lady of Mercy Catholic Education Trust and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company known as St. Anthony's Girls' Catholic Academy.

Details of the trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 1-2.

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 as required in the Academy Trust's funding agreement, for the debts and liabilities contracted before they ceased to be a member.

Trustees' indemnities

Governors benefit from indemnity insurance purchased at the Academy Trust's expenses to cover the liability of the Governors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust, provided that any such insurance shall not extend to any claim arising from any act or omission which the Governors knew to be a breach of trust or breach of duty or which was committed by the Governors in reckless disregard to whether it was a breach of trust or breach of duty or not provide also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Governors in their capacity as Directors of the Academy Trust. The limit of this indemnity is £5m.

Method of recruitment and appointment or election of trustees

The Trustees recruit and appoint Foundation Governors. Foundation Governors are appointed by the Trustees to support the Mercy ethos of the Academy. No other body is entitled to appoint Governors. Parent Governors are nominated by the parent body and elected by parent ballot. Staff Governors are nominated by the staff body and elected by the staff ballot. This co-ordinated on behalf of the governing body by the Company Secretary. The count is witnessed by the Head Teacher and two members of staff. The Clerk to the Governing Body ensures all new Governors undergo all relevant checks such as DBS checks as well as receiving relevant papers.

The Articles of Association of the Academy state that:

- The Mother Superior (of the Sisters of Mercy Oaklea Convent Sunderland) may appoint 10 Foundation Governors of whom at least 2 shall be eligible for election or appointment as Parent Governor until 15th January 2018. From 15th January 2018 the Roman Catholic Bishop of the Diocese of Hexham and Newcastle may appoint.

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST (FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY) TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Policies and procedures adopted for the induction and training of trustees

The member of the Senior Leadership Team with responsibility for training makes arrangements for all governor training. Training is available from the Local Authority, the Diocese and from a number of public service and commercial organisations. Training records for all staff and governors are maintained by the Academy. Governors undertake required training e.g. Safeguarding, Safer Recruitment etc. Many governors also undertake/have taken training as part of their professional role (past and present), which is of relevance to the work of the Academy e.g. finance, recruitment, HR, legal matters etc. The Academy has joined the National Governors Association to provide further training and information and the Academy links with other Academies via Diocesan Partnership, Hexham and Newcastle RC Partnership, the Specialist Schools and Academies Trust and Schools North East. Governors link with key Academy staff too, who undertake relevant training. The Academy, as a Teaching School, provides training for staff at all levels within and beyond the school community.

Organisational structure

The Academy's management structure consists of:

The Governors

The Senior Leadership Team (1 Head Teacher, 2 Deputy Head Teachers, 1 Senior Assistant Head Teacher)

The Leadership Group (1 Assistant Head Teacher, 1 Director Teaching School, 1 Deputy Director Teaching School, 2 Senior Pastoral Leaders and the Subject Leaders of English, Mathematics and Science)

The Academy Business Manager

The Academy Company Secretary

The Governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy and making decisions regarding the direction of the Academy.

The Senior Leadership Team controls the Academy at an executive level, implementing policy and reporting to Governors. The Head Teacher, Governors and Senior staff are responsible for the authorisation of spending within agreed budgets and the appointment of staff. Some spending and budgetary control is devolved to senior finance staff and members of the Senior Leadership Team/Leadership Group, with limits above which must be countersigned by a senior member of staff.

Arrangements for setting pay and remuneration of key management personnel

A Sub-Committee of the Governing Body is responsible for Head Teacher Performance Management, pay and re-numeration. The Academy Pay Policy, reviewed and approved annually by the Personnel Sub-Committee explains academy arrangements regarding pay and re-numeration.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Trade union facility time

Relevant union officials

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

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time	-
Total pay bill	-
Percentage of the total pay bill spent on facility time	-

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	-
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Related parties and other connected charities and organisations

There are no related parties which either control or significantly influence the decisions and operations of the Academy Trust.

Objectives and activities

Objects and aims

The principal objective and activity of the charitable Company, St. Anthony's Girls' Catholic Academy, is the education of girls between the ages of 11-18.

Objectives, strategies and activities

In developing the Academy Development Plan the Governors and senior staff have given careful consideration to the Charity Commissions general guidance on public benefit. St. Anthony's Girls' Catholic Academy is a non-selective academy which offers a broad and balanced curriculum. The pupils who attend the Academy primarily live within the City of Sunderland with a minority of pupils travelling from neighbouring authorities. The Academy organises a large number of educational visits and activities beyond the school day to support pupil progress and develop the whole child. The Academy bases its educational provision upon the Roman Catholic Mercy ethos of the school which aims at excellence and shows concern for the education of women and the poor.

Public benefit

The Academy Trust's objective is to advance the public benefit education in the United Kingdom, by maintaining the developing a Catholic school which offers a broad and balanced curriculum conducted in accordance with the principles, practices and tenets of the Catholic Church and all Catholic canon Law and arranging for religious education and daily acts of worship.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Strategic report

Achievements and performance

During the academic year 2012-2013 the Academy underwent a Section 5 OfSTED and during the academic year 2017-2018 a Section 48 (Diocesan) OfSTED Inspection. The Academy was judged Outstanding in all categories in both inspections.

Section 5 OfSTED Achievement – Outstanding

Teaching and Learning – Outstanding

Behaviour and Safety – Outstanding

Leadership and Management – Outstanding

Overall effectiveness – Outstanding

Section 48 (Diocesan) OfSTED

Catholic life of the school – Outstanding

Collective worship – Outstanding

Religious Education – Outstanding

Overall effectiveness – Outstanding

In 2014 the Academy was awarded:

National Teaching School Status

National Support School Status

The Head Teacher became an NLE (National Leader in Education) and the Academy is NSS (National Support School) and the school has 13 SLE's (Specialist Leaders in Education)

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Key performance indicators

A. Key Stage 4 performance indicators:

Attainment 8

- All students:
54 2018 (+3)
51 2017
- Non-disadvantaged students:
53 2018 (-1)
54 2017
- Disadvantaged students:
46 2018 (+6)
40 2017
- English as an additional language students:
50 2018 (-3)
53 2017

Progress 8

- All students:
+0.29 2018 (+0.14)
+0.15 2017
- Non-disadvantaged students:
+0.29 2018 (+0.34)
-0.05 2017
- Disadvantaged students:
-0.10 2018 (+0.39)
-0.29 2017
- English as an additional language students:
+0.87 (+0.42)
+0.45

E-Baccalaureate (standard pass 9-4 c.A*+-C)

- All students:
55% 2018 (+13%)
42% 2017
- Non-disadvantaged students:
59% 2018 (+8%)
51% 2017
- Disadvantaged students:
34% 2018 (+21%)
13% 2017
- English as an additional language students:
59% 2018 (+18%)
41% 2017

English Baccalaureate (strong pass 9-5 c.A*+-B)

- All students:
40% 2018 (no change)
40% 2017
- Non-disadvantaged students:
44% 2018 (-6%)
50% 2017
- Disadvantaged students:
26% 2018 (+14%)
12% 2017
- English as an additional language students:
47% 2018 (+6%)
41% 2017

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

% A*-C in English and Mathematics (standard pass 9-4 c. A*-C)

- All students:
77% 2018 (+6%)
71% 2017
- Non-disadvantaged students:
80% 2018 (+2%)
78% 2017
- Disadvantaged students:
66% 2018 (+20%)
46% 2017
- English as an additional language students:
75% 2018 (+5%)
70% 2017

% A*-B in English and Mathematics (strong pass 9-5 c. A*-B)

- All students:
56% 2018 (+4%)
52% 2017
- Non-disadvantaged students:
59% 2018 (-3%)
62% 2017
- Disadvantaged students:
40% 2018 (+15%)
25% 2017
- English as an additional language students:
56% 2018 (+5%)
51% 2017

B. Post-16 performance indicators:

A level cohort and results:

- Number of students:
126 2018 (+7)
119 2017
- Average point score per A level entry expressed as a grade:
C 2018 (no change)
C 2017
- Average point score per A level entry:
30 2018 (-2)
32 2017

Academic cohort and results:

- Number of students:
126 2018 (+7)
119 2017
- Average point score per academic entry expressed as an A Level grade:
C 2018 (no change)
C 2017
- Average point score per academic entry:
30 2018 (-2)
32 2017

Applied general cohort and results:

- Number of students:
10 2018 (no change)
10 2017
- Average point score per applied general entry expressed as a vocational grade:
Merit+ 2018
Dist+ 2017
- Average point score per applied general entry:
27 2018 (-11)
38 2017

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Tech. level cohort and results:

- Number of students:
7 2018 (+1)
6 2017
- Average point score per tech level entry expressed as a vocational grade:
Dist- 2018
Dist+ 2017
- Average point score per tech level entry:
33 2018 (-7)
40 2017

English and Maths progress measure:

- Number of English students:
15 2018 (+7)
8 2017
- Average progress made in English:
+0.58 2018 (-0.73)
+1.31 2017
- Number of Maths students:
13 2018 (-3)
16 2017
- Average progress made in Maths:
-0.27 2018 (-0.49)
+0.22 2017

Level 2 vocational cohort:

- Number of students:
10 2018 (+5)
5 2017
- Average point score per level 2 vocational entry expressed as a vocational grade:
Dist- 2018
N/A 2017
N/A - 5 or fewer candidates is not considered statistically significant and not calculated by DfE.

Key Stage 4 – 2017 – 2018 (unvalidated)

Table 1 – Attainment 8

54 all students
46 disadvantaged students

Table 2 – Progress 8

+0.29 all students
-0.10 disadvantaged students

Going concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the Academy 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.

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST (FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY) TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Financial review

The majority of the Academy's income is obtained from the ESFA (Education and Skills Funding Agency) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the Period 1 September 2017 to 31 August 2018 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Academy also receives grants for fixed assets from the ESFA. Such grants are shown in the statement of Financial Activities as restricted income in the Fixed Asset Fund

During the period 1 September 2017 to 31 August 2018 total expenditure £7,007,041 (excluding depreciation and LGPS adjustments) was more than the recurrent grant funding from the ESFA together with other incoming resources. The excess of income over expenditure for the period (excluding inherited assets and liabilities, restricted fixed asset funds and before pensions transfer) was £18,255.

At 31 August 2018 the net book value of fixed assets was £451,306. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

Under accounting Standard FRS102, it is necessary to charge projected deficits on the Local Government Pension Scheme, which is provided for support staff, to the Unrestricted Fund. This resulted in the pension fund showing a deficit of £444,000 which has been carried forward to 2018-2019. It should be noted that this does not present a liquidity problem for the Academy and that we are reviewing contributions to the pension scheme in order to see a reduction in the pension deficit in future years.

Reserves policy

The Governors review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure stream, the need to match income with commitments and the nature of reserves. The Academy's current level of general and unrestricted reserves is £780,874. However, when our budget was set in June, our projected surplus was £639,941. To achieve a balanced budget for 2018 – 2019 £52,841 was factored in, this then left £587,100 as a final projected surplus for 2018-2019. Directors continue to use reserves to improve I.T. systems within the academy and manage routine maintenance which is now required in some of the newer buildings and facilities which have been operational for several years. There are also issues linked to the quality of fixtures and fitting installed as part of the Priority Schools Building Project. The academy had no control over this element of the project as the ESFA. was the client and delivered a batch of projects with the contractor.

1. There are a number of constraints placed upon academies in terms of financial management. One of these is the inability to borrow funds. This constraint may represent a risk to our academy in relation to financial planning and monitoring.

2. Through the effective management of reserves, this risk can be mitigated, by providing an alternative temporary funding stream should we be faced with sudden urgent large unbudgeted expenditure or a delay in grant receipts.

3. The purpose of the reserves policy for St. Anthony's Academy is to ensure the stability of the academy's organisational and financial operations.

Level of Reserves

4. The academy maintains a risk register consisting of financial and strategic risks, the register is reviewed and managed regularly.

5. The academy holds reserves in order to manage urgent unplanned expenditure. The level of reserves will be approved by governors annually. Governors have agreed that the academy should aim to have one month of our expenditure held as a reserve.

Investment policy

The Governors have agreed to invest, when possible, a maximum sum of £100,000 per annum to plan financially for the replacement of capital items e.g. furniture, fittings and equipment including I.T. equipment. This is reviewed annually. This investment has not been possible financial year 2017-2018 or 2018-2019 due to diminishing budgets. There are no investments being currently held.

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST (FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY) TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Principal risks and uncertainties

Pupil numbers across all Key Stages are very positive. In KS3 the academy is 25 over P.A.N. (Pupil Admission Number).

The Governors and Head Teacher have implemented a number of systems to assess risks that the Academy faces, especially within operational areas e.g. in relation to teaching, health and safety and educational visits and in relation to finance, premises and staffing. Systems have been introduced, including operational procedures e.g. vetting of new staff and visitors, management of facilities and internal financial controls in order to minimise risk. Where significant financial risk still remains they have obtained insurance cover. The Academy has established effective systems of internal financial control. An external Risk Management Review was undertaken February 2018.

Changes to Post-16 funding potentially incurs greater risk as the ESFA moves towards a new Post-16 funding formula which does not fund the Academy (and all Post-16 institutions) for students completing four or more A level courses. Some adjustment is required in terms of curriculum and financial planning 2017-2018 to adapt to the impact of these changes.

The impact at national and regional level of budget reductions, reductions in post-16 funding etc. are being monitored closely by Governors.

The impact of the proposed national funding formula is also being closely monitored by the Business Manager, Budget Officer and Finance Committee.

Changes to Post-16 funding potentially incurs greater risk as the ESFA moves towards a new Post-16 funding formula which does not fund the Academy (and all Post-16 institutions) for students completing four or more A level courses. Some adjustment is required in terms of curriculum and financial planning 2016-2017 to adapt to the impact of these changes.

The impact at national and regional level of budget reductions, reductions in Post-16 funding etc. are being monitored closely by Governors.

The impact of the proposed national funding formula is also being closely monitored by the Business Manager, Budget Officer and Finance Committee.

Fundraising

The trustees are committed to relevant, and appropriate, fund raising to support the educational purposes of the academy. They ensure effective supervision of assets, reputational risk and compliance. All fund raising is planned and monitored at all levels. The Code of Fundraising Practice (Charity Commission) is followed.

Plans for future periods

Diocesan plans for all 159 Diocesan schools to form Multi-Academy Trusts.

Plans for further expansion of S.C.I.T.T. (School Centred Initial Teacher Training) from 6 trainees 2016 to 13 trainees 2018-2019.

Diocesan Inspection (Section 48) undertaken 2018. Outstanding all in ten categories.

Diocesan restructure expected 2018 onwards linked to Diocesan MAT development plans.

Transfer of trusteeship from the Sisters of Mercy, Oaklea Convent to the R.C. Diocese of Hexham and Newcastle has occurred financial year 2017-2018.

Continued N.L.E. and Teaching School work with informal partners.

Trustees and Governors are also monitoring risks and uncertainties linked to transfer to the Diocese of Hexham and Newcastle and Diocesan proposals regarding Multi-Academy Trusts.

Capital Project

There are no current major capital projects. Capital funding has been used to supplement ICT resources.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Funds held as custodian trustee on behalf of others

There are no funds held as Custodian Trustee on behalf of others.

Auditor

Insofar as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is aware
- 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 Baldwins Audit Services be reappointed as audit of the charitable company will be put to the members.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees on 29 November 2018 as the company directors and signed on its behalf by:



Mrs A M Shanks

Chair

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST (FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY) GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2018

Scope of responsibility

As trustees we acknowledge we have overall responsibility for ensuring that St. Anthony's Girls' Catholic Academy 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 head teacher, 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 St. Anthony's Girls' Catholic Academy and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of trustees has formally met 6 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustees	Meetings attended	Out of possible
Miss A Gleeson	3	6
Mrs A M Shanks (Chair)	6	6
Miss J C Carlin	5	6
Mrs C Barrett (Resigned 30/11/2017)	0	1
Mrs J M Adamson	5	6
Mrs K L Richardson-Dunn	3	6
Mrs M Forbes	5	6
Mrs M Shepherd (Accounting Officer)	6	6
Mrs A Haq (Resigned 23/03/2018)	0	4
Mrs E J Ashton	5	6
Mrs A M Bashton	5	6
Mrs D Donkin (Resigned 23/03/2018)	0	4
Mr M Flores	4	6
Fr M Lyden-Smith	3	6
Mrs A Machin	2	6
Mrs S Ward	6	6
Mrs M A Galbraith (Appointed 01/12/2017)	4	5

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
GOVERNANCE STATEMENT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Governance Review

The Chair of Governors and Chair of Trustees undertook a governance review 2016-2017 working in conjunction with Dickinson-Dees LLP. The Governing Body was re-structured to bring it in line with the structure of academy governing bodies of academies within the trusteeship of the Diocese of Hexham and Newcastle. Following the completion of their terms of office new staff and parent governors have been elected to the governing body. The Chair of Trustees and Chair of Governors have also reviewed the Foundation Governors in the light of diocesan transfer. The academy has become a multi-academy trust (formerly a single academy trust). A new Board of Directors has been recruited and approved by the Diocese and by R.S.C. North from 1st September 2018.

The finance committee is a sub-committee of the main board of trustees. Its purpose is to:

Approves purchases of goods and services above agreed limit as identified in the "Finance Handbook".

Reports to full Governing Body current financial position.

Drafts budget with Head Teacher, Academy Business Manager and with advice from the Local Authority Budget Officer.

Monitors the progress of the budget at every Finance meeting via discussion and reports from Head Teacher, Local Authority Budget Office and Academy Business Manager.

Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of a possible
Mrs A Shanks (Chair)	5	5
Mrs C Barrett	0	1
Mrs A Bashton	4	4
Miss J Carlin	4	5
Mrs M Shepherd (Accounting Officer)	5	5

The audit committee is also a sub-committee of the main board of trustees. Its purpose is to:

Advise the Academy trust on the appointment, re-appointment of the Internal Assurance Officer.

Consider the reports of the Internal Assurance/Responsible Officer and report to the Governing Body.

To monitor the implementation of agreed recommendations relating to the Internal Assurance/Responsible Officer reports.

Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of a possible
Mrs A Shanks (Chair)	3	3
Mrs C Barrett	0	1
Mrs A Bashton	3	3
Miss J Carlin	2	3
Mrs M Shepherd (Accounting Officer)	3	3

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
GOVERNANCE STATEMENT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Review of value for money

We have considered ESFA guidance and we have a ten point plan for saving money, increasing income and ensuring value for money and financial stability for the academy in a climate of reducing school budgets.

Five ways in which we reduce expenditure:

1. SOUND JUDGEMENT

Much caution and sound judgement with regard to decision making linked to permanent, and temporary, staffing contracts and appointments, TLR's etc. by both senior staff and governors.

2. GRADUAL REDUCTION

A gradual reduction in staffing across all areas, as people retire or move on. This includes both teaching and non-teaching staff. We try at all times, whilst undertaking this, to avoid adversely impacting upon the education of our students and the well-being of our staff by reviewing what is most necessary and the impact of our decisions upon outcomes and key performance indicators.

3. THRIFTY APPROACH

We are very abstemious with academy expenditure, given the national and local picture regarding school funding. We brought in an internal, "bidding process" and on-going close monitoring by senior staff and governors sub-committee of all budget headings. This is combined with encouraging a culture of "saving money" across the school community e.g. papercut software, electronic communication via the VLE (Virtual Learning Environment) etc.

4. CLOSE MONITORING

Very close monitoring of the teacher supply budget, which has also been gradually reduced year on year, and is also very closely monitored by senior staff. Strict adherence to return to work interviews, monitoring of staff absence etc. and a culture of professionalism with regard to staff attendance across the whole community which is accompanied by a culture of support for staff.

5. SUPPORT and DEVELOPMENT

Increasing contact time for teaching staff at all levels, including senior staff. However, this is combined with strong peer to peer support and the fostering a collegiate approach amongst colleagues to support accompanying, staff well-being across the community. Ensuring that staff are strongly supported to take ownership of their area of responsibility and student outcomes, but with high level support and development from colleagues.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
GOVERNANCE STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Five ways in which we increase income:

1. QUALITY OUTCOMES

Delivering high quality outcomes and consequently increasing the numbers of students who wish to attend the main school/family wishes their daughter to attend this school. Year on year increases to the student population within Y7-Y11. We work hard with advertising, social media and high quality information evenings to ensure stakeholders are very aware of the many and varied activities which support character education, the curriculum and the education of our girls. Ultimately the school stands or falls on the quality of the end product and the results achieved by the student.

2. HIGH QUALITY DESTINATIONS

Actively promoting the quality of provision within the sixth form and the destinations achieved by students to ensure strong post-16 numbers and on-going post-16 performance. This provides up to one-quarter of academy income. Making cuts to courses which are not proving popular or alternatively considering shared provision to ensure the survival of minority subjects.

3. STAFF DEVELOPMENT

Ensuring we keep good staff and ensuring quality training and development opportunities. Bidding for monies available for Teaching School projects to ensure quality provision both within our own institution and the wider community of schools, locally and regionally, within our Teaching School Alliance. Consequently providing high quality training (both initial teacher training and continuing professional development) to support staff and to enable them to fulfil their role with confidence, within a supportive environment, to achieve the very best personal and professional outcomes.

4. PARTNERSHIP WORKING

Working collectively with one partner school to deliver jointly post-16 education across the two schools, in a gradual and timely manner, resulting in increased income for our academy and economise of scale and value for money for both schools.

5. BIDDING FOR FUNDS

Bidding for monies available for development projects eg. Priority Schools Building Project, which has transformed the learning and teaching environment, and all other DfE initiatives. Being very active via partnership working to ensure we are very au fait with education policy and direction both locally, nationally and internationally. We do this by actively taking part in RSC (Regional Schools Commissioner) Forums, Schools North East Board, North East Teaching Schools Alliance, Diocesan and Catholic Partnership Forums, City of Sunderland Forums as well as using of "The Key", the NGA (National Governors Association) and webinars available from the DfE. If required we also seek external advice and guidance from accountants, auditors and other experts e.g. legal and Human Resources teams.

All of the above is shared with all staff and governors regularly to ensure that the message is well communicated and that all stakeholders are very aware of the financial issues currently facing all schools and how we, at our school, are managing the situation to ensure both value for money, strong financial management and financial viability.

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 on internal control has been in place in St. Anthony's Girls' Catholic Academy for the period ended 31 August 2018 and up to the date of approval of the annual report and financial statements.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
GOVERNANCE STATEMENT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Capacity to handle risk

The Governors has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls which have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process identifying, evaluating and managing the Academy's significant risks that have been in place for the year ending 31 August 2018 and up to the date of a approval of the annual report and financial statements. This process is reviewed by the Governing Body.

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 committee and audit committee of reports which indicate financial performance against 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 duties;
- identification and management of risk.

The board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Baldwins Audit Services to perform additional checks and link with the Governor, Sr. M. Aelred (Miss J Carlin). The external auditor role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. The auditor reports to the Academy Business Manager who then reports to the Link Governor, Sr. M. Aelred, who reports directly to the full governing body, through the audit committee, on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. The schedule of work has been delivered as planned. All issues arising were low/medium risk and have been addressed via an Action Plan.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
GOVERNANCE STATEMENT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Independent Assurance visits took place on:

1st and 2nd February 2018

14th August 2018

Visit 1st and 2nd February 2018:

Review of previous report and discussion of progress with recommendations took place during these visits. All reports were shared with Governors Finance Sub-Committee by the Link Governor and Academy Business Manager. Key areas covered are listed below and any recommendations have been addressed:

Sample checking for bank reconciliation validity. Sample checking of payroll accounts. Check for any virements or significant changes to budget. Review of creditor and debtor aged listings. Review Academy Finance Handbook. Review Management Reports. Review Risk Register. Review Academy Insurance cover. Review Business Continuity Plan. Test sample of payments back to order, goods received and invoice. Review purchases requiring quotes/tenders. Review controls relating to payment processing. Sample check of individual payroll entries. Review a sample of payroll amendments in the period. Review procedures for starters/leavers/amendments to payroll. Review sample of new appointments. Review sample of expense claims. Review controls in place of cheques and credit cards.

Review bank mandate. Review of a sample of debit items. Review procedure for reporting financial information to the Governing Body. Review current Governance arrangements agree with website. Review Register of Business Interests agrees to information on website. Review/confirm Governors details are correct with ESFA. Review gifts/hospitality. Ensure Terms of Reference are up to date. Review minutes from all Governors meetings. Confirm I.A. Reports have been discussed and minuted at meeting. Confirm the performance of Auditors has been reviewed.

Visit 14th August 2018.

Review of previous report and discussion of progress with recommendations took place during these visits. All reports were shared with Governors Finance Sub-Committee by the Link Governor and Academy Business Manager. Key areas covered are listed below and any recommendations have been addressed:

Sample checking on bank reconciliations for validity. Sample checking of Payroll Accounts. Review of creditor and debtor aged listings. Review of Management Reports. Review of purchase/contracts/quotes/tenders. Review of procedures for receipt and bank of income. Test check a sample of grant income. Test check a sample of non-grant income. Review income postings are correct. Review Fixed Asset Register. Review repairs and ICT expenditure. Review systems back-up procedures. Review security controls relating to financial systems. Review and check Governance arrangements on website. Review Register of Business Interests/Pecuniary Interests. Confirm information on ESFA information exchange is kept up to date. Review hospitality/gifts expenditure. Review all minutes of all Governors meetings. Confirm I.A. Report have been appropriately discussed and minuted.

Review of effectiveness

As accounting officer the head teacher 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 external auditor linking with Governor RO;
- 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.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the audit committee and a plan to address weaknesses and ensure continuous improvement of the system in place.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
GOVERNANCE STATEMENT (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the audit committee and a plan to address weaknesses and ensure continuous improvement of the system in place.

Approved by order of the board of trustees on 29 November 2018 and signed on its behalf by:



Mrs A M Shanks
Chair



Mrs M Shepherd
Accounting Officer

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2018**

As accounting officer of Our Lady of Mercy Catholic Education 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.

M. Shepherd

Mrs M Shepherd
Accounting Officer

29 November 2018

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018**

The trustees (who are also the directors of Our Lady of Mercy Catholic Education 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 29 November 2018 and signed on its behalf by:



Mrs A M Shanks

Chair

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OUR LADY OF MERCY
CATHOLIC EDUCATION TRUST
FOR THE YEAR ENDED 31 AUGUST 2018**

Opinion

We have audited the accounts of Our Lady of Mercy Catholic Education 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.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OUR LADY OF MERCY
CATHOLIC EDUCATION TRUST (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

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 accounts

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.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OUR LADY OF MERCY
CATHOLIC EDUCATION TRUST (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

Use of our report

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 2006. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Baldwins

**Graham Fitzgerald BA FCA DChA (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services**

7/12/18
.....

Statutory Auditor

Wynyard Park House
Wynyard Avenue
Wynyard
TS22 5TB

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
REGULARITY TO OUR LADY OF MERCY CATHOLIC EDUCATION TRUST AND THE
EDUCATION & SKILLS FUNDING AGENCY**

FOR THE YEAR ENDED 31 AUGUST 2018

In accordance with the terms of our engagement letter dated 31 August 2018 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 Our Lady of Mercy Catholic Education 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 Our Lady of Mercy Catholic Education Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Our Lady of Mercy Catholic Education 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 Our Lady of Mercy Catholic Education Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Our Lady of Mercy Catholic Education Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Our Lady of Mercy Catholic Education Trust's funding agreement with the Secretary of State for Education dated 1 April 2012 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance, and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the 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.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
REGULARITY TO OUR LADY OF MERCY CATHOLIC EDUCATION TRUST AND THE
EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

The work undertaken to draw to our conclusion includes:

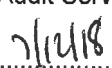
- completion of self assessment questionnaire by Accounting Officer
- discussions with the Accounting Officer and finance team
- review of Internal Assurance report
- review of trustee and committee meeting minutes
- review of finance and other relevant policies
- review of purchases, expenses and expense claims on a sample basis including the application of controls and tendering processes where applicable
- review of gifts and hospitality transactions including the application of controls
- review of credit and debit card transactions including the application of controls
- review of payroll transactions on a sample bases including the application of controls
- review of potential special payments to staff
- review of leases and consideration of areas where borrowing may have been incurred
- consideration of transactions with related and connected parties
- review of register of business interests for completeness and compliance with regulations
- enquiries into transactions that may require disclosure under ESFA delegated authority rules
- consideration of value for money and appropriateness of transactions

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
Baldwins Audit Services

Dated:  21/11/18

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
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 £
Income and endowments from:						
Donations and capital grants	3	2,362	-	26,719	29,081	33,442
Charitable activities:						
- Funding for educational operations	4	444,495	6,392,004	-	6,836,499	6,883,964
- Funding for teaching school	26	-	46,000	-	46,000	63,500
Other trading activities	5	308,823	-	-	308,823	265,647
Investments	6	1,612	-	-	1,612	2,777
Total		757,292	6,438,004	26,719	7,222,015	7,249,330
Expenditure on:						
Raising funds	7	523,814	-	-	523,814	272,950
Charitable activities:						
- Educational operations	8	186,900	6,335,327	146,253	6,668,480	7,330,040
- Teaching School		-	46,000	-	46,000	63,500
Total	7	710,714	6,381,327	146,253	7,238,294	7,666,490
Net income/(expenditure)		46,578	56,677	(119,534)	(16,279)	(417,160)
Transfers between funds	18	-	(13,497)	13,497	-	-
Other recognised gains/(losses)						
Actuarial gains on defined benefit pension schemes	20	-	324,000	-	324,000	704,000
Net movement in funds		46,578	367,180	(106,037)	307,721	286,840
Reconciliation of funds						
Total funds brought forward		432,779	(509,663)	567,735	490,851	204,011
Total funds carried forward		479,357	(142,483)	461,698	798,572	490,851

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

Comparative year information		Unrestricted	Restricted funds:		Total
Year ended 31 August 2017		Funds	General	Fixed asset	2017
	Notes	£	£	£	£
Income and endowments from:					
Donations and capital grants	3	6,216	-	27,226	33,442
Charitable activities:					
- Funding for educational operations	4	360,278	6,523,686	-	6,883,964
- Funding for teaching school	26	-	63,500	-	63,500
Other trading activities	5	265,647	-	-	265,647
Investments	6	2,777	-	-	2,777
Total		634,918	6,587,186	27,226	7,249,330
Expenditure on:					
Raising funds	7	272,950	-	-	272,950
Charitable activities:					
- Educational operations	8	321,530	6,897,560	110,950	7,330,040
- Teaching School		-	63,500	-	63,500
Total	7	594,480	6,961,060	110,950	7,666,490
Net income/(expenditure)		40,438	(373,874)	(83,724)	(417,160)
Transfers between funds	18	-	(28,416)	28,416	-
Other recognised gains/(losses)					
Actuarial gains on defined benefit pension schemes	20	-	704,000	-	704,000
Net movement in funds		40,438	301,710	(55,308)	286,840
Reconciliation of funds					
Total funds brought forward		392,341	(811,373)	623,043	204,011
Total funds carried forward		432,779	(509,663)	567,735	490,851

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
BALANCE SHEET

AS AT 31 AUGUST 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	13		10,196		12,964
Tangible assets	12		441,110		504,771
			<u>451,306</u>		<u>517,735</u>
Current assets					
Debtors	14	178,921		132,414	
Cash at bank and in hand		794,948		716,977	
		<u>973,869</u>		<u>849,391</u>	
Current liabilities					
Creditors: amounts falling due within one year	15	(182,603)		(187,766)	
Net current assets			<u>791,266</u>		<u>661,625</u>
Total assets less current liabilities			<u>1,242,572</u>		<u>1,179,360</u>
Creditors: amounts falling due after more than one year	16		-		(5,509)
Net assets excluding pension liability			<u>1,242,572</u>		<u>1,173,851</u>
Defined benefit pension scheme liability	20		(444,000)		(683,000)
Net assets			<u><u>798,572</u></u>		<u><u>490,851</u></u>
Funds of the academy trust:					
Restricted funds	18				
- Fixed asset funds			461,698		567,735
- Restricted income funds			301,517		173,337
- Pension reserve			(444,000)		(683,000)
Total restricted funds			<u>319,215</u>		<u>58,072</u>
Unrestricted income funds	18		<u>479,357</u>		<u>432,779</u>
Total funds			<u><u>798,572</u></u>		<u><u>490,851</u></u>

The accounts set out on pages 27 to 51 were approved by the board of trustees and authorised for issue on 29 November 2018 and are signed on its behalf by:


Mrs A M Shanks
Chair

Company Number 07968898

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Net cash provided by/(used in) operating activities	21		129,464		(122,098)
Cash flows from investing activities					
Dividends, interest and rents from investments		1,612		2,777	
Capital grants from DfE Group		26,719		27,226	
Purchase of intangible fixed assets		(3,000)		(15,556)	
Purchase of tangible fixed assets		(76,824)		(151,451)	
Net cash used in investing activities			(51,493)		(137,004)
Net increase/(decrease) in cash and cash equivalents in the reporting period			77,971		(259,102)
Cash and cash equivalents at beginning of the year			716,977		976,079
Cash and cash equivalents at end of the year			794,948		716,977
Relating to:					
Bank and cash balances			6,295		28,690
Short term deposits			788,653		688,287

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
(FORMERLY ST ANTHONY'S GIRLS' CATHOLIC ACADEMY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1 Accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), 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.

Our Lady of Mercy Catholic Education 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 company to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of approval of the accounts.

The reported share of the LGPS deficit in the year has a significant impact on our restricted funds, however we draw your attention to the cash reserves held by the academy as well as the balances held in unrestricted and restricted general reserves.

1.3 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

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

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.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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1 Accounting policies

(Continued)

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

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be 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.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges 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.

1.5 Intangible fixed assets and amortisation

Intangible assets costing £2,000 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 - 3 years

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

1 Accounting policies

(Continued)

1.6 Tangible fixed assets and depreciation

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. 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 such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

Depreciation is provided on all tangible 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:

Building improvements	50 years
Computer equipment	3 years
Fixtures, fittings and equipment	10 years

The academy trust occupies the footprint of the school building which is owned by the Diocese having been transferred from the Sisters of Mercy Oaklea Convent during the year. The trustees are the providers of the land and buildings on the same basis as when the academy was a maintained school. The academy trust occupies the land and buildings under a mere licence. This continuing permission of the trustees is pursuant to, and subject to, the trustees' charitable objects, and is part of the Catholic Church's contribution since 1847 to provide State funded education in partnership with the State. The licence delegates aspects of the management of the land and buildings to the academy trust for the time being, but does not vest any rights over the land in the academy trust. The trustees have given an undertaking to the Secretary of State that they will not give the academy trust less than two years notice to terminate the occupation of the land and buildings. Having considered the factual matrix under which the academy trust is occupying the land and buildings the trustees have concluded that the value of the land and buildings occupied by the academy trust will not be recognised on the balance sheet of the academy. Subsequent expenditure funded by the trust has been capitalised at cost.

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.

Because the use of the land is made available to the academy trust under a Supplemental Agreement, the academy has been donated the right to use the buildings and under accounting standards a donation and expense representing the use of the facilities should be reflected in the financial statements. The trustees are of the opinion that obtaining a reliable estimate of this value would be onerous and the expense of obtaining such a valuation would outweigh any benefits derived. Therefore no such adjustment has been reflected in these financial statements.

1.7 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 or services it must provide.

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

1 Accounting policies

(Continued)

1.8 Leased assets

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

1.9 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.

1.10 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.

1.11 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 prospective unit credit method. As stated in note 36, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities 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.

1.12 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/Department for Education.

1.13 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 25.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

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.

3 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Capital grants	-	26,719	26,719	27,226
Other donations	2,362	-	2,362	6,216
	<u>2,362</u>	<u>26,719</u>	<u>29,081</u>	<u>33,442</u>

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FOR THE YEAR ENDED 31 AUGUST 2018

4 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
DfE / ESFA grants				
General annual grant (GAG)	-	6,147,392	6,147,392	6,283,734
Other DfE group grants	-	217,796	217,796	214,213
	-	6,365,188	6,365,188	6,497,947
Other government grants				
Local authority grants	-	26,816	26,816	25,739
Other funding				
Teaching school income	-	46,000	46,000	63,500
Catering income	280,313	-	280,313	251,124
Other incoming resources	164,182	-	164,182	109,154
	444,495	46,000	490,495	423,778
Total funding	444,495	6,438,004	6,882,499	6,947,464

5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Catering income	7,481	-	7,481	8,993
School trips	156,899	-	156,899	150,198
Other income	144,443	-	144,443	106,456
	308,823	-	308,823	265,647

6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Short term deposits	1,612	-	1,612	2,777

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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FOR THE YEAR ENDED 31 AUGUST 2018

7 Expenditure

	Staff costs £	Non Pay Expenditure Premises £	Other £	Total 2018 £	Total 2017 £
Expenditure on raising funds					
- Direct costs	257,088	-	266,726	523,814	272,950
Academy's educational operations					
- Direct costs	4,851,768	-	439,741	5,291,509	5,642,258
- Allocated support costs	627,724	390,162	359,085	1,376,971	1,687,782
Teaching School					
- Direct costs	30,165	-	15,835	46,000	63,500
	<u>5,766,745</u>	<u>390,162</u>	<u>1,081,387</u>	<u>7,238,294</u>	<u>7,666,490</u>

Net income/(expenditure) for the year includes:

	2018 £	2017 £
Fees payable to auditor for:		
- Audit	6,995	7,000
- Other services	5,430	5,100
Operating lease rentals	16,157	14,037
Depreciation of tangible fixed assets	111,484	101,909
Amortisation of intangible fixed assets	5,768	2,592
Loss on disposal of fixed assets	29,001	6,449
Net interest on defined benefit pension liability	15,000	24,000

8 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Direct costs				
Educational operations	-	5,291,509	5,291,509	5,642,258
Teaching School	-	46,000	46,000	63,500
Support costs				
Educational operations	186,900	1,190,071	1,376,971	1,687,782
	<u>186,900</u>	<u>6,527,580</u>	<u>6,714,480</u>	<u>7,393,540</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

8 Charitable activities

(Continued)

	Educational operations £	Total 2018 £	Total 2017 £
Analysis of support costs			
Support staff costs	627,724	627,724	788,390
Depreciation and amortisation	146,253	146,253	110,950
Premises costs	243,909	243,909	368,416
Other support costs	295,606	295,606	352,218
Governance costs	63,479	63,479	67,808
	<u>1,376,971</u>	<u>1,376,971</u>	<u>1,687,782</u>

9 Staff

Staff costs

Staff costs during the year were:

	2018 £	2017 £
Wages and salaries	4,414,332	4,496,377
Social security costs	445,587	458,869
Pension costs	821,615	852,732
Staff costs	<u>5,681,534</u>	<u>5,807,978</u>
Agency staff costs	59,306	131,126
Staff restructuring costs	1,084	9,880
Staff development and other staff costs	24,821	29,153
Total staff expenditure	<u>5,766,745</u>	<u>5,978,137</u>

Staff restructuring costs comprise:

Redundancy payments	<u>1,084</u>	<u>9,880</u>
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Staff numbers

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

	2018 Number	2017 Number
Teachers	94	99
Administration and support	57	60
Management	7	8
	<u>158</u>	<u>167</u>

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FOR THE YEAR ENDED 31 AUGUST 2018**

9 Staff

(Continued)

Higher paid staff

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

	2018 Number	2017 Number
£60,001 - £70,000	2	1
£90,001 - £100,000	1	1
	<u> </u>	<u> </u>

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 and national insurance contributions) received by key management personnel for their services to the Academy Trust was £361,608 (2017: £353,987).

10 Trustees' remuneration and expenses

The headteacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of headteacher and staff, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees. During the year, travel and subsistence payments totalling £196 (2016: £553) were reimbursed to 2 trustees (2016: 6 trustees).

The value of trustees' remuneration was as follows:

M Shepherd (Headteacher and trustee)

Remuneration £95,001 - £100,000 (2017: £95,001 - £100,000)

Employer's pension contributions £15,001 - £20,000 (2017: £15,001 - £20,000)

S K Ward (Staff trustee)

Remuneration £50,001 - £55,000 (2017: £50,001 - £55,000)

Employer's pension contributions £5,001 - £10,000 (2017: £5,001 - £10,000)

J Adamson (Staff trustee)

Remuneration £45,001 - £50,000 (2017: £45,001 - £50,000)

Employer's pension contributions £5,001 - £10,000 (2017: £5,001 - £10,000)

K Richardson-Dunn (Staff trustee)

Remuneration £25,001 - £30,000 (2017: £25,001 - £30,000)

Employer's pension contributions £1 - £15,000 (2017: £5,001 - £10,000)

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

11 Trustees and officers insurance

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

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

12 Tangible fixed assets

	Building improvements £	Computer equipment £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 September 2017	67,147	297,472	421,275	785,894
Additions	-	42,317	34,507	76,824
Disposals	(26,084)	(11,825)	(10,202)	(48,111)
At 31 August 2018	41,063	327,964	445,580	814,607
Depreciation				
At 1 September 2017	5,783	185,435	89,905	281,123
On disposals	(2,044)	(11,825)	(5,241)	(19,110)
Charge for the year	821	67,207	43,456	111,484
At 31 August 2018	4,560	240,817	128,120	373,497
Net book value				
At 31 August 2018	36,503	87,147	317,460	441,110
At 31 August 2017	61,364	112,037	331,370	504,771

13 Intangible fixed assets

	Software licences £
Cost	
At 1 September 2017	15,556
Additions	3,000
At 31 August 2018	18,556
Amortisation	
At 1 September 2017	2,592
Charge for the year	5,768
At 31 August 2018	8,360
Carrying amount	
At 31 August 2018	10,196
At 31 August 2017	12,964

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

14 Debtors	2018 £	2017 £
Trade debtors	3,538	2,449
VAT recoverable	28,676	565
Prepayments and accrued income	146,707	129,400
	<u>178,921</u>	<u>132,414</u>
15 Creditors: amounts falling due within one year	2018 £	2017 £
Trade creditors	38,162	55,823
Other creditors	48,466	36,687
Accruals and deferred income	95,975	95,256
	<u>182,603</u>	<u>187,766</u>
16 Creditors: amounts falling due after more than one year	2018 £	2017 £
Accruals and deferred income	-	5,509
17 Deferred income	2018 £	2017 £
Deferred income is included within:		
Creditors due within one year	<u>52,228</u>	<u>39,586</u>
Deferred income at 1 September 2017	39,586	34,206
Released from previous years	(39,586)	(34,206)
Resources deferred in the year	<u>52,228</u>	<u>39,586</u>
Deferred income at 31 August 2018	<u><u>52,228</u></u>	<u><u>39,586</u></u>

At the balance sheet date the academy trust was holding funds received in advance for trips and rates funding in respect of 2017/18.

OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

18 Funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	170,367	6,147,392	(6,002,745)	(13,497)	301,517
Other DfE / ESFA grants	2,970	217,796	(220,766)	-	-
Other government grants	-	26,816	(26,816)	-	-
Teaching School	-	46,000	(46,000)	-	-
Pension reserve	(683,000)	-	(85,000)	324,000	(444,000)
	<u>(509,663)</u>	<u>6,438,004</u>	<u>(6,381,327)</u>	<u>310,503</u>	<u>(142,483)</u>
Restricted fixed asset funds					
Transfer on conversion	18,766	-	(2,342)	-	16,424
DfE group capital grants	193,427	26,719	(65,697)	-	154,449
Capital expenditure from GAG	79,570	-	(34,195)	13,497	58,872
Other capital funds	275,972	-	(44,019)	-	231,953
	<u>567,735</u>	<u>26,719</u>	<u>(146,253)</u>	<u>13,497</u>	<u>461,698</u>
Total restricted funds	<u>58,072</u>	<u>6,464,723</u>	<u>(6,527,580)</u>	<u>324,000</u>	<u>319,215</u>
Unrestricted funds					
General funds	432,779	757,292	(710,714)	-	479,357
Total funds	<u>490,851</u>	<u>7,222,015</u>	<u>(7,238,294)</u>	<u>324,000</u>	<u>798,572</u>

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

18 Funds

(Continued)

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

General Annual Grant must be used for the normal running costs of the academy. 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 at 31 August 2018.

Other DfE/ESFA grants includes pupil premium funding targeted at disadvantaged pupils, year 7 catch up grant and teaching schools income from the ESFA.

Other government grants includes funding for pupils with special educational needs and other income from the local authority.

The pension reserve reflects the LGPS transactions. The costs and income associated with the defined benefit pension scheme have been recorded in the restricted fund. Staff costs are paid from this fund, including contributions to the LGPS, and the pension liability has therefore been aligned with these funds.

DFE/ESFA capital grants include devolved formula capital funding, some of which has been carried forward for future use.

The inherited fixed asset fund reflects the fixed assets acquired on conversion. Depreciation on these assets is charged against this fund.

Unrestricted funds can be used for any purpose at the discretion of the academy.

The academy's restricted general and unrestricted funds were £780,874 as at 31 August 2018.

**OUR LADY OF MERCY CATHOLIC EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 AUGUST 2018

18 Funds

(Continued)

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 £
Restricted general funds					
General Annual Grant (GAG)	447,892	6,283,734	(6,532,843)	(28,416)	170,367
Other DfE / ESFA grants	3,735	214,213	(214,978)	-	2,970
Other government grants	-	25,739	(25,739)	-	-
Teaching School	-	63,500	(63,500)	-	-
Pension reserve	(1,263,000)	-	(124,000)	704,000	(683,000)
	<u>(811,373)</u>	<u>6,587,186</u>	<u>(6,961,060)</u>	<u>675,584</u>	<u>(509,663)</u>
Restricted fixed asset funds					
Transfer on conversion	26,333	-	(7,567)	-	18,766
DfE group capital grants	205,798	27,226	(39,597)	-	193,427
Capital expenditure from GAG	70,921	-	(19,767)	28,416	79,570
Other capital funds	319,991	-	(44,019)	-	275,972
	<u>623,043</u>	<u>27,226</u>	<u>(110,950)</u>	<u>28,416</u>	<u>567,735</u>
Total restricted funds	<u>(188,330)</u>	<u>6,614,412</u>	<u>(7,072,010)</u>	<u>704,000</u>	<u>58,072</u>
Unrestricted funds					
General funds	<u>392,341</u>	<u>634,918</u>	<u>(594,480)</u>	<u>-</u>	<u>432,779</u>
Total funds	<u>204,011</u>	<u>7,249,330</u>	<u>(7,666,490)</u>	<u>704,000</u>	<u>490,851</u>

19 Analysis of net assets between funds

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total Funds £
Fund balances at 31 August 2018 are represented by:				
Intangible fixed assets	-	-	10,196	10,196
Tangible fixed assets	-	-	441,110	441,110
Current assets	479,357	484,120	10,392	973,869
Creditors falling due within one year	-	(182,603)	-	(182,603)
Defined benefit pension liability	-	(444,000)	-	(444,000)
Total net assets	<u>479,357</u>	<u>(142,483)</u>	<u>461,698</u>	<u>798,572</u>

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19 Analysis of net assets between funds

(Continued)

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total Funds £
Fund balances at 31 August 2017 are represented by:				
Intangible fixed assets	-	-	12,964	12,964
Tangible fixed assets	-	-	504,771	504,771
Current assets	458,115	341,276	50,000	849,391
Creditors falling due within one year	(25,336)	(162,430)	-	(187,766)
Creditors falling due after one year	-	(5,509)	-	(5,509)
Defined benefit pension liability	-	(683,000)	-	(683,000)
Total net assets	432,779	(509,663)	567,735	490,851

20 Pension 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 South Tyneside Council. 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 that of the LGPS related to the period ended 31 March 2016.

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' 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.

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20 Pension and similar obligations

(Continued)

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 September 2019.

The employer's pension costs paid to the TPS in the period amounted to £603,387 (2017: £610,129).

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

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The 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 14.6% for employers and 5.5 - 12.5% for employees. The estimated value of employer contributions for the forthcoming year is £167,000 (2017: £165,000).

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	159,000	151,000
Employees' contributions	36,000	35,000
Total contributions	195,000	186,000

Principal actuarial assumptions	2018	2017
	%	%
Rate of increase in salaries	3.6	3.6
Rate of increase for pensions in payment/inflation	2.1	2.1
Discount rate for scheme liabilities	2.8	2.5
Inflation assumption (CPI)	2.1	2.1

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20 Pension and similar obligations

(Continued)

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	22.9	22.8
- Females	26.4	26.3
Retiring in 20 years		
- Males	25.1	25.0
- Females	28.7	28.6

Scheme liabilities would have been affected by changes in assumptions as follows:

	2018 £	2017 £
Discount rate + 0.1%	3,366,000	3,296,000
Discount rate - 0.1%	3,497,000	3,425,000
Mortality assumption + 1 year	3,333,000	3,260,000
Mortality assumption - 1 year	3,529,000	3,461,000
CPI rate + 0.1%	3,474,000	3,402,000
CPI rate - 0.1%	3,389,000	3,338,000

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

	2018 Fair value £	2017 Fair value £
Equities	2,016,225	1,769,497
Government bonds	119,480	104,403
Corporate bonds	334,544	307,855
Cash	65,714	104,403
Property	253,895	240,930
Other assets	197,142	149,912
Total market value of assets	2,987,000	2,677,000

The actual return on scheme assets was £204,000 (2017: £257,000).

Amount recognised in the Statement of Financial Activities

	2018 £	2017 £
Current service cost	229,000	251,000
Interest income	(68,000)	(47,000)
Interest cost	83,000	71,000
Total operating charge	244,000	275,000

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20 Pension and similar obligations

(Continued)

Changes in the present value of defined benefit obligations	2018	2017
	£	£
At 1 September 2017	3,360,000	3,527,000
Current service cost	229,000	251,000
Interest cost	83,000	71,000
Employee contributions	36,000	35,000
Actuarial gain	(188,000)	(494,000)
Benefits paid	(89,000)	(30,000)
At 31 August 2018	3,431,000	3,360,000

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

	2018	2017
	£	£
At 1 September 2017	2,677,000	2,264,000
Interest income	68,000	47,000
Actuarial gain	136,000	210,000
Employer contributions	159,000	151,000
Employee contributions	36,000	35,000
Benefits paid	(89,000)	(30,000)
At 31 August 2018	2,987,000	2,677,000

21 Reconciliation of net expenditure to net cash flow from operating activities

	2018	2017
	£	£
Net expenditure for the reporting period (as per the Statement of Financial Activities)	(16,279)	(417,160)
Adjusted for:		
Capital grants from DfE/ESFA and other capital income	(26,719)	(27,226)
Investment income receivable	(1,612)	(2,777)
Defined benefit pension costs less contributions payable	70,000	100,000
Defined benefit pension net finance cost	15,000	24,000
Depreciation of tangible fixed assets	111,484	101,909
Amortisation of intangible fixed assets	5,768	2,592
Loss on disposal of fixed assets	29,001	6,449
(Increase)/decrease in debtors	(46,507)	80,382
(Decrease)/increase in creditors	(10,672)	9,733
Net cash provided by/(used in) operating activities	129,464	(122,098)

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22 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	13,672	12,004
Amounts due in two and five years	32,262	42,252
	<u>45,934</u>	<u>54,256</u>

23 Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the Academy Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures. The following related party transaction took place in the period of account.

Hexham and Newcastle Catholic Partnership - a charitable organisation in which Mrs M Shepherd (trustee and Head Teacher) is a Board member and St Anthony's Girls' Catholic Academy is a member:

- The trust contributed £nil (2017 - £14,628) towards the running costs of the Catholic Partnership as part of it's membership and purchased training of £nil (2017 - £nil).
- In entering into the transactions, the trust has complied with the requirements of the ESFA's Academies Financial Handbook.

The academy trust occupies the footprint of the school building which is owned by the Diocese having been transferred from the Sisters of Mercy Oaklea Convent during the year. The trustees are the providers of the land and buildings on the same basis as when the academy was a maintained school. The academy trust occupies the land and buildings under a mere licence. This continuing permission of the trustees is pursuant to, and subject to, the trustees' charitable objects, and is part of the Catholic Church's contribution since 1847 to provide State funded education in partnership with the State. The licence delegates aspects of the management of the land and buildings to the academy trust for the time being, but does not vest any rights over the land in the academy trust. The trustees have given an undertaking to the Secretary of State that they will not give the academy trust less than two years notice to terminate the occupation of the land and buildings. Having considered the factual matrix under which the academy trust is occupying the land and buildings the trustees have concluded that the value of the land and buildings occupied by the academy trust will not be recognised on the balance sheet of the academy.

24 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.

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25 Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2018 the trust brought forward £36,385 from previous years, received £22,983 and disbursed £10,915 from the fund. An amount of £48,453 is included in other creditors relating to undistributed funds.

26 Teaching School trading account	2018		2017	
	£	£	£	£
Direct income				
External funding		46,000		63,500
Direct costs				
Direct staff costs	29,150		43,732	
Staff development	1,015		16,200	
Other direct costs	-		186	
Educational supplies and services	15,835		3,382	
	<u>46,000</u>		<u>63,500</u>	
Total expenditure		(46,000)		(63,500)
Surplus/(deficit) from all sources		-		-
Teaching School balances at 1 September 2017		-		-
Teaching School balances at 31 August 2018		-		-