

Company Registration Number: 07968898 (England and Wales)

Our Lady of Mercy Catholic Education Trust
(A Company Limited by Guarantee)
Annual Report and Financial Statements
Year ended 31 August 2020



Our Lady of Mercy Catholic Education Trust

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Our Lady of Mercy Catholic Education Trust

Reference and Administrative Details

Members

Bishop Robert Byrne
Mrs Deborah Fox
Reverend Martin Stempczyk
Reverend Simon Lerche
Mr Jeff Ledger

Trustees

Mrs A M Shanks (Chair)
Mr M L Flores (Vice Chair)
Mrs M A Galbraith
Mr A McCourt
Mr S O'Keeffe
Mrs E H Schofield
Mrs J Ward

Senior Management Team

- Chief Executive Officer/Headteacher
- Chief Financial Officer
- Chief Governance Officer
- Head Teacher (St Aidan's Catholic Academy)
- Deputy Head (St Anthony's Girls' Catholic Academy)

Mrs M Shepherd
Mrs M Hope
Mrs J Liddell
Mr G Sanderson
Mr M McDonagh

Company Secretary

Mrs J Liddell

Company Registration Number

07968898 (England and Wales)

Registered office

Our Lady of Mercy Catholic Education Trust
c/o St Anthony's Girls' Catholic Academy
Thornhill Terrace
Sunderland
Tyne & Wear
SR2 7JN

Independent auditor

Azets Audit Services (formerly Baldwins Audit Services)
Wynyard Park House
Wynyard Avenue
Wynyard
TS22 5TB

Bankers

Natwest	Lloyds
Sunderland City Branch	Sunderland City Branch
52 Fawcett Street	54 Fawcett Street
Sunderland	Sunderland
SR1 1SB	SR1 1SF

Solicitors

Muckle LLP
32 Gallowgate
Newcastle upon Tyne,
NE1 2BF

Our Lady of Mercy Catholic Education Trust

Trustees' Report

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2020. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

During the year ended 31 August 2020, the Trust operated 2 academies: St Anthony's Girls' Catholic Academy and St Aidan's Catholic Academy. Both serve pupils aged 11-18 in the City of Sunderland. St Anthony's has a pupil capacity of 1,350 and has a roll of 1,382 in the school census October 2019. St Aidan's Catholic Academy, joined the Trust on 1 September 2019. St Aidan's has a pupil capacity of 1,099 and a roll of 849 in the school census October 2019.

On 1 June 2020, St Aidan's Catholic Academy and St Anthony's Girls' Catholic Academy were transferred to Bishop Chadwick Catholic Education Trust and therefore this report reflects the activity of these academies to 31 May 2020.

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 Directors 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.

Details of the Trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 1. Mrs M Shepherd served as Trustee until 11 November 2019.

Members' Liability

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

Trustees' Indemnities

The Companies Act 2006 s236 requires disclosure concerning qualifying third-party indemnity provisions. As required in the Academy's Articles of Association, indemnity insurance has been taken out to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the Academy, with cover through the ESFA's RPA scheme. Provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard of whether it was a breach of trust or a breach of duty or not and provided also that any such cover shall not extend to the costs of any successful defence to a criminal prosecution brought against the Trustees in their capacity as Trustees.

The Academy's object is specifically restricted to the following: to advance for public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

Method of recruitment and appointment or election of Members and Trustees

Trustees are recruited and appointed by Members. Members are appointed by the Roman Catholic Diocese of Hexham and Newcastle.

The Trustees recruit and appoint Foundation Governors for each academy within the Trust. 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 of the respective academy and elected by parent ballot. Staff Governors are nominated by the staff body of the respective academy 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.

Our Lady of Mercy Catholic Education Trust

Trustees' Report (continued)

Structure, Governance and Management (continued)

The Clerk to the Governing Body ensures all new Governors undergo all relevant checks such as DBS checks as well as receiving relevant papers and relevant training opportunities. The Diocesan Bishop may appoint such number of Foundation Directors so as to ensure that at all times the number of Foundation Directors outnumber all other Directors by at least two.

In the event that it proves necessary to recruit new trustees, the recruitment process will follow best practice and the Seven Principles of Public Life, known as the Nolan Principles.

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 director and 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 respective Academy. Directors and Governors undertake required training e.g. Safeguarding, Safer Recruitment etc. Many directors and 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 Trust has joined the National Governors Association and The Key to provide further training and information and the academies within the Trust link with other academies via Diocesan Partnership, Hexham and Newcastle RC Partnership, the Specialist Schools and Academies Trust and Schools North East. Directors and Governors link with key Academy staff too, who undertake relevant training. St Anthony's Girls' Catholic 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 Directors
- The Governors
- The Management Team (2 Head Teachers (one of whom is CEO/Accounting Officer of the Trust), 1 Deputy Head Teacher, the Chief Financial Officer and Chief Governance Officer/Company Secretary).

The Directors 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 of each respective academy controls the academy at an executive level, implementing policy and reporting to Directors. The Head Teacher, Directors 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 remuneration. The Academy Pay Policy, reviewed and approved annually by the Personnel Sub-Committee details academy arrangements regarding pay and remuneration for other staff.

Related Parties and other Connected Charities and Organisations

The Education Trust (and its constituent academies) is not part of any wider organisation and as such is an independent legal entity. The ethos of the Trust, its background and inherent values do by necessity mean that it works closely with both Sunderland City Council and the Diocese of Hexham and Newcastle (refer note 25 for details of related party transactions).

Engagement with employees (including disabled persons)

Meaningful consultation was undertaken before the TUPE of staff to Bishop Chadwick Catholic Education Trust via whole-staff meetings, one-to-one meetings and virtual meetings during school closure periods.

Our Lady of Mercy Catholic Education Trust

Trustees' Report (continued)

Engagement with employees (including disabled persons) (continued)

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all main areas of the academy trust. The policy of the academy trust is to support recruitment and retention of students and employees with disabilities. The academy trust does this by adapting the physical environment by making support resources available and through training and career development.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017, took effect from 1 April 2017 and requires employers in the public sector to publish information on facility time. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake trade union duties and activities as a trade union representative.

The Academy Trust had two (FTE equivalent: two) employees who were trade union officials during the year ended 31 August 2020. Both employees spent 0% of working hours on facility time. The percentage of the Trust's total pay bill spent on paying employees who were relevant trade union officials for facility time during the relevant period was 0%.

In addition to the facility time afforded to the employees as detailed above, the Trust is a member of a local consortium arrangement which covers trade union facility time for locally based elected Trade Union representatives who carry out Trade Union duties and activities within schools and academies for teaching and non-teaching trade union members. The Trust's contribution to this arrangement for the year ended 31 August 2020 was £3,685 (2019: £nil).

Objectives and Activities

The object of the Trust is to provide a learning environment to enhance the religious, moral, intellectual, physical and social education of our students. The school community seeks to create an atmosphere of Christian care and concern in which the student can grow and mature within a broad curriculum.

The Trust works in close partnership with the Hexham and Newcastle Catholic Diocese Education Service and with local schools and academies.

Until 31 May 2020, the Trust provided education for students of different abilities between the ages of 11 and 18. The Trust roots its activities in the teachings of the Roman Catholic faith. The main objectives of the Trust are:

- to provide an outstanding education, rooted in the values of the Gospel of Jesus Christ, for our young people so that they will achieve their full potential;
- to ensure that each young person enjoys the same high-quality education in terms of resourcing, tuition and care;
- to ensure that the Academy funding is utilised effectively to secure outstanding provision and to provide value for money;
- to ensure that its Academies comply with all statutory and canonical requirements; and
- to foster and maintain close and productive working links with our educational, faith and community partners.

Public benefit

The trustees confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the Charity Commissioner's general guidance on public benefit in exercising their powers or duties in advancing for the public benefit education in the United Kingdom by offering a broad and balanced curriculum conducted in accordance with the principles, practices and tenets of the Catholic Church and all Catholic canon law.

Our Lady of Mercy Catholic Education Trust

Strategic Report

Achievements and performance

As St Aidan's Catholic Academy and St Anthony's Girls' Catholic Academy were transferred to Bishop Chadwick Catholic Education Trust on 1 June 2020, the outcomes for GCSE and A-levels (being Centre Assessed Grades or CAG's due to Covid school closures) are reported in the financial statements of Bishop Chadwick Catholic Education Trust

The table below outlines the outcomes achieved by the academies within the Trust prior to their transfer:

St Aidan's Catholic Academy:

Key Stage 4 Results	2017	2018	2019
% Achieving 9-5 in English & Maths (Strong Pass)	49%	60%	60%
% Achieving 9-4 in English & Maths (Standard Pass)	76%	71%	74%
Progress 8	-0.05	+0.09	+0.01
Ebacc Entry	18%	52%	57%
Attainment 8	50.1	51.1	50.4
Key Stage 5 Results			
A* - E Pass rate	95%	95%	89%
A* - B Pass rate	39%	42%	33%

St Anthony's Girls' Catholic Academy:

Key Stage 4 Results	2017	2018	2019
% Achieving 9-5 in English & Maths (Strong Pass)	53%	56%	58%
% Achieving 9-4 in English & Maths (Standard Pass)	70%	77%	79%
Progress 8	+0.15	+0.29	+0.09
Ebacc Entry	81%	81%	81%
Attainment 8	51.1	54.3	52.2
Key Stage 5 Results			
A* - E Pass rate	98%	100%	100%
A* - B Pass rate	44%	57%	59%

Local Authority results:

Key Stage 4 Results	2017	2018	2019
% Achieving 9-5 in English & Maths (Strong Pass)	34%	37%	37%
% Achieving 9-4 in English & Maths (Standard Pass)	57%	57%	59%
Progress 8	-0.31	-0.37	-0.39
Ebacc Entry	39%	42%	39%
Attainment 8	43.8	43.2	42.9

Our Lady of Mercy Catholic Education Trust

Strategic Report (continued)

Financial review

During the year ended 31 August 2020, St Aidan's Catholic Academy joined the Trust resulting in the recognition of a loss on acquisition of £972,883 including the transfer in of the pension deficit of St Aidan's of £1,329,000.

Excluding the loss on acquisition, the Trust generated an in-year revenue surplus of £62,831 (2019: surplus of £352,397) in the year under review (excluding actuarial pension costs of £193,000 (2019: £142,000)). The financial implications of the Covid-19 school closures have not had a material impact on the financial statements.

As at 31 May 2020 when the assets and liabilities of the academies were transferred to Bishop Chadwick Catholic Education Trust, the Trust held unrestricted reserves of £663,683 and restricted general reserves (excluding pension reserve) of £1,350,234.

Financial and risk management objectives and policies

The Trust aims to minimise exposure to fluctuations in the value of financial instruments. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The exposure to credit risk and bad debts are kept to a minimum as there is only a relatively low level of exposure to debtors at any time during the year.

The Trust did, like many other institutions, have an on-going liability in respect of defined benefit pension schemes relating to some of their employees. More information can be found regarding this in the relevant note to the accounts.

In managing the risk relating to the liability of the defined benefit pension schemes, the Trust includes employer contributions in budgets and cash flow forecasts at the contribution rate set out at the triennial review of each scheme. Sensitivity analysis is undertaken to estimate any adverse changes in contribution rate.

Reserves policy

The Trust aims to build up reserves to the point where there are sufficient funds to cover at least two months' regular expenditure, that is a target of 15% of annual expenditure (excluding depreciation, spend related to the Condition Improvement Fund (CIF) and actuarial related pension costs). As the only academies within the Trust were transferred to another Trust during the year under review, no reserves are held as at 31 August 2020.

Our Lady of Mercy Catholic Education Trust

Strategic Report (continued)

Reserves policy (continued)

Academy staff are members of one of two pension schemes, both of which are defined benefit schemes, the Teachers' Pension Scheme and the Local Government Pension Scheme. Further details of both schemes are provided in the Notes to the Accounts. Due to the nature of the Teachers' Pension Scheme it is not possible to identify the Academy's share of the underlying (notional) assets or liabilities and has accounted for the contributions to the scheme as if it were a defined contribution scheme. For the Local Government Pension Scheme, it has been possible to identify the Academy's share of the pension assets and liabilities of the scheme. The net of these two balances has been identified on the Academy's Balance sheet as a liability and associated reserve.

Investment policy and powers

The Directors 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.

Key performance indicators

In 2019, St Aidan's Catholic Academy and St Anthony's Girls Catholic Academy produced strong GCSE headline figures as set out on page 5.

Financial KPIs are as below:

	2020	2019
GAG Funding	£7,848,000	£6,163,000
Staff Costs as percentage of GAG (costs as per note 9)	95%	94%
Restricted General + Unrestricted Reserves	-	£1,595,000

Going concern

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern.

The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future.

As the activities, assets and liabilities of the Trust were transferred to 'Bishop Chadwick Catholic Education Trust' on 1 June 2020 the financial statements are prepared on a basis other than going concern.

The assets and liabilities were transferred as part of the transaction at their carrying value. No material adjustment arose as a result of ceasing to apply the going concern basis.

Our Lady of Mercy Catholic Education Trust

Strategic Report (continued)

Principal risks and uncertainties

The principal risk to the Trust prior to the transfer of the constituent academies related to the fact that St Aidan's Catholic Academy currently operates below planned admission numbers (PAN) in most year groups. As the majority of our funding is Government Funding through the ESFA we are dependent on the numbers of students being at capacity.

The low pupil numbers are principally the result of an adverse Ofsted rating published in January 2016. Given the "Good" OFSTED rating in 2018, it is expected that admissions will return to PAN although this recovery is taking longer than predicted.

Fundraising

The Trust operates in an area of deprivation and therefore fundraising activities are carefully monitored to avoid placing pressure on pupils, parents and the wider community. Fundraising activities are generally restricted to Operation Christmas Child (shoebox appeal) and other activities to support Macmillan Cancer Support, other local cancer support charities, and to support the food banks operating locally.

Fund-raising for local food banks (including the food banks operated within the Trust's academies) continued during Covid school closures to ensure support could be provided for the vulnerable within the school community.

The Trust does not work with commercial participators or professional fundraisers and does not engage 3rd parties to undertake fundraising activities on its behalf.

Should individuals wish to complain about any fund-raising activities conducted by the Trust, they should follow the Complaints or Whistleblowing policy as appropriate.

Plans for future periods

On 1 June 2020, St Aidan's Catholic Academy and St Anthony's Girls' Catholic Academy were transferred from Our Lady of Mercy Catholic Education Trust to Bishop Chadwick Catholic Education Trust (formerly Northern Saints Catholic Education Trust).

Our Lady of Mercy Catholic Education Trust

Strategic Report (continued)

Funds held as Custodian Trustee on behalf of others

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

Auditor

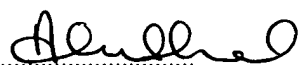
As the Trust is now dormant, no further audits will be required and therefore Azets Audit Services will not be required to continue in office.

Statement as to disclosure of information to auditor

In so far as the trustees are aware:

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

The Trustees' report is approved by order of the Board of Trustees and the strategic report (included therein) is approved by the Board of Trustees in their capacity as the directors on 16 December 2020 and signed on its behalf by:



Mrs A M Shanks
Chair of Trustees

Our Lady of Mercy Catholic Education Trust

Governance Statement

Scope of responsibility

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

As trustees, we have reviewed and taken account of the guidance in DfE's Governance Handbook and competency framework for governance.

The board of trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between St. Anthony's Girls' Catholic Academy and St Aidan's 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 11 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustees	Meetings attended	Of possible
Mrs A Shanks	11	11
Mr M L Flores	7	11
Mrs M A Galbraith	11	11
Mr A McCourt	11	11
Mr S O'Keefe	11	11
Mrs E H Schofield	10	11
Mrs J Ward	4	11

Governance review

The Chair of Governors and Chair of Trustees undertook a governance review during the academic year 2018-2019 including a review of the Board of Directors and Local Management Board as the trust prepared for the expansion of the trust with the addition of St. Aidan's Catholic Academy on 1st September 2019 working in conjunction with Womble Bond Dickinson.

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

- Approve purchases of goods and services above agreed limits as identified in the "Finance Handbook".
- Report to full Governing Body current financial position.
- Draft budget with Head Teacher, Academy Business Manager and with advice from the Local Authority Budget Officer.
- Monitor the progress of the budget at every Finance meeting via discussion and reports from Head Teacher, Local Authority Budget Office and Academy Business Manager.

The audit committee is also a sub-committee of the main board of trustees. Its summary 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.

As the finance and audit committees are sub-committees of the main board of trustees, attendance at these meetings is as shown for the board of trustees above.

Our Lady of Mercy Catholic Education Trust

Governance Statement (continued)

Review of value for money

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

The Accounting Officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available.

The academy trust has delivered improved value for money during the year by:

- reviewing and renegotiating SLAs for professional services with a focus on IT and Site Management and a continued review of the effectiveness of software licences and the cost and effectiveness of the in-house IT support contract; and
- by providing continued high-quality destinations at ages 16 and 18.

The impact of the above actions is reflected in the KPI data on page 5 whereby the outcomes for pupils at St Aidan's and St Anthony's are shown to significantly exceed the outcomes achieved across the local authority.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 August 2020 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place throughout the year of these accounts and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The risk and control framework

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

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

Our Lady of Mercy Catholic Education Trust

Governance Statement (continued)

The risk and control framework (continued)

The Trustees have appointed Azets to perform a range of checks on the Trust's financial system and advice on governance.

The Bishop of the Diocese of Hexham & Newcastle announced on 7 October 2019 that St Aidan's Catholic Academy and St Anthony's Girl's Catholic Academy were to be transferred from Our Lady of Mercy Catholic Education Trust to Bishop Chadwick Catholic Education Trust as part of a wider Diocesan academy plan. The planned transfer date was originally set at 1 March 2020. Due to the proposal resulting in a shortened period of operation, during which detailed Due Diligence activities were undertaken by the receiving Trust (including Finance, HR, Data & Standards, IT, Catering and H&S), routine Internal Assurance visits were not scheduled. The transfer date was delayed to 1 June 2020 however the intervening period saw partial school closures due to COVID-19 and as such it was not practical to schedule routine inspections during this period. Whilst routine internal assurance checks were not undertaken, the output of the detailed due diligence work was reported back to the Directors of Our Lady of Mercy Catholic Education Trust and supported their understanding of the effectiveness of the system of internal control.

Review of effectiveness

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

- the work of the External Auditor;
- the output of the Due Diligence work undertaken by representatives of the receiving trust and their professional advisors;
- the on-going financial management and governance self-assessment process;
- the work of the newly appointed Chief Financial Officer; and
- the work of the wider Senior Management Team within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

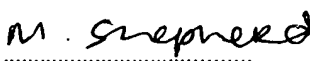
The accounting officer has been advised of the implications of the result of their review of the system of internal control by the finance and general purposes committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of trustees on 16 December 2020 and signed on its behalf by:



Mrs A M Shanks

Chair of Trustees



Mrs M A Shepherd

Accounting Officer

Our Lady of Mercy Catholic Education Trust

Statement of Regularity, Propriety and Compliance

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 and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, 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 2019.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of all 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 2019.

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

Due to the timing of the Diocesan announcement of the transfer of the academies within the Trust to Bishop Chadwick Catholic Education Trust, and the resulting detailed Due Diligence activities undertaken by the receiving Trust (including Finance, HR, Data & Standards, IT, Catering and H&S), the routine Internal Assurance visits have not been undertaken. The output of this detailed due diligence work has been reported back to the Directors of Our Lady of Mercy Catholic Education Trust.



M A Shepherd

Accounting Officer

16 December 2020

Our Lady of Mercy Catholic Education Trust

Statement of Trustees' Responsibilities

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

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

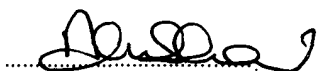
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting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

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

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

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

Approved by order of the members of the board of trustees on 16 December 2020 and signed on its behalf by:



Mrs A M Shanks

Chair of Trustees

Our Lady of Mercy Catholic Education Trust

Independent Auditor's Report on the Financial Statements to the Members of Our Lady of Mercy Catholic Education Trust for the year ended 31 August 2020

Opinion

We have audited the accounts of Our Lady of Mercy Catholic Education Trust for the period ended 31 August 2020 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 2019 and the Academies Accounts Direction 2019 to 2020 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 2020 and of its incoming resources and application of resources, including its income and expenditure, for the period 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 2019 and the Academies Accounts Direction 2019 to 2020.

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

The academies within Our Lady of Mercy Catholic Education Trust were transferred to another Multi Academy Trust (MAT) on 1 June 2020, at which point all assets and liabilities were transferred to the MAT and the academy trust ceased operations. Therefore the trustees have prepared the accounts on a break up basis.

This has been referred to in the accounting policies and a 'transfer out' note is included in the notes to the accounts.

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.

Our Lady of Mercy Catholic Education Trust

Independent Auditor's Report on the Financial Statements to the Members of Our Lady of Mercy Catholic Education Trust for the year ended 31 August 2020 (Cont.)

Other information

The trustees are responsible for the other information, which comprises the information included in the annual report other than the accounts and our auditor's report thereon. 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.

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 period 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.

Our Lady of Mercy Catholic Education Trust

Independent Auditor's Report on the Financial Statements to the Members of Our Lady of Mercy Catholic Education Trust for the year ended 31 August 2020 (Cont.)

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.

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.

Azets Audit Service

Angela Ingham FCA (Senior Statutory Auditor)

for and on behalf of Azets Audit Services

23/12/2020

Statutory Auditor

Wynyard Park House
Wynyard Avenue
Wynyard
Billingham
TS22 5TB

Our Lady of Mercy Catholic Education Trust

Statement of Financial Activities for the year ended 31 August 2020

(including Income and Expenditure Account)

	Notes	Unrestricted Funds £	General £	Restricted Funds: Fixed Asset £	Total 2020 £	Total 2019 £
Income and endowments from:						
Donations and capital grants	3	3,425	-	57,923	61,348	99,233
Charitable activities:						
- Funding for the academy trust's educational operations	4	336,939	8,676,140	-	9,013,079	7,085,677
- Funding for Teaching School	4,26	-	40,000	-	40,000	46,000
Other trading activities	5	85,797	224,667	-	310,464	322,409
Investments	6	4,363	-	-	4,363	4,560
Acquisition of existing academy	27	93,506	(1,329,000)	262,611	(972,883)	-
Total income and endowments		524,030	7,611,807	320,534	8,456,371	7,557,879
Expenditure on:						
Raising funds	7	6,684	150,672	-	157,356	345,868
Charitable activities:						
- Academy Trust's educational operations	8	405,715	8,808,139	155,255	9,369,109	6,970,947
- Teaching School	8	-	32,958	-	32,958	30,667
Total expenditure		412,399	8,991,769	155,255	9,559,423	7,347,482
Net income/(expenditure)		111,631	(1,379,962)	165,279	(1,103,052)	210,397
Transfer out of the Trust	29	(663,683)	2,509,061	(626,295)	1,219,083	-
Net movement in funds before other recognised gains		(552,052)	1,129,099	(461,016)	116,031	210,397
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit pension schemes	24	-	(702,000)	-	(702,000)	(423,000)
Net movement in funds		(552,052)	427,099	(461,016)	(585,969)	(212,603)
Reconciliation of funds						
Total funds brought forward		552,052	(427,099)	461,016	585,969	798,572
Total funds carried forward		-	-	-	-	585,969


Our Lady of Mercy Catholic Education Trust

Balance Sheet as at 31 August 2020

Company Number 07968898

	Notes	£	2020 £	£	2019 £
Fixed assets					
Intangible assets	12		-		16,328
Tangible assets	13		-		364,186
			-		380,514
Current assets					
Stocks	14	-	-	-	-
Debtors	15	-	195,025		
Cash at bank and in hand		-	1,220,461		
		-	1,415,486		
Current liabilities					
Creditors: amounts falling due within 1 year	16	-	(201,031)		
			-		
Net current assets					1,214,455
Net assets excluding pension liability			-		1,594,969
Defined benefit pension scheme liability	24		-		(1,009,000)
Total net assets			-		585,969
Funds of the academy trust:					
Restricted funds					
- Fixed asset funds	18		-		461,016
- Restricted income fund	18		-		581,901
- Pension reserve	18		-		(1,009,000)
Total restricted funds			-		33,917
Unrestricted income funds	18		-		552,052
Total funds			-		585,969

The financial statements on pages 18 to 41 were approved by the trustees and authorised for issue on 16 December 2020 and are signed on their behalf by:



Mrs A M Shanks

Chair of Trustees

Our Lady of Mercy Catholic Education Trust

Statement of Cash Flows for the year ended 31 August 2020

		2020		2019	
	Notes	£	£	£	£
Cash flows from operating activities					
Net cash (used in)/from operating activities	22		(1,191,619)		370,856
Cash flows from/(used in) investing activities					
Dividends, interest and rent from investments		4,363		4,560	
Capital grants from DfE and ESFA		57,923		94,753	
Payments to acquire intangible fixed assets		-		(15,090)	
Payments to acquire tangible fixed assets		(91,128)		(29,566)	
			(28,842)		54,657
Change in cash and cash equivalents in the reporting period			(1,220,461)		425,513
Cash and cash equivalents at 1 September 2019			1,220,461		794,948
Cash and cash equivalents at 31 August 2020			-		1,220,461
Comprising:					
Bank and cash balances			-		21,863
Short term deposits			-		1,198,598

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020

1 Statement of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently, in dealing with items which are considered material in relation to the financial statements, to all the years presented, unless otherwise stated. The financial statements are presented in sterling which is also the functional currency of the Academy Trust. Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

Our Lady of Mercy Catholic Education Trust is a Charitable Company. The address of the Trust's principal place of business is given on page 1. The nature of the Academy Trust's operations is set out in the Trustees' Report.

Basis of Preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Going concern

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern.

The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future.

As the activities, assets and liabilities of the Trust were transferred to 'Bishop Chadwick Catholic Education Trust' on 1 June 2020, the financial statements are prepared on a basis other than going concern.

The assets and liabilities were transferred as part of the transaction at their carrying value. No material adjustment arose as a result of ceasing to apply the going concern basis.

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 an unconditional 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 when there is entitlement and are not deferred over the life of the asset on which they are expended.

Donations

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

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

1 Statement of accounting policies (continued)

Other income

Other income, including the hire of facilities and income for catering, educational visits and educational resources, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.

Where receipts in respect of educational visits span the year-end, deferred/accrued income is recognised in order that the income/expenditure in respect of the visit is matched in each respective accounting period.

Transfer of existing academies into the academy trust

Where assets and liabilities are received on the transfer of an existing academy into the academy trust, the transferred net assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within Donations and capital grant income to the net assets acquired.

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.

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.

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

Straight line over 3 years

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. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

The land and buildings occupied by St Aidan's Catholic Academy (the "property") are owned in part by the Diocese of Hexham and Newcastle (the "Diocese") and in part by The Congregation of Christian Brothers (the "Christian Brothers"). The property is occupied by the Academy under a mere licence and therefore the land and buildings of the academy have not been recognised as an asset on the Balance Sheet.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

1 Statement of accounting policies (continued)

Tangible fixed assets and depreciation (continued)

St Anthony's Girls' Catholic Academy 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 ended 31 August 2018. The academy occupies the land and buildings under a mere licence.

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.

Depreciation is provided on all tangible fixed assets, so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Straight line over 10 - 50 years
Plant and machinery	Straight line over 10 years
Computer equipment	Straight line over 3 – 8 years
Furniture and equipment	Straight line over 5 - 10 years

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 land is made available to the Academy Trust under a Supplemental Agreement, the academies have 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.

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.

Leased assets

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

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.

Pension benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'), which are multi-employer defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employees, consequently, 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. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

1 Statement of accounting policies (continued)

Pension benefits (continued)

The LGPS is a funded multi-employer scheme and the assets are held separately. 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 net income 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 as other comprehensive income. Actuarial gains and losses are recognised immediately as other comprehensive income.

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 24, 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 May 2020. 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.

McCloud:

In 2015 the government introduced reforms to public sector pensions resulting in most public sector workers being transferred to a new scheme. In December 2018, the Court of Appeal ruled that the 'transitional protections' offered to some members of the judges and firefighter schemes as part of the reforms amounted to unlawful discrimination. While the judgement was not in relation to the LGPS it is reasonable to expect that it will need to be applied to this scheme by the government. Actuaries have estimated that the additional liabilities associated with this to be around 3-4% of active liabilities. An approximate calculation for the impact of McCloud has been included in the valuation.

GMP:

This case related to the equalisation for men and women of guaranteed minimum pension (GMP) for those who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997. In October 2018 the High Court ruled that equalisation of GMP was required. This case was in relation to Lloyds Bank and HM Treasury have since gone on record to state public sector schemes have a method to equalise GMP already. There is however some judgement in how this equalisation works and is reflected in the LGPS valuations. An approximate calculation for the GMP has been included in the valuation.

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 Department for Education (DfE) and Education and Skills Funding Agency (ESFA).

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

1 Statement of accounting policies (continued)

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 as detailed in note 15. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.
- Cash at bank – is classified as a basic financial instrument and is measured at face value.
- Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 16. 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.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Stock

Stock is valued at the lower of cost and net realisable value.

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 trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 28.

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.

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 24 will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 May 2020. 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.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

2 Critical accounting estimates and areas of judgement (cont.)

McCloud

In 2015 the government introduced reforms to public sector pensions resulting in most public sector workers being transferred to a new scheme. In December 2018, the Court of Appeal ruled that the 'transitional protections' offered to some members of the judges and firefighter schemes as part of the reforms amounted to unlawful discrimination. Following developments in employment tribunals and other public service schemes, and subsequently the consultation on the proposed remedy for the LGPS on 16 July 2020, actuaries have assumed a remedy that an underpin would apply to all those in the scheme on 1 April 2012, will not apply on withdrawal and will apply to spouse's pensions. These assumptions have been reflected in the valuation, with the overall impact dependent on the profile of each employer.

GMP

This case related to the equalisation for men and women of guaranteed minimum pension (GMP) for those who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997. In October 2018 the High Court ruled that equalisation of GMP was required. Allowance has been made in the valuation for members whose state pension age is on or after 6 April 2016.

No critical areas of judgement have been required in the preparation of the financial statements.

3 Donations and capital grants

	Unrestricted funds	Restricted funds	Total 2020	Total 2019
	£	£	£	£
Capital grants	-	57,923	57,923	94,753
Other donations	3,425	-	3,425	4,480
	<u>3,425</u>	<u>57,923</u>	<u>61,348</u>	<u>99,233</u>

The income from donations and capital grants was £61,348 (2019: £99,233) of which £3,425 was unrestricted (2019: £4,480) and £57,923 was restricted fixed assets (2019: £94,753).

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

4 Funding for the academy trust's educational operations

	Unrestricted funds	Restricted funds	Total 2020	Total 2019
	£	£	£	£
General Annual Grant	-	7,848,203	7,848,203	6,162,713
Other DfE/ESFA grants	-	788,331	788,331	335,739
	-	8,636,534	8,636,534	6,498,452
Other government grants				
Local authority grants	-	39,606	39,606	37,174
Other funds				
Teaching school	-	40,000	40,000	46,000
Catering income	336,939	-	336,939	303,779
Other incoming resources	-	-	-	246,272
	336,939	40,000	376,939	596,051
Total funding	336,939	8,716,140	9,053,079	7,131,677

The income from funding for educational operations was £9,053,079 (2019: £7,131,677) of which £336,939 was unrestricted (2019: £353,846) and £8,716,140 was restricted (2019: £6,777,831).

Other DfE/ESFA grants are made up of pupil premium, rates relief, teacher pay grant and teacher pension grant. Local Authority grants are made up of LAC income. There are no unfulfilled conditions or contingencies for grants recognised in the period.

5 Other trading activities

	Unrestricted funds	Restricted funds	Total 2020	Total 2019
	£	£	£	£
Hire of facilities	1,240	-	1,240	-
Catering income	5,258	-	5,258	7,594
School trips	-	150,098	150,098	196,416
Other income	79,299	74,569	153,868	118,399
	85,797	224,667	310,464	322,409

The income from other trading activities was £310,464 (2019: £322,409) of which £85,797 was unrestricted (2019: £322,409) and £224,667 was restricted (2019: £nil).

6 Investment income

	Unrestricted funds	Restricted funds	Total 2020	Total 2019
	£	£	£	£
Short term deposits	4,363	-	4,363	4,560

The income from funding for investment income was £4,363 (2019: £4,560) of which £4,363 was unrestricted (2019: £4,560).

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (continued)

7 Expenditure

	Staff Costs £	Premises & Equipment £	Other Costs £	Total 2020 £	Total 2019 £
Expenditure on raising funds:					
- Direct costs	2,851	-	154,505	157,356	345,868
- Allocated support costs	-	-	-	-	-
Academy's educational operations:					
- Direct costs	6,383,971	155,255	709,105	7,248,331	5,424,097
- Allocated support costs	1,068,405	482,623	569,750	2,120,778	1,546,850
Teaching school	32,958	-	-	32,958	30,667
Total expenditure	7,488,185	637,878	1,433,360	9,559,423	7,347,482

The expenditure on raising funds was £157,356 (2019: £345,868) of which £157,356 (2019: £345,868) was restricted.

	2020 £	2019 £
Net income/(expenditure) for the year includes:		
Fees payable to auditor for:		
- Audit	7,700	7,700
- Other services	2,550	4,850
Operating lease rentals	52,023	16,259
Net interest on defined benefit pension liability	30,000	10,000
Depreciation of tangible fixed assets	149,680	106,490
Amortisation of intangible fixed assets	5,575	8,958
(Gain)/loss on disposal of fixed assets	6,689	-

Our Lady of Mercy Catholic Education Trust
Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

8 Charitable activities

	Total 2020 £	Total 2019 £
Expenditure on the Academy Trust's educational operations:		
Direct costs – educational operations	7,248,331	5,424,097
Direct costs – Teaching school	32,958	30,667
Support costs – educational operations	<u>2,120,778</u>	<u>1,546,850</u>
	<u>9,402,067</u>	<u>7,001,614</u>
Analysis of support costs:	2020 £	2019 £
Support staff costs	1,068,405	718,193
Depreciation and amortisation	154,957	115,448
Premises costs	327,666	268,654
Other support costs	519,316	367,130
Governance costs	18,527	52,091
Legal costs	<u>31,907</u>	<u>25,334</u>
	<u>2,120,778</u>	<u>1,546,850</u>

The expenditure on educational operations was £9,402,067 (2019: £7,001,614) of which £277,723 was unrestricted (2019: £266,732), £8,969,387 was restricted (2019: £6,619,434) and £154,957 was restricted to fixed assets (2019: £115,448).

9 Staff costs

	Total 2020 £	Total 2019 £
Wages and salaries	5,459,635	4,391,166
Social security costs	559,154	441,205
Other pension costs	<u>1,387,369</u>	<u>854,957</u>
Total staff costs	<u>7,406,159</u>	<u>5,687,328</u>
Supply staff costs	52,805	51,039
Staff restructuring costs	6,275	3,018
Staff development and other staff costs	<u>22,947</u>	<u>22,888</u>
	<u>7,488,185</u>	<u>5,764,273</u>
Staff restructuring costs comprise:		
	2020 £	2019 £
Redundancy payments	-	-
Severance payments	<u>6,275</u>	<u>3,018</u>
	<u>6,275</u>	<u>3,108</u>

Non-statutory/non-contractual staff severance payments

There was one non-contractual severance payment in the year of £6,275 (2019: 1 payment of £3,018).

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

9 Staff costs (cont.)

Staff numbers

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

	Total 2020 Number	Total 2019 Number
Teachers	133	97
Administration and support	115	54
Management	12	6
	<u>260</u>	<u>157</u>

Higher paid staff

The number of employees whose employee benefits (excluding employer's national insurance contributions and employer pension costs) exceeded £60,000 was:

	2020 Number	2019 Number
£60,001 – £70,000	-	2
£70,001 – £80,000	-	-
£100,001 – £110,000	-	1
£110,001 – £120,000	<u>1</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 national insurance and pension contributions) received by key management personnel for their services to the academy trust was £418,454 (2019: £374,683).

10 Trustees' remuneration and expenses

The Accounting Officer is the only trustee who has received remuneration from an employment with the academy trust. She only received remuneration in respect of services she provides undertaking the role of Head Teacher in her contract of employment, and not in respect of her services as a trustee.

The value of trustee's remuneration and other benefits was as follows:

M Shepherd (principal and trustee until 11 November 2019):

Remuneration £25,001 – £30,000 (2019: £100,001 – £105,000)

Employer's pension contributions paid £5,001 – £10,000 (2019: £15,001 – £20,000)

During the year ended 31 August 2020, travel and subsistence expenses totalling £470 were reimbursed or paid directly to 1 trustee (principal) (2019: £414 paid to 1 trustee).

Related party transactions involving the trustees are set out in note 25.

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 business, and provides cover up to £10,000,000. It is not possible to quantify the trustees and officer's indemnity element from the overall cost of the RPA scheme.

Our Lady of Mercy Catholic Education Trust
Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

12 Intangible fixed assets

	Software Licences
Cost	£
At 1 September 2019	33,646
Additions	-
Disposals	(6,986)
Transfer on acquisition	228
Transfer out on academies leaving the Trust	(26,888)
At 31 August 2020	-
Amortisation	
At 1 September 2019	17,318
Charged in year	5,576
Disposals	(297)
Transfer out on academies leaving the Trust	(22,597)
At 31 August 2020	-
Carrying amount	
At 31 August 2020	-
At 31 August 2019	16,328

13 Tangible fixed assets

	Building improvements	Computer equipment	Fixtures, fittings and equipment	Total
Cost	£	£	£	£
At 1 September 2019	41,063	336,825	466,285	844,173
Additions	-	42,660	48,468	91,128
Transfer on acquisition	111,034	167,613	28,576	307,223
Transfer out on academies leaving the Trust	(152,097)	(547,098)	(543,329)	(1,242,524)
At 31 August 2020	-	-	-	-
Depreciation				
At 1 September 2019	5,381	300,828	173,778	479,987
Charge	20,064	84,345	45,271	149,680
Transfer out on academies leaving the Trust	(25,445)	(385,173)	(219,049)	(629,667)
At 31 August 2020	-	-	-	-
Net book value				
At 31 August 2020	-	-	-	-
At 31 August 2019	35,682	35,997	292,507	364,186

14 Stocks

	2020	2019
	£	£
Educational equipment and stationery stocks	-	-

Our Lady of Mercy Catholic Education Trust
Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

15 Debtors

	2020	2019
	£	£
Trade debtors	-	-
VAT recoverable	-	48,423
Prepayments and accrued income	-	146,602
	<u>-</u>	<u>195,025</u>

16 Creditors: amounts falling due within 1 year

	2020	2019
	£	£
Trade creditors	-	73,771
Other taxation and social security	-	-
Other creditors	-	64,260
Accruals and deferred income	-	63,000
	<u>-</u>	<u>201,031</u>

17 Deferred income

	2020	2019
	£	£
Deferred income is included within:		
Creditors due within 1 year	-	49,993
Deferred income at 1 September 2019	49,993	52,228
Released from previous years	(49,993)	(52,228)
Amounts deferred in the year	<u>-</u>	<u>49,993</u>
Deferred income at 31 August 2020	<u>-</u>	<u>49,993</u>

Deferred income relates to Rates Relief and Educational Visits whereby income and expenditure spans the year-end.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

18 Funds

	Balance at 1 September 2019 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2020 £
Restricted general funds					
General Annual Grant	557,530	8,345,357	(8,277,112)	(625,775)	-
Pupil premium	-	291,177	(291,177)	-	-
Other government grants	5,000	39,606	(39,606)	(5,000)	-
Teaching school	15,333	40,000	(32,958)	(22,375)	-
Other restricted reserve	4,038	224,667	(157,916)	(70,789)	-
Pension reserves	(1,009,000)	-	(193,000)	1,202,000	-
Total restricted funds	(427,099)	8,940,807	(8,991,769)	478,060	-
Restricted fixed asset funds					
Transfer on conversion	7,961	-	(5,208)	(2,753)	-
DfE/ESFA capital grants	176,264	57,923	(57,923)	(176,264)	-
Capital expenditure from other reserves	79,228	-	(67,796)	(11,432)	-
Other capital funds	197,563	-	(24,328)	(173,235)	-
Total restricted fixed asset funds	461,016	57,923	(155,255)	(363,684)	-
Unrestricted funds					
General funds	552,052	430,525	(412,399)	(570,178)	-
Total funds	585,969	9,429,255	(9,559,423)	(455,800)	-

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

	Balance at 1 September 2018 £	Income £	Expenditure £	Gains and losses £	Balance at 31 August 2019 £
Restricted general funds					
General Annual Grant	301,517	6,162,713	(5,886,687)	(20,013)	557,530
Other DfE/ESFA grants	-	335,739	(335,739)	-	-
Other government grants	-	37,174	(32,174)	-	5,000
Teaching school	-	46,000	(30,667)	-	15,333
Other restricted reserve	-	196,205	(192,167)	-	4,038
Pension reserves	(444,000)	-	(142,000)	(423,000)	(1,099,000)
Total restricted funds	(142,483)	6,777,831	(6,619,434)	(443,013)	(427,099)
Restricted fixed asset funds					
Transfer on conversion	16,424	-	(2,342)	(6,121)	7,961
DfE/ESFA capital grants	154,449	94,753	(39,353)	(33,585)	176,264
Capital expenditure from other reserves	58,872	-	(39,363)	59,719	79,228
Other capital funds	231,953	-	(34,390)	-	197,563
Total restricted fixed asset funds	461,698	94,753	(115,448)	20,013	461,016
Unrestricted funds					
General funds	479,357	685,295	(612,600)	-	552,052
Total funds	798,572	7,557,879	(7,347,482)	(423,000)	585,969

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

18 Funds (continued)

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

- The General Annual Grant must be used for the normal running costs of the Academy. The funding agreement does not include a limit on the amount of GAG available to carry forward.
- Other DfE/ESFA grants and other income include Pupil Premium funding targeted at disadvantaged pupils, year 7 catch-up funding and other income from the ESFA.
- Other government grants include funding for pupils with special educational needs and other income from the local authority.
- Teaching schools' income from the ESFA relates to April 2019 to March 2020.
- 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 LGPS, hence the pension liability has been aligned with these funds.
- DfE/ESFA capital grants include devolved formula capital funding and funding secured from the Condition Improvement Fund.
- Capital expenditure from other reserves includes capital funding from General Annual Grant and Unrestricted Reserves.
- The inherited fixed asset fund reflects the fixed assets acquired on conversion. Depreciation on these assets is charged against this fund.
- The restricted funds are in deficit as a result of the deficit on the LGPS pension scheme.
- Unrestricted funds can be used for any purpose at the discretion of the Academy within the objects of the trust.
- Gains, losses and transfers includes the remeasurement of net defined benefit obligations (LGPS), and transfer from unrestricted funds to fund capital purchases and to cover any deficit on GAG.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

19 Analysis of net assets between funds

	Unrestricted funds £	Restricted general fund £	Restricted fixed asset fund £	Total 2020 £
Fund balances at 31 August 2020 are represented by:				
Tangible fixed assets	-	-	-	-
Intangible fixed assets	-	-	-	-
Current assets	-	-	-	-
Creditors falling due within 1 year	-	-	-	-
Defined benefit pension liability	-	-	-	-
	-	-	-	-

	Unrestricted funds £	Restricted general fund £	Restricted fixed asset fund £	Total 2019 £
Fund balances at 31 August 2019 are represented by:				
Tangible fixed assets	-	-	364,186	364,186
Intangible fixed assets	-	-	16,328	16,328
Current assets	578,524	756,460	80,502	1,415,486
Creditors falling due within 1 year	(26,472)	(174,559)	-	(201,031)
Defined benefit pension liability	-	(1,009,000)	-	(1,009,000)
	552,052	(427,099)	461,016	585,969

Total fund analysis by academy

Fund balances at 31 August 2020 were allocated as follows:

	2020 £	2019 £
St Anthony's Girls' Catholic Academy	-	1,133,953
St Aidan's Catholic Academy	-	-
	-	1,133,953

Total cost analysis by academy (excluding depreciation and actuarial pension costs)

	Teaching and educational support staff £	Other support staff £	Educational supplies £	Other costs excluding depreciation £	Total 2020 £	Total 2019 £
St Anthony's	4,161,893	421,768	437,890	549,750	5,571,301	7,232,034
St Aidan's	2,255,036	456,488	271,513	656,830	3,639,867	-
	6,416,929	878,256	709,403	1,206,580	9,211,168	7,232,034

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

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

20 Commitments under operating leases

	2020	2019
	£	£
Amounts due within 1 year	-	15,739
Amounts due between 2 and 5 years	-	26,181
	<u>-</u>	<u>41,920</u>

At 31 August 2020 there were no non-cancellable operating leases as the liability for all leases was transferred to Bishop Chadwick Catholic Education Trust on 1 June 2020.

21 Capital commitments

	2020	2019
	£	£
Contracted for, but not provided in the financial statements	<u>-</u>	<u>-</u>

At 31 August 2020 there were no capital commitments as all assets and liabilities were transferred to Bishop Chadwick Catholic Education Trust on 1 June 2020.

22 Reconciliation of net income/(expenditure) to net cash flows from operating activities

	2020	2019
	£	£
Net income/(expenditure) for the reporting period	(1,103,050)	210,397
Adjusted for:		
Capital grants from DfE/ESFA and other capital income	(57,923)	(94,753)
Interest receivable	(4,363)	(4,560)
Defined benefit pension scheme liability inherited	1,329,000	-
Defined benefit pension scheme cost less contributions payable	163,000	132,000
Defined benefit pension scheme finance costs	30,000	10,000
Depreciation of tangible fixed assets	149,680	106,490
Amortisation of intangible fixed assets	5,575	8,958
(Increase)/decrease in stocks	(4,359)	-
Loss on disposal of fixed assets	6,689	-
(Increase)/decrease in debtors	(244,645)	(16,104)
(Decrease)/increase in creditors	403,985	18,428
Assets inherited	(307,451)	-
Transfer of assets/liabilities	<u>(1,557,757)</u>	<u>-</u>
Net cash used in operating activities	<u>(1,191,619)</u>	<u>370,856</u>

23 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.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

24 Pensions and similar obligations

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2016, and 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 teachers in academies. All teachers have the option to opt-out of the TPS following enrolment.

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

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £1,002,851 (2019: £583,671).

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 contribution made for the year ended 31 August 2020 was £250,000 (2019 - £188,000), of which employer's contributions totalled £199,000 (2019 - £154,000) and employees' contributions totalled £51,000 (2019 - £34,000).

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.

As the LGPS liability was transferred to Bishop Chadwick Catholic Education Trust on 1 June 2020, the Trust has no further liability.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

24 Pensions and similar obligations (continued)

	2020 £	2019 £
Total contributions made		
Employer's contributions	199,000	154,000
Employee's contributions	51,000	34,000
	<u>250,000</u>	<u>188,000</u>

The following information is based upon a full actuarial valuation of the fund at 31 March 2016, updated to 31 May 2020 by a qualified independent actuary.

	2020 %	2019 %
Rate of increase in salaries	3.6	3.6
Rate of increase in pension in payment	2.1	2.1
Discount rate	1.5	1.8
Inflation assumption (CPI)	<u>2.1</u>	<u>2.1</u>

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 as at 31 May 2020 are:

	2020 Years	2019 Years
Retiring today		
- Males	21.8	21.9
- Females	25.0	25.1
Retiring in 20 years		
- Males	23.5	23.6
- Females	<u>26.8</u>	<u>26.9</u>

Sensitivity analysis	2020 £'000	2019 £'000
Scheme liabilities at date of transfer would have been affected by changes in assumption:		
Discount rate +0.1%	9,646,000	4,272,000
Discount rate -0.1%	10,070,000	4,438,000
Mortality assumption – 1 year increase	9,508,000	4,207,000
Mortality assumption – 1 year decrease	10,030,000	4,503,000
CPI rate +0.1%	10,030,000	4,409,000
CPI rate -0.1%	<u>9,676,000</u>	<u>4,300,000</u>

The academy trust's share of the assets in the scheme as at the date of transfer was as follows:

	2020 Fair value £	2019 Fair value £
Equities	3,541,000	2,190,975
Government bonds	159,000	137,145
Corporate bonds	1,516,000	381,330
Cash	126,000	70,245
Property	609,000	287,670
Other assets	<u>669,000</u>	<u>277,635</u>
Total fair value of assets	<u>6,620,000</u>	<u>3,345,000</u>

The actual return on scheme assets was £nil (2019: £210,000)

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

24 Pensions and similar obligations (continued)

Amounts recognised in the statement of financial activities

	2020	2019
	£	£
Current service cost	362,000	203,000
Past service cost	-	83,000
Net interest cost	30,000	10,000
	392,000	296,000

Changes in the present value of defined benefit obligations

	2020	2019
	£	£
Obligations at 1 September 2019	4,354,000	3,431,000
Net increase in liabilities from acquisitions	4,628,000	-
Current service cost	362,000	203,000
Past service cost	-	83,000
Interest expense on defined benefit obligation	121,000	96,000
Contributions from employees	51,000	34,000
Net benefits paid out	(126,000)	(40,000)
Actuarial losses on liabilities	463,000	547,000
Transferred out on existing academies leaving the Trust	(9,853,000)	-
Obligations at 31 August 2020	-	4,354,000

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

	2020	2019
	£	£
Assets at 1 September 2019	3,345,000	2,987,000
Net increase in assets from acquisitions	3,299,000	-
Interest income on assets	91,000	86,000
Remeasurement gains/(losses) on assets	(239,000)	124,000
Contributions from employees	51,000	34,000
Contributions from employer	199,000	154,000
Net benefits paid out	(126,000)	(40,000)
Transferred out on existing academies leaving the Trust	(6,620,000)	-
Assets at 31 August 2020	-	3,345,000

25 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, it is inevitable that transactions will take place with organisations in which a member of the board of Trustees may have an interest. All transactions involving such organisations are conducted in accordance with the Academy's financial regulations and normal procurement procedures.

During the year, the Trust made a contribution of £18,778 (2019: £10,885) to the Diocese of Hexham & Newcastle (Diocesan Department for Education), a company in which Bishop Robert Byrne is a Director. In entering into the transaction, the academy trust has complied with the requirements of the Academies Financial Handbook 2019. The element above £2,500 has been provided 'at no more than cost' and the Diocesan Department for Education has provided a statement of assurance confirming this.

S O'Keefe, Director, has continued to be the school improvement partner. His fees of £2,000 (2019: £1,750) are below the limit for which ESFA approval is required.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

26 Teaching school trading account

	2020		2019	
	£	£	£	£
Direct income				
External funding		40,000		46,000
Direct costs				
Direct staff costs	32,958		30,667	
Staff development	-		-	
Educational supplies and services	-		-	
		<u>(32,958)</u>		<u>(30,667)</u>
Surplus from all sources		<u>7,042</u>		<u>15,333</u>
Teaching school balance at 1 September 2019		<u>15,333</u>		<u>-</u>
Teaching school transferred on 1 June 2020		<u>22,375</u>		<u>15,333</u>

27 Transfer of existing academy into the academy trust

St Aidan's Catholic Academy

	Value reported by transferring trust £	Transfer in recognised £
Tangible fixed assets:		
Leasehold land and buildings*	5,480,168	-
Leasehold improvements	29,746	29,746
Plant and machinery	81,288	81,288
Computer equipment	167,613	167,613
Furniture and equipment	28,576	28,576
Software licences	228	228
Current assets:		
Stocks	33,892	33,892
Debtors	356,621	295,406
Cash at bank and in hand	130,494	130,494
Liabilities:		
Creditors due within 1 year	(411,126)	(411,126)
Creditors due in more than 1 year**	(61,215)	-
Pensions:		
Pensions – pension scheme assets	3,299,000	3,299,000
Pensions – pension scheme liabilities***	<u>(4,525,000)</u>	<u>(4,628,000)</u>
Net assets/(liabilities)	<u>4,610,285</u>	<u>(972,883)</u>

* Leasehold land and buildings recognised by St Aidan's Education Trust have not been recognised on transfer. This is in accordance with the accounting policy of Our Lady of Mercy Catholic Education Trust and in accordance with Diocesan guidance.

** The balance reported by the transferring trust was as per the original CIF loan agreement. The loan element was cancelled post reporting.

*** The pension scheme liability was recalculated on transfer using the Our Lady of Mercy Catholic Education Trust discount rate.

Our Lady of Mercy Catholic Education Trust

Notes to the Financial Statements for the year ended 31 August 2020 (cont.)

28 Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2020 the trust received £29,904 (2019: £22,103) and disbursed £11,128 (2019: £6,309) from the fund, resulting in funds of £83,023 (2019: £64,247) being repayable to the ESFA.

29 Transfers out

St Aidan's Catholic Academy and St Anthony's Girls' Catholic Academy were transferred from Our Lady of Mercy Catholic Education Trust to Bishop Chadwick Catholic Education Trust on 1 June 2020.

The following assets and liabilities were derecognised by Our Lady of Mercy Catholic Education Trust on 1 June 2020:

	Transfer out on academies leaving the Trust £
<i>Tangible fixed assets:</i>	
Leasehold land and buildings*	-
Leasehold improvements	126,652
Computer equipment	161,925
Furniture and equipment	324,280
Software licences	4,291
<i>Current assets:</i>	
Stocks	4,359
Debtors	439,668
Cash at bank and in hand	1,557,758
<i>Liabilities:</i>	
Creditors due within 1 year	(605,016)
Creditors due in more than 1 year**	-
<i>Pensions:</i>	
Pensions – pension scheme assets	6,620,000
Pensions – pension scheme liabilities	(9,853,000)
Net assets/(liabilities)	(1,219,083)

Our Lady of Mercy Catholic Education Trust

Independent Reporting Accountant's Assurance Report on Regularity to Our Lady of Mercy Catholic Education Trust and the Education and Skills Funding Agency for the year ended 31 August 2020

In accordance with the terms of our engagement letter dated 18 September 2020 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, 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 2019 to 31 August 2020 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 2019, 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 2019 to 2020. 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 2019 to 31 August 2020 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 2019 to 2020 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

Independent Reporting Accountant's Assurance Report on Regularity to Our Lady of Mercy Catholic Education Trust and the Education and Skills Funding Agency for the year ended 31 August 2020 (Cont.)

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 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 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

Modified conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2019 to 31 August 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

We refer to the Statement of Regularity, Propriety and Compliance which states the circumstances of there being no external internal scrutiny reviews carried out in the period.


Reporting Accountant

Azets Audit Services

Dated: 23/12/2020