



**(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Year ended 31<sup>st</sup> August 2022**

Company Registration Number: 10499174 (England and Wales)

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**Reference and Administrative Details**

<b>Members</b>		<b>Appointed</b>	<b>Retired</b>
	Dr K Hopkins, Chairman	28 November 2016	
	T Libby	1 April 2019	
	D Peters	1 April 2019	
	D Green	4 December 2020	
	B Spooner	12 January 2022	
<b>Trustees</b>			
	P Cooper	1 September 2017	
	Dr K Hopkins, Chairman	28 November 2016	
	Dr M Hawkins	28 November 2016	
	C Holden	24 June 2021	
	A Perry	24 June 2021	17 March 2022
	S Boniface	1 April 2019	
	T Hooper	1 April 2019	23 June 2022
	S Tully	28 November 2016	
	D Pearce-Higgins	25 June 2020	
<b>Company Secretary</b>	Blake Morgan LLP		
<b>Senior Postholders</b>	P Cooper, Executive Principal E Senior, Principal R Mann, Principal (retired 31 August 2022) H Bembridge, Principal (from 17 August 2022) J Sheen, Deputy Principal (retired 31 August 2022) R Heaton, Deputy Principal (from 31 August 2022) C Brearey, Director of Quality P Tranter, Vice Principal L Mosely, Vice Principal J Jenkins, Vice Principal S Griffiths, Chief Finance Officer Dr J Godfrey, Clerk to the Board of Directors		
<b>Company Registered Number</b>	10499174 (England and Wales)		
<b>Company Name</b>	Heart of Mercia		
<b>Principal and Registered Office</b>	Hereford Sixth Form College, Folly Lane, Hereford. HR1 1LU		
<b>Independent Auditors</b>	Thorne Widgery Accountancy Limited, 2 Wyevale Business Park, Wyevale Way, King's Acre, Hereford. HR4 7BS		
<b>Internal Auditors</b>	TIAA Ltd, Artillery House, Fort Fareham, Newgate Lane, Fareham, PO14 1AH		

## **Reference and Administrative Details**

### **Bankers**

Lloyds Bank, 8 High Town, Hereford. HR1 2AE

Virgin Money (Clydesdale Bank PLC), 5 Northgate Street, Gloucester. GL1 2AH

Barclays Bank plc, 1-3 Broad St, Hereford. HR4 9BA

Nationwide Building Society, Northampton. NN3 6NW

Charities Investment Fund (COIF), One Angel Lane, London EC4R 3AB

### **Solicitors**

Lambe Corner, 36-37 Bridge Street, Hereford. HR4 9DJ

Blake Morgan, One Central Square, Cardiff. CF10 1FS

Shakespeare Martineau LLP, No 1 Colmore Square, Birmingham. B4 6AA

## **Trustees' Report for the period ended 31 August 2022**

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year to 31 August 2022. The annual report serves the purposes of both a Trustees' Report, and a Directors' report under company law.

The Heart of Mercia Multi-Academy Trust was formed on 1 April 2019. The Trust operates:

- Hereford Sixth Form College, a Single Academy Trust, formed on 1 March 2017.
- Worcester Sixth Form College joined the Trust on 1<sup>st</sup> April 2019.
- King Edward VI College, Stourbridge, joined the Trust on 1<sup>st</sup> February 2021.

The Trustees would like to record their thanks to Remley Mann and Jeremy Sheen for their contribution to forming a successful Multi-Academy Trust with us and for their invaluable contributions over many years to achievements of King Edward VI College, Stourbridge.

The Trustees are working on the expansion of the Multi-Academy Trust with the proposed inclusion of the Chantry High School and John Kyrle High School in 2022/23.

### **Covid-19 Pandemic**

With the impact of covid receding for now, we are moving to a more familiar operational mode. Attendance and retention were both affected last year in a negative way. The one positive we have is that we have learned skills that we can hopefully apply to improve our future offering and experience for students.

The exam sitting passed well and results are in line with our regular high expectations.

### **Structure, Governance and Management**

#### **Constitution**

The 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. The Trustees of Heart of Mercia Multi-Academy Trust are also the directors of the charitable company for the purpose of company law. The charitable company operates as Hereford Sixth Form College, Worcester Sixth Form College and King Edward VI College, Stourbridge.

Details of the Trustees who served during the year and up to the date these accounts are approved are included in the Reference and Administrative Details on page 2.

#### **Members' Liability**

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £1, for the debts and liabilities contracted before they ceased to be a member.

#### **Trustees' Indemnities**

Trustees benefit from indemnity insurance purchased at the Trust's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of negligence, default or breach of duty of which they may be guilty in relation to the Trust, 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 not, and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as Directors of the Trust.

## **Trustees' Report for the period ended 31 August 2022**

### **Method of Recruitment and Appointment or Election of Trustees**

Eligibility to act as a Trustee of the Trust is within the Constitutional Framework and Clauses 45 – 80 of the Articles of Association. Trustees are co-opted from the local community dependent upon skill requirements. The Search Committee has an on-going policy of attracting Trustees with a range of skills and background to provide the Trust with the best possible advice and support.

### **Policies and Procedures Adopted for the Induction and Training of Trustees**

All new Trustees receive an induction pack and are provided with support from other Trustees and the Clerk to the Board. The Trust has adopted an in-house programme of training with specialist staff providing training sessions prior to Trustee meetings. The Clerk to the Board meets regularly with other college and academy Clerks and shares best practice. An annual Skills and Training audit is undertaken to identify gaps. The Governance Handbook and Procedures are reviewed on an annual basis by the Audit Committee.

### **Organisational Structure**

The Senior Postholders are listed on page 2. The Senior Postholders are supported by a Senior Management Team in each college.

The Executive Management Team is also the formal Risk Management Group.

The committee structure of the Board of Directors consists of:

- Audit
- Curriculum
- Finance and Resources
- Remuneration
- Search

The Executive Principal is the Accounting Officer.

### **Arrangements for Setting Pay and Remuneration of Key Management Personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Trust and are represented by the Accounting Officer (Executive Principal) and holders of other senior posts whom the Trustees have selected for the purposes of the Articles of Government of the Trust. Decisions relating to such appointments and remuneration are made by the Trustees based upon the recommendation of the Remuneration Committee.

**Trustees' Report for the period ended 31 August 2022**

**Trade Union Facility Time**

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, the Trust is required to provide information required by Schedule 2 of the Regulations:

- **Relevant Union Officials**

Number of employees who were relevant union officials during the period	Full-time equivalent employee numbers
6	5.3

- **Percentage time spent on facility time**

Percentage of time	Number of employees
1% - 50%	6

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

<b>Total cost of facility time</b>	<b>£12,621</b>
<b>Total pay bill</b>	<b>£22,562,897</b>
<b>Percentage of pay bill spent on facility time</b>	<b>0.056%</b>

- **Paid trade union activities**

<b>Hours spent on paid facility time</b>	<b>274</b>
<b>Hours spent on paid trade union activities</b>	<b>69</b>
<b>Time spent on paid trade union activities as a % of total paid facility time hours</b>	<b>25%</b>

**Engagement with Staff**

The Trust actively engages with staff at each college through emails, briefings, staff meetings, bulletin boards and training events. Throughout the year, staff and students are invited to participate in surveys. Staff are invited to join the local Governing Body in each college. Virtual training events have taken place during the COVID period. A Trust-wide training event for all teaching staff took place in October 2022 at Worcester Sixth Form College.

**Disability Statement**

The Trust seeks to achieve the objectives set down in the Equality Act 2010:

a) As part of its accommodation strategy, the Trust updated its access audit and the results of this formed the basis of funding capital projects aimed at improving access.

b) There is a list of specialist equipment, such as radio aids, which each college can make available for use by students and a range of assistive technology is available.

c) The admissions policy for all students is described in the College charter at each college. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

d) Each college has made a significant investment in the appointment of specialist staff to support students with learning difficulties and / or disabilities who can provide a variety of support for learning.

e) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and / or disabilities.

## **Trustees' Report for the period ended 31 August 2022**

f) Specialist programmes are described in the prospectus of each college, and achievements and destinations are recorded and published.

g) Counselling and welfare services are described in the College Student Guide at each college, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

### **Engagement with Related Parties & other Connected Organisations, including suppliers**

The Trust works in partnership with local secondary schools across the counties. Worcester Sixth Form College has a joint working agreement with Nunnery Wood High School and Freedom Leisure for the operation of sports and leisure facilities. Hereford Sixth Form College has a consortium agreement with Hereford College of Arts and Herefordshire and Ludlow College to pursue joint purchasing and help secure curriculum collaboration. King Edward VI College, Stourbridge work collaboratively with the Sixth Form Colleges Association in respect of guidance, information, ideas and support and is also a member of the Maple Group of Colleges.

In line with other academy trusts, colleges and universities, the Trust has many stakeholders. These include:

- Students and their families;
- Education and Skills Funding Agency (ESFA);
- The Regional Schools Commissioner (RSC) and the Sixth Form Commissioner (SFC);
- Staff;
- Local employers (with specific links);
- Suppliers;
- Local authorities;
- Government Offices / Regional Development Agencies / Local Enterprise Partnerships;
- The local community;
- Further Education and Higher Education institutions;
- Trade unions;
- Professional bodies.

The Trust recognises the importance of these relationships and engages in regular communication with them through the websites and meetings.



## **Trustees' Report for the period ended 31 August 2022**

### **Objectives and Activities**

#### **Vision**

The Heart of Mercia Multi-Academy Trust will enable autonomous institutions to provide a range of excellent learning opportunities in a positive, friendly, tolerant and collaborative culture allowing all to fulfill their potential and meet their individual goals.

#### **Values Statement**

The Heart of Mercia Multi-Academy Trust is committed to:

#### **Educational Excellence:**

- Excellence, challenge and high expectations – aiming for the highest standards and to extend the potential of our students and staff.
- Choice - Providing programmes of study which meet the individual needs of learners in academic, vocational and extra-curricular terms.
- Inspiration – teaching students in ways that engage them, develop their skills and independence as learners, and are based on regular assessment of their individual needs.

#### **Sustainability:**

- Partnership and communication – with learners and their parents or guardians and the local community.
- Collaboration – within the Trust and with other educational providers and the local community.
- Integrity – achieving the highest standards of leadership, employment practices, openness and accountability.
- Sustainably and environmentally aware – drive towards net-zero carbon through our operational practices.
- Financial sustainability and resilience - maintaining our long-term financial viability by achieving maximum effectiveness and efficiency whilst remaining vigilant of risks to Trust operations.

#### **Ensuring our students are Ready for the Real World:**

- Development– of students as rounded individuals who are equipped for life's challenges.
- Progression – helping our students to set and achieve goals that are aspirational and appropriate.
- Diversity and inclusion – breaking down barriers to enable social mobility and to promote aspiration and success for the whole of our communities.

#### **Enjoyable Experience:**

- Wellbeing, care and support – of all our staff and students.
- Enjoyment – helping our students develop a love for learning and positive self-worth.
- Equality, Inclusivity and Diversity – making all students and staff feel welcome, safe and valued and doing everything possible to help them to succeed.
- Respect and tolerance – for each other and the communities in which we live and work.
- Value staff as the most important resource.

## Trustees' Report for the period ended 31 August 2022

### Strategic Objectives

The Heart of Mercia Multi-Academy Trust's strategic objectives are derived from its vision and values.

1.	<b><u>Governance and Management</u></b>
-	To support, review and renew the strategic vision of the Trust.
-	To ensure the Multi Academy Trust (MAT) Directors' structure works as efficiently and effectively as possible.
-	To pursue effective, efficient and economic management of the Trust.
-	To support and review the strategic plan and ensure high quality provision, underpinned by continuous quality improvement, in all organisations.
2.	<b><u>Curriculum</u></b>
-	Colleges and schools offer a balanced, broad curriculum in their regional context which is responsive to the needs of current and potential students and which helps all students to acquire the qualifications and skills to meet their future aspirations.
-	To offer extensive enrichment opportunities to complement each student's main programme of study and to accredit these wherever possible.
-	To continue to develop appropriate teaching, learning and assessment strategies.
-	To provide learning support to meet the needs of individual students.
-	To adapt to government initiatives promptly so that all students can benefit from any new opportunities.
3.	<b><u>Physical Resources</u></b>
-	To provide accommodation which in quantity and quality meets the needs of current and potential students including those with disabilities as far as possible
-	To operate procedures for the acquisition, maintenance and disposal of equipment and resources.
-	To give high priority to learning technology.
-	To ensure and promote excellent practice in health and safety – all our staff will contribute to a positive health and safety culture, in which we champion high standards, ensure compliance and reduce and effectively mitigate risks.
4.	<b><u>Human Resources</u></b>
-	To recruit and develop staff within schools and colleges and across the Trust to ensure the delivery of all strategic objectives and to support their individual professional development.
-	To promote the wellbeing of staff across the Trust.

**Trustees' Report for the period ended 31 August 2022**

<b>5.</b>	<b><u>Student Support and Guidance</u></b>
-	To provide guidance and support which ensure that students are on the most appropriate course and achieve their maximum potential which helps to meet their future career and/or Higher Education aspirations.
-	To ensure that appropriate systems are in place for student pastoral support and well-being and that all students are safeguarded within their environment.
-	To ensure that appropriate systems are in place to comply with and meet the Gatsby benchmarks.
<b>6.</b>	<b><u>External Links</u></b>
-	To enhance the links within local hubs and, where appropriate form links with other organisations, at a national or international level.
<b>7.</b>	<b><u>Marketing</u></b>
-	To ensure that the Trust and constituent schools and colleges market themselves effectively and that the Trust has an overview of standards and recruitment targets and patterns.
<b>8.</b>	<b><u>Quality</u></b>
-	To develop and implement further methods for monitoring and improving quality in all aspects of the Trust's work.
-	To promote a culture of striving to continuously improve and do better for our students and staff.
<b>9.</b>	<b><u>Equality and Diversity</u></b>
-	To ensure equality and diversity is promoted and addressed in the delivery of all strategic objectives.
-	To encourage social mobility and breaking of glass ceilings.
<b>10.</b>	<b><u>Growth, Improvement and Sustainability</u></b>
-	To grow the Trust at a sustainable pace gauged by the progress of current organisations and capacity of central services and the Executive Group.
-	To respond to regional and national developments to further our footprint and mission.
-	To move towards net zero carbon throughout our operational practices.
<b>11.</b>	<b><u>Enjoyment and wellbeing</u></b>
-	To ensure institutions and the Trust evaluate the views and wellbeing of both staff and students and promote activities, events and support which create the conditions to foster happiness and fulfillment

## **Trustees' Report for the period ended 31 August 2022**

### **Implementation of Strategic Plan**

The Heart of Mercia Multi-Academy Trust Strategic Development Plan has regard to Government policy, and is updated annually. The plan includes property and financial plans. The Trust's priorities include:

1. Providing educational excellence for all students and implementing quality inspection processes to ensure this.
2. Ensuring the sustainability of the Trust through financial stability, the development of high quality resources and future growth.
3. Ensuring that students are ready for the real world in a diverse and inclusive environment.
4. Creating an enjoyable experience for all - students and staff.

The Trust monitors the plan on a continuing basis.

### **Public Benefit**

The Trust is an exempt charity under part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The Directors, who are Trustees of the charitable company, are disclosed on page 2.

In setting and reviewing the Trust's strategic objectives, the Trustees had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the Trust provides the following identifiable public benefits through the advancement of education:

- High-quality teaching.
- Widening participation and tackling social exclusion.
- Excellent employment record for students.
- Strong student support systems.
- Links with employers, industry and commerce.

### **Strategic Report**

#### **Achievements and performance**

#### **Performance Indicators**

Each college produces a Strategic Development Plan, which is reviewed each year, and an annual action plan that incorporates the outcome of the annual self-assessment.

This development plan focuses on four headline targets:

- Learner number growth and achievement of funding targets
- Learner achievement – raw and value-added
- Learner retention and attendance
- Financial Health indicators

Additionally, the Trust monitors key performance measures for each College (derived from FE choices, formerly "Framework for Excellence"):

- Success Rates
- Learner Destinations
- Satisfaction Survey - Learner Views

## Trustees' Report for the period ended 31 August 2022

The Trust is committed to observing the importance of the sector measures and indicators, and uses the FE Choice website which looks at measures such as success rate.

### Financial Objectives

The main purpose of the Trust's Financial Strategy is to ensure that the Trust's objectives as set out in the Strategic Development Plan are achieved whilst at the same time, maintaining financial viability and sustainability.

The key objectives of the strategy are:

- To ensure financial viability and sustainability.
- To ensure the Trust achieves a "Good" financial health grade.
- To generate an operating surplus.
- To attract and retain the best staff by ensuring salaries are attractive.
- To ensure that sufficient funds are available to enable the maintenance and improvement of the accommodation and equipment.
- To maintain positive relationships with our bankers, auditors, the ESFA and the Regional Schools Commissioner (RSC).

A series of financial performance indicators have been agreed to monitor the financial position:

Financial Performance Indicator	Target	Actual as at 31 <sup>st</sup> August 2022
Earnings before interest, taxation, depreciation and amortization (EBITDA) as % of income	4.00%	5.24%
Staff costs as % of income	74.7%	73.7%
Adjusted current ratio	2.83	2.39
Borrowings as % of income	0	0
Reliance on ESFA income	96.7%	95.8%
ESFA financial health score	Outstanding	Outstanding

### Student Numbers

Retention rates are:

	Starters 2021/22	Retention Rate 2021/22	Starters 2020/21	Retention Rate 2020/21
Hereford	2,164	94.3%	2,130	96.1%
Worcester	1,591	92.8%	1,484	95.8%
King Edward VI	2,291	95.6%	2,243	96.7%

## Trustees' Report for the period ended 31 August 2022

### Student Achievement

Students continue to prosper at the Trust. Pass rates for the summer 2022 were:

	Hereford	Worcester	King Edward	National
<b>A level pass rate</b>	99.1% (99.5%)	99.5% (99.4%)	99.6% (99.9%)	98.4% (99.5%)
<b>A* - B</b>	63.4% (63.2%)	56.4% (63.9%)	67.3% (61.6%)	62.2% (69.8%)
<b>A*</b>	12.6% (11.5%)	7.0% (10.8%)	13.0% (8.3%)	14.5% (19.1%)

( ) previous year

The Trust historically has a strong value-added performance at level 3 at all institutions. This year, it is extremely difficult to assess the data and to gauge a college's performance. The intake of a college will clearly have an impact on the overall results, normally, we use value added to allow us to see through the impact of differing intakes. However, this year, the government is not publishing this information as both the input, GCSEs graded as Centre Assessed Grades, and the output, A level or Applied qualifications adjusted by the exam boards are inflated.

### Curriculum Developments

Across the 3 colleges, the majority of students follow a programme of 3 or 4 subjects and an enrichment programme including Core Maths and careers education. A number of more able students will also do an extended project as part of their enrichment.

All colleges run a personal tutor system that supports students with their programme of study.

Nationally and within the context of the West Midlands post 16 sector, the Trust has a well-established reputation for academic excellence and extracurricular activities. Methods of teaching and learning are subject to continuous review and development in order to ensure that the curriculum meets the needs of local students.

The Trust maintains formal procedures of quality assurance and self-assessment, which are reviewed annually.

### Going Concern

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

The assessment is based upon:

- A strong balance sheet with net current assets of £4.3mil,
- A current ratio of 2.39,
- Zero borrowing,
- Sustained growth in student enrolments at each college.

The Trustees have considered the effects of the Covid-19 Pandemic in their assessment.

## **Trustees' Report for the period ended 31 August 2022**

### **Promoting the success of the Trust**

The colleges have marketing departments that work closely with the local and social media to promote the activities of the colleges. In addition, representatives of the colleges also regularly visit our feeder secondary schools to share information. The Principals are active members of local organisations, such as Headteacher groups, and national organisations such as the Sixth Form Colleges Association and the Maple Group.

### **Financial Review**

The Trust receives the majority of its funding from the ESFA in the form of recurrent grants paid on a monthly basis. The grants received during the period are shown as 'restricted funds' in the Statement of Financial Activities.

The Trust also benefits from a Devolved Formula Capital Grant received in July each year which is used for summer maintenance projects and investment in our resources.

During 2021/22, the Trust successful bid for the following capital funds:

- £2.7m from the 16 plus Expansion Fund to part-fund the new Thornbury building in Hereford. This is a three story building and will contain enhanced sports facilities and eight additional classrooms. The total cost of the scheme is projected to be £3.7m. The project will be completed in summer 2023 in time for the new academic year.
- £162k from the Condition Improvement Fund to part-fund the replacement of roofs on the Aconbury building in Hereford. The total cost of the scheme is projected to be £232k and should be completed by October 2022.
- £398k from the Condition Improvement Fund to part-fund the replacement of roofs at King Edward VI College, Stourbridge. The total cost of the scheme is projected to be £573k and should be completed by January 2023.

Negotiations are still continuing with the Department for Education with regard to an offer of 16 plus Expansion Funding towards the science block extension at Worcester. The timing of the offer has led to difficulties with costing / affordability of the scheme and concerns whether the project could be delivered within the DfE's tight timescales.

In addition, King Edward VI College, Stourbridge received £50k from the Charitable Foundation Trustees towards a project to refurbish science laboratories.

During 2022/23, the Trust will be making further bids to the Condition Improvement Fund and will be applying to the 16 plus Expansion Fund for assistance with the Gatehouse Project (three storey, 12 classroom block) at King Edward VI College, Stourbridge.

During the period, the Trust generated a surplus of £126k (before FRS 102 pension adjustments) (2021 £625k) against a budgeted deficit of £53k.

At 31<sup>st</sup> August 2022, the net book value of fixed assets was £35.3m (2021 £34.8m). Movements in tangible fixed assets are shown in note 14 to the financial statements.

The closing level of unrestricted and restricted reserves (excluding fixed asset reserves and the LGPS deficit) stands at £4.37m (2021 £3.99m).

## **Trustees' Report for the period ended 31 August 2022**

### **Treasury Management and Investment Policy**

Treasury Management is the management of the Trust's cash flows, banking and money market transactions; the effective control of risks associated with these activities; and the pursuit of optimum performance consistent with the associated risks. The Trust has a separate Treasury Management policy in place.

During the period, there was no short-term borrowing for temporary revenue purposes and the Trust does not have any outstanding bank loans. All borrowing requires the authorisation of the Trustees who must comply with the requirements of the Funding Agreement agreed with the ESFA.

There is an inter-company loan between the two colleges. Hereford Sixth Form College repaid a bank loan on behalf of Worcester Sixth Form College to enable it to become an academy and join the Trust. At the period end, the balance was £528k (2021 £573k).

The Trust has developed an Investment Policy that allows funds, identified as surplus to immediate requirements through cash flow monitoring, to be placed on short-term deposit with banks. Prior to Covid-19, the banks offered a better return on short-term investments through the money market. Should the reserves increase sufficiently to consider longer-term investment, the Trust would employ an agent to give advice on suitable investment opportunities.

### **Fundraising**

The Trust is predominantly funded by the ESFA based upon the submission of student data returns on a periodic basis to the Department for Education. The Trust does not actively engage in fundraising and does not actively canvas for donations on a local, regional, national or international basis. The Trust does not contract with any external agencies to fundraise on its behalf.

First year students in each colleges are asked to make a voluntary contribution to College Fund. The fund is used to contribute to scholarships and activities that are not funded centrally and to support students in hardship who do not qualify for help from Learner Support Funds. It is also used to support some student facilities. The executor is the Principal at each college acting on behalf of the Trustees.

### **Reserves Policy**

Academy Trusts are expected to create reserves from their annual funding. This is becoming increasingly difficult with the cuts in funding and increasing cost pressures. The Trust has ended the year with total restricted reserves of £37.74m (2021 £24.79m) (including adjustment for the LGPS pension deficit). Our reserves will be required for future capital projects and to notionally cover the deficit on the Local Government Pension Scheme, currently £2.26m (2021 £14.24m). A deficit on the LGPS pension scheme will generally result in a cash flow effect for the Trust in the form of an increase in employers' pension contributions in future years.

The Trust wishes to continue to accumulate reserves and cash balances in order to enable future capital development. The Accommodation Strategy at each college identifies opportunities to enhance existing facilities. The Trustees consider an ongoing bank balance at a minimum of £3m to be a reasonable level of cash for normal purposes, and to cushion the potential effects of any demographic downturn, but will continue where possible to build reserves for future capital works.



## **Trustees' Report for the period ended 31 August 2022**

### **Principal Risks and Uncertainties**

The system of internal control maintained by the Trust includes financial, operational and risk management which is designed to protect the assets and reputation.

A Risk Register is maintained by the Trust, which is reviewed at each meeting of the Audit Committee, and on a regular basis by the Senior Management Team. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Trust and the actions being undertaken to reduce and mitigate the risk. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risks throughout the Trust. Outlined below is a description of the principal risk factors that may affect the Trust. Not all the factors are within the Trust's control. Other factors besides those listed below may also adversely affect the Trust.

#### **1 Government funding**

The Trust has considerable reliance on continued Government funding through the ESFA. In the period, 95.8% (2021 95.7%) of the Trust's revenue was ultimately publicly funded, and this level of requirement is expected to continue. There can be no assurance that Government policy and practise will remain the same, or that public funding will continue at the same level or on the same terms.

The Trust is aware of the following issues that may impact on future funding:

- Stronger competition from other local providers.
- Changes in emphasis to more vocational education arising from Government policy.
- Changes to qualifications, such as the Advanced General Qualification (AGQ).

The risk is mitigated in a number of ways:

- The Trust has a robust marketing strategy that seeks to ensure that student numbers are maintained in the face of demographic decline.
- By ensuring the Trust is rigorous in delivering high quality education and training.
- Considerable focus is placed on maintaining and managing key relationships with the Funding Body.
- Ensuring the Trust is focused on those priorities which will continue to benefit from public funding.
- Regular dialogue with the Funding Body and Local Authorities.

#### **2 External Economic Pressures**

The Trust is facing considerable external economic pressures associated with rising inflation; interest rates; fuel costs; and pay award expectation.

The risk is mitigated through:

- The Trust does not have any loans so is protected from interest rate increases.
- The Trust has reserves to ensure that capital projects can be completed.
- Setting realistic budgets based upon modelling different scenarios.
- Continual scrutiny of financial information.
- Procuring supplies on a MAT basis to secure better deals.
- Reviewing procurement in relation capital projects.

#### **3 Pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the Trust's balance sheet in line with the requirements of FRS 102. The risk is mitigated by an agreed deficit recovery plan.

## Trustees' Report for the period ended 31 August 2022

### Streamlined Energy and Carbon Reporting

As a large employer, as determined by section 465 and 466 of the Companies Act 2006 and consuming in excess of 40,000KWH of energy in the reporting year, the Trust is required to report on its energy consumption

<b>UK Greenhouse gas emissions and energy use data for the period 1 September to 31 August</b>		
	<b>2022</b>	<b>2021</b>
Energy consumption used to calculate emissions (kWh)	4,096,236 kWh	2,707,426 kWh
Energy consumption break down (kWh)		
• gas,	2,340,868 kWh	1,357,914 kWh
• electricity,	1,697,355 kWh	1,332,086 kWh
• transport fuel	58,013 kWh	17,426 kWh
<b>Scope 1 emissions in metric tonnes CO<sub>2</sub>e</b>		
Gas consumption	427.30 tCO <sub>2</sub> e	248.72 tCO <sub>2</sub> e
Owned transport - mini-buses	9.48 tCO <sub>2</sub> e	6.45 tCO <sub>2</sub> e
Total scope 1	436.78 tCO <sub>2</sub> e	255.17 tCO <sub>2</sub> e
<b>Scope 2 emissions in metric tonnes CO<sub>2</sub>e</b>		
Purchased electricity	328.23 tCO <sub>2</sub> e	282.84 tCO <sub>2</sub> e
<b>Scope 3 emissions in metric tonnes CO<sub>2</sub>e</b>		
Business travel in employee owned vehicles	4.81 tCO <sub>2</sub> e	1.37 tCO <sub>2</sub> e
<b>Total gross emissions in metric tonnes CO<sub>2</sub>e</b>	<b>769.82 tCO<sub>2</sub>e</b>	<b>539.38 tCO<sub>2</sub>e</b>
<b>Intensity ratio</b>		
Tonnes CO <sub>2</sub> e per student	<b>0.13 tCO<sub>2</sub>e</b>	<b>0.11 tCO<sub>2</sub>e</b>
<b>Quantification and Reporting Methodology:-</b>		
<ul style="list-style-type: none"> <li>We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.</li> </ul>		
<p>The above figures include a full-year of consumption for King Edward VI College Stourbridge (2021 = 7 months)</p>		
<b>Intensity measurement</b>		
<p>The chosen intensity measurement ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per student, the recommended ratio for the sector.</p>		
<b>Measures taken to improve energy efficiency</b>		
<p>We have installed solar panels; LED lighting; automated shut down of computer equipment in the evenings; and increased video conferencing technology for staff.</p>		

## Trustees' Report for the period ended 31 August 2022

### Current and Future Development and Performance

#### Staffing

The Trust considers good communication with its staff and students to be very important, and publishes bulletins and regular newsletters. Weekly staff briefings and termly staff meetings are held. Staff and student involvement is encouraged through membership of formal committees, and electronically via email and the staff portal.

#### Maintenance Programme

The Trust operates a rolling programme of planned maintenance, which is reviewed each year and monitored on an ongoing basis. The costs are charged to the Statement of Financial Activities in the year in which they are incurred. Minor Capital Works that add value to the estate are capitalised at the year-end.

#### Future Prospects

The Trust remains concerned that continuing low funding levels will continue to impact on the 16-19 sector. The cuts in funding over a ten-year period have put academies and colleges under significant pressure to remain viable.

The Trust faces a number of challenges:

- Maintaining student numbers in the face of increased competition and new qualifications and apprenticeships.
- Developing the curriculum to meet the needs of students in light of linear courses.
- Meeting the challenge of cuts in funding which are severe.
- Maintaining the quality of outcome and experience for students despite these cuts.
- Maintaining the current high reputation of the Trust.
- Continuing to collaborate with other schools and colleges in the best interests of students.

#### Resources

The Trust has various resources that it can deploy in pursuit of its strategic objectives.

- Its estate, with a net balance sheet value of **£35.29m** (2021: £34.78m)
- net current assets of **£4.3m** (2021: £3.9m)
- established staff of **613 people** (headcount) (2021: 557 people), of which **306** are teaching staff (2021: 255).
- its reputation, both locally and nationally as a Trust that achieves excellent results, together with high quality pastoral support.

#### Events after the end of the Reporting Period

There are no significant or material events to report after the period end.

## **Trustees' Report for the period ended 31 August 2022**

### **Equal Opportunities**

The Trust is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender and gender identity, parental and marital status, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat discrimination. This policy is resourced, implemented and monitored on a planned basis. The Equality, Diversity and Inclusion Policy is published on the website. The Trust publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The Trust is a 'Positive about Disabled' employer and has committed to the principles and objectives of the 'Positive about Disabled' standard. The Trust considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Trust continues. The Trust's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.


The Trust has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

### **Disclosure of information to auditors**

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.

This report incorporating the Strategic Report, was approved by order of the Board of Directors as the company directors, on 8<sup>th</sup> December 2022 and signed on the Board's behalf by:



**Dr. K. Hopkins, Chair of Trustees**

## **Governance Statement**

### **Scope of Responsibility**

As Trustees, we acknowledge we have overall responsibility for ensuring that Heart of Mercia Multi-Academy Trust has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. As Trustees, we have reviewed and taken account of the guidance in DfE's Governance Handbook and competency framework for governance.

The Trustees have delegated the day-to-day responsibility to the Executive Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the Funding Agreement between the Heart of Mercia Multi-Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Trustees any material weaknesses or breakdowns in internal control.

The Trustees' consider that the Board and its Committees combined, meet adequately and regularly over the course of the year in order to discharge their responsibilities and have robust and effective management arrangements.

### **Governance**

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Directors has met four times during the period. Attendance at meetings during the year was as follows:

<b>Trustee</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Dr K Hopkins, Chairman	4	4
Mr P Cooper, Executive Principal	4	4
S Boniface	3	4
S Tully	4	4
Dr M Hawkins	4	4
T Hooper	4	4
D Pearce-Higgins	4	4
A Perry (resigned 17/03/22)	2	2
C Holden	3	4

### **Finance and Resources Committee**

The Finance and Resources Committee is a sub-committee of the main Board of Directors. Its purpose is to review the financial position of the Trust, including revenue, capital and cashflow and investments, on a half termly basis, and receives regular reports on capital schemes and other premises and resource issues. It advises the Board on all financial and resource matters.

Attendance at meetings during the year was as follows:

<b>Trustee</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
S Tully, Chair	4	4
P Cooper	4	4
Dr K Hopkins	4	4
S Boniface	4	4
A Perry (resigned 17/03/22)	1	2

## **Governance Statement**

### **Audit Committee**

The Audit Committee comprises at least three Trustees (excluding the Accounting Officer (Principal) and Chair). It operates in accordance with written Terms of Reference approved by the Trustees. Its purpose is to advise the Trustees on the adequacy and effectiveness of the Trust's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets four times per year, and provides a forum for reporting by the Trust's Internal Auditors, Reporting Accountants and Financial Statements Auditors, who have access to the Committee for independent discussion, without the presence of management. The Committee also receives and considers reports from the Funding Body if they affect the operations. The Trust's Internal Auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management are responsible for the implementation of agreed audit recommendations and Internal Audit undertake periodic follow-up reviews to ensure that recommendations have been implemented. The Audit Committee also advises the Trustees on the appointment of Internal Auditors, Reporting Accountants and Financial Statements Auditors, and their remuneration for both audit and non-audit work as well as reporting annually to the Trustees.

Attendance at meetings during the year was as follows:

<b>Trustee</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Dr M Hawkins, Chair	4	4
T Hooper	4	4
D Pearce-Higgins	4	4
C Holden	4	4

### **Governance Reviews**

#### **The Board of Directors**

The composition of the Board of Directors is set out on page 2. It is the Board of Directors' responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. Trustees are provided with regular and timely information on the overall financial performance, together with other information such as performance against targets, capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Trustees meet twice each term.

During the year, governance has been subject to internal review. To supplement this Stone King LLP have been commissioned to undertake an external review to consider the current performance of the Board in discharging the principal responsibilities of good governance. The review will include identifying areas for enhancement in the short and medium term, looking at how well its governance structure and systems work in practice, particularly their suitability for supporting the achievement of the MAT's strategy, including its plans for growth. The review will also recognise areas of strength and identify any improvements that are recommended to ensure that the MAT is governed effectively and efficiently, in accordance with best practice, and to the satisfaction of all of its stakeholders. The review will take place in November 2022.

## **Governance Statement**

The Trustees conduct their business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Directors. Full minutes of meetings, except those deemed confidential by the Trustees, are available on the website ([www.hereford.ac.uk](http://www.hereford.ac.uk)), or from the Clerk to the Trustees at:

**Heart of Mercia  
Hereford Sixth Form College,  
Folly Lane,  
Hereford.  
HR1 1LU.**

To monitor potential conflicts of interest, the Clerk to the Trustees maintains a register of financial and personal interests of the Trustees, which is available for inspection at the above address.

All Trustees are able to take independent professional advice in furtherance of their duties at the Trust's expense, and have access to the Clerk to the Trustees, who is responsible to the Board of Directors for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board of Directors as a whole.

Formal agendas and reports are supplied to the Trustees in a timely manner, prior to Board meetings, and ad-hoc briefings are also provided.

The Board of Directors has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Directors considers that each of its non-executive members is independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman of the Board of Directors and the Accounting Officer (Executive Principal) are separate.

### **Appointments to the Board of Directors**

Any new appointments to the Board of Directors are a matter for the consideration of the Board of Directors as a whole. The Board of Directors has a **Search Committee** comprising the Accounting Officer (Principal), the Chairman and two other members, which is responsible for the selection and nomination of any new potential Trustee for the Board of Trustees' consideration. The Board of Directors is responsible for ensuring that appropriate training is provided as required. Trustees are appointed for a term not exceeding four years, upon which they may be re-elected.

### **Corporation Performance**

Governance is self-assessed using the appropriate sections of the Ofsted Common Inspection Framework. Against these criteria, governance continues to be 'Outstanding', which was the grade, awarded in the last Ofsted inspection.

### **Remuneration Committee**

Throughout the year ended 31<sup>st</sup> August 2022, the Remuneration Committee comprised the Chairman and two Trustees. The Committee's responsibilities are to make recommendations to the Board of Trustees on the remuneration and benefits of the Accounting Officer (Principal) and other senior postholders. Details of remuneration of these postholders for the year ended 31<sup>st</sup> August 2022 are set out in note 9 and 10 of the financial statements.

## **Governance Statement**

### **Curriculum Committee**

This Committee reviews the Curriculum Policy taking into account latest government policy and data relating to performance, achievement, attendance, retention, destinations and other salient issues.

### **Review of Value for Money**

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

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

With regard to demonstrating value for money, the Trust has regularly achieved a pass rate at A Level above the national average. The colleges have historically had a strong value-added performance within both the Ofsted and ALPS measurements and have regularly been placed within the top quartile on a national basis for the past 10 years. Student Performance is high throughout the ability range reflecting the inclusive nature of the Trust. Level 2 performance is also very strong with English and Maths results exceeding the nation average rate. Despite reductions in funding, the Trust has maintained the quality of outcomes for students and the quality of its resources and accommodation. The Trust has robust and realistic plans for ensuring its financial viability in the face of possible further cuts and falling rolls within the counties.

### **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 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 at the Heart of Mercia Multi-Academy Trust for the period 1<sup>st</sup> September 2021 to 31<sup>st</sup> August 2022 and up to the date of approval of the Report and Financial Statements.

### **Capacity to Handle Risk**

The Board of Directors has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year 1<sup>st</sup> September 2021 to 31<sup>st</sup> August 2022 and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board of Directors.

The risk management process is regularly reviewed by the Board of Directors.

### **The Risk and Control Framework**

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



## **Governance Statement**

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

The Board of Directors has considered the need for a specific Internal Audit function and has decided to appoint TIAA Ltd as Internal Auditor.

The Trust has an Internal Audit service, which operates in accordance with the requirements of the ESFA's Post-16 Audit Code of Practice. The work of the Internal Audit service is informed by an analysis of the risks to which the Trust is exposed. The annual Internal Audit plan is based on this analysis. The analysis of risks and the Internal Audit plan are endorsed by the Trustees on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the Trustees with a report on Internal Audit activity.

The Internal Auditor's role includes giving advice on financial and other matters and performing a range of checks on the Trust's financial and other systems. In particular, the reviews carried out included:

- following up on the status of previous recommendations,
- ICT Cyber Security,
- Estates Delivery,
- Safeguarding and Whistleblowing,
- Property Compliance.

On a quarterly basis, the Internal Auditor reports to the Board of Directors, through the Audit Committee on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities. On an annual basis, the Internal Auditor prepares a summary report for the Committee outlining the areas reviewed, key findings, recommendations and conclusions to help the Committee consider actions and assess year on year progress.

There have been no restrictions in performing this work as planned during this financial year.

## **Governance Statement**

### **Review of effectiveness**


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

- The work of the Internal Auditors
- The work of the External Auditors
- The financial management and governance self-assessment process
- The work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee, which oversees the work of the Internal Auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the systems in place.

The Senior Management Team in each college receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team in each college and the Audit Committee also receive regular reports from Internal Audit that include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Directors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team in each college and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Approved by order of the members of the Board of Directors on 8<sup>th</sup> December 2022 and signed on its behalf by:

Signed.....  ..... **Mr. P. Cooper**  
**Accounting Officer (Executive Principal)**

Signed.....  ..... **Dr. K. Hopkins**  
**Chair of Trustees**

## **Statement of Regularity, Propriety and Compliance**

As Accounting Officer of Heart of Mercia Multi-Academy Trust, I have considered my responsibility to notify the Trust Board of Directors and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, under the Funding Agreement in place between the Trust and the Secretary of State for Education. As part of my consideration, I have due regard to the requirements of the Academy Trust Handbook 2021.

I confirm that I and the Trust Board of Directors are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's Funding Agreement and the Academy Trust Handbook 2021.

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



\_\_\_\_\_  
**Mr. P. Cooper**  
**Accounting Officer (Executive Principal)**

8<sup>th</sup> December 2022

## 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 apply them consistently
- observe the methods and principles in the Charities SORP 2019 and the Academies Accounts Direction 2021 to 2022
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to presume that the charitable company will continue in business

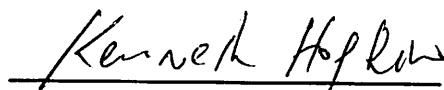
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements 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 the ESFA / DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of 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 Directors on 8<sup>th</sup> December 2022 and signed on its behalf by:

**Dr. K. Hopkins**  
Chair of Trustees



## **Independent Auditor's Report on the Financial Statements to Members of the Heart of Mercia Multi-Academy Trust**

### **Opinion**

We have audited the financial statements of Heart of Mercia Multi-Academy Trust (the 'charitable company') for the year ended 31 August 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency (ESFA).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2022 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2019 and Academies Accounts Direction 2020 to 2021.

### **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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

We would like to draw your attention to note 34 which describes the prior year adjustment made to the comparative figures.

### **Conclusions relating to going concern**

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

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

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

**Independent Auditor's Report on the Financial Statements to Members of  
the Heart of Mercia Multi-Academy Trust**

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

## **Independent Auditor's Report on the Financial Statements to Members of the Heart of Mercia Multi-Academy Trust**

### **Responsibilities of trustees**

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

In preparing the financial statements, the trustees are responsible for assessing the charitable company'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 to cease operations, or have no realistic alternative but to do so.

### **Our responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework applicable to both the Academy itself and the sector in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the trustees and other management. The most significant were identified as the Department for Education, the Education and Schools Funding Agency, the Academy Trust Handbook 2021, the Academies Accounts Direction 2022, Companies Act legislation and Charities Act and FRS102 SORP legislation.

We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. Our audit procedures included:

- Making enquiries of management as to where they consider there to be a susceptibility to fraud and whether they have any knowledge or suspicion of fraud;
- Obtaining an understanding of the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- Assessing the design effectiveness of the controls in place to prevent and detect fraud;
- Assessing the risk of management override including identifying and testing journal entries;
- Challenging the assumptions and judgements made by management in its significant accounting estimates.

**Independent Auditor's Report on the Financial Statements to Members of  
the Heart of Mercia Multi-Academy Trust**

Whilst our audit did not identify any significant matters relating to the detection of irregularities including fraud, and despite the audit being planned and conducted in accordance with ISAs (UK), there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very nature, any such instances of fraud or irregularity would likely involve collusion, forgery, intentional misrepresentations, or the override of internal controls.

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

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



Mr Kevin Tong FCCA, ACA (Senior Statutory Auditor)  
for and on behalf of Thorne Widgery Accountancy Ltd  
Chartered Accountants  
Statutory Auditors  
2 Wyevale Business Park  
Kings Acre  
Hereford  
Herefordshire  
HR4 7BS

Date: 8.12.2022

**Note:**

The maintenance and integrity of the Heart of Mercia Multi-Academy Trust website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



**Independent Reporting Accountant's Assurance Report on Regularity to  
Heart of Mercia Multi-Academy Trust and the Education and Skills Funding  
Agency**

In accordance with the terms of our engagement and further to the requirements of the Education and Skills Funding Agency (ESFA), as included in the Academies Accounts Direction 2021 to 2022, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Heart of Mercia Multi-Academy Trust during the period 1 September 2021 to 31 August 2022 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 Heart of Mercia Multi-Academy Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Heart of Mercia Multi-Academy Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Heart of Mercia Multi-Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Heart of Mercia Multi-Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Heart of Mercia Multi-Academy Trust's funding agreement with the Secretary of State for Education and the Academy Trust Handbook, extant from 1 September 2021, 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 2021 to 2022. 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 2021 to 31 August 2022 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 2021 to 2022 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

**Independent Reporting Accountant's Assurance Report on Regularity to  
Heart of Mercia Multi-Academy Trust and the Education and Skills Funding  
Agency**

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 charitable company's income and expenditure.

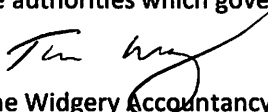
The work undertaken to draw our conclusions includes:

- detailed testing of a sample of items of income and expenditure to ensure appropriately applied for the purposes intended
- specific testing, on a sample basis, of system controls relevant to the above
- a general review of correspondence with the appropriate authorities regarding Academy governance matters during the year
- a general review and discussion of the Academy's internal procedures for establishing and maintaining systems of control and documentation regarding these matters

This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2021 to 31 August 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

  
Thorne Widgery Accountancy Ltd  
Chartered Accountants  
2 Wyevale Business Park  
Kings Acre  
Hereford  
Herefordshire  
HR4 7BS

Date: 8.12.2022

**Statement of Financial Activities for the period ended 31<sup>st</sup> August 2022**  
**(including Income and Expenditure Account)**

	Notes	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2022 £'000	Total 2021 Restated £'000
<b>Income &amp; Endowments from:</b>						
Donations & capital grants	3	-	67	966	1,033	139
Transfer on conversion	33	-	-	-	-	7,074
<b>Charitable Activities</b>						
Funding for the Trust's educational operations	4	134	29,358	-	29,492	23,617
Other trading activities	5	162	-	-	162	42
Investment income	6	7	-	-	7	6
<b>Total Income</b>		<b>303</b>	<b>29,425</b>	<b>966</b>	<b>30,694</b>	<b>30,878</b>
<b>Expenditure on:</b>						
Raising funds	7	259	-	-	259	222
<b>Charitable Activities</b>						
Trust's educational operations	7/8	124	29,641	1,485	31,250	24,240
<b>Total Expenditure</b>		<b>383</b>	<b>29,641</b>	<b>1,485</b>	<b>31,509</b>	<b>24,462</b>
<b>Net Income / (Expenditure) before Transfers</b>		<b>(80)</b>	<b>(216)</b>	<b>(519)</b>	<b>(815)</b>	<b>6,416</b>
Transfers between Funds	19	-	(1,029)	1,029	-	-
<b>Net Income / (Expenditure) before other recognised gains and losses</b>		<b>(80)</b>	<b>(1,245)</b>	<b>510</b>	<b>(815)</b>	<b>6416</b>
Actuarial (loss)/gain on defined benefit pension schemes	19, 29	-	13,679	-	13,679	1,819
<b>NET MOVEMENT IN FUNDS</b>		<b>(80)</b>	<b>12,434</b>	<b>510</b>	<b>12,864</b>	<b>8,235</b>
<b>RECONCILIATION OF FUNDS:</b>						
Total funds brought forward		(255)	(9,988)	34,780	24,537	16,302
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>(335)</b>	<b>2,446</b>	<b>35,290</b>	<b>37,401</b>	<b>24,537</b>

Balance Sheet as at 31<sup>st</sup> August 2022

	<u>Notes</u>	2022 £'000	2022 £'000	2021 restated £'000	2021 restated £'000
<b>Fixed assets</b>					
Intangible assets	13	19		23	
Tangible assets	14	35,271		34,757	
Investments	15	98		98	
			35,388		34,878
<b>Current assets</b>					
Stocks	16	8		10	
Debtors	17	786		573	
Cash at bank and in hand	26	6,538		5,854	
		7,332		6,437	
<b>Liabilities</b>					
Creditors: Amounts falling due within one year	18	(3,064)		(2,543)	
<b>Net current assets</b>			4,268		3,894
<b>Net assets excluding pension liability</b>			39,656		38,772
Defined benefit pension scheme liability	29		(2,255)		(14,235)
<b>Total Net Assets</b>			37,401		24,537
<b>Funds of the Trust</b>					
<b>Restricted funds</b>					
• Fixed asset fund	19	35,290		34,780	
• Restricted income fund	19	4,701		4,247	
• Pension reserve	19	(2,255)		(14,235)	
<b>Total Restricted Funds</b>			37,736		24,792
<b>Unrestricted income fund</b>	19		(335)		(255)
<b>Total funds</b>			37,401		24,537

The financial statements on pages 35 to 69 were approved and authorised by the Board of Directors on 8th December 2022 and were signed on its behalf on that date by:

Dr. K. Hopkins.....*Kenneth Hopkins*  
 Chair of Trustees  
 Mr. P. Cooper .....*P. Cooper*  
 Accounting Officer (Principal)

**Statement of Cash flows for the period ended 31<sup>st</sup> August 2022**

	Notes	2022 £'000	2021 restated £'000
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	23	1,706	1,831
<b>Cash flows from financing activities</b>	24	-	-
<b>Cash flows from investing activities</b>	25	(1,022)	(297)
<b>Change in cash &amp; cash equivalents in the reporting period</b>		<b>684</b>	<b>1,534</b>
		2022 £'000	2021 restated £'000
Cash and cash equivalents at 1 <sup>st</sup> September 2021 restated		<b>5,854</b>	<b>4,320</b>
Cash and cash equivalents at 31 <sup>st</sup> August 2022	26	<b>6,538</b>	<b>5,854</b>

## **Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

### **1. Statement of Accounting Policies**

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

#### **1.1 Prior Year Adjustment**

##### **Leasehold Land and Buildings**

In the prior year leasehold land and buildings totalling £4,639k were transferred from the Foundation Trustees of the King Edward VI College, Stourbridge Charity to the Heart of Mercia Multi-Academy Trust. The correct accounting treatment was to credit the Fixed Asset Fund by £4,639k, not the Fixed Asset Revaluation Reserve. Correction of the error does not affect the overall reserves position of the Heart of Mercia Multi-Academy Trust. The SOFA for year ended 31<sup>st</sup> August 2021 shows an increase in Transfer on Conversion by £4,639k, and a reduction to Gain on Revaluation of Fixed Assets of £4,639k.

##### **Bursary Funds Agency Arrangements**

ESFA bursary funds, which are distributed by the Multi-Academy Trust acting as agent on behalf of the ESFA, have been accounted for under Agency Arrangements (note 32) this year. The prior year effect on the SOFA is to reduce restricted income and restricted expenditure by £454k each. There is no effect on the balance sheet as a result of accounting for bursary funds under Agency Arrangements.

#### **1.2 Basis of Preparation**

The financial statements of the 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 (SORP) applicable to charities preparing their accounts in accordance the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP (FRS102)), the Academies Accounts Direction 2021 to 2022 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

The Trust meets the definition of a public benefit entity under FRS 102.

#### **1.3 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 Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements. At the year-end, the Trust had cash and bank balances of £6.5m (2021 restated: £5.8m) and reserves (excluding fixed assets and pension liabilities) of £4.37m (2021 restated: £3.99m).

The Trustees have considered the effects of the Covid-19 Pandemic and current inflationary pressures in their assessment.

#### **1.4 Income**

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

## **Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

### **1. Statement of accounting policies (continued)**

- **Grants**

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

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

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

- **Sponsorship Income**

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

- **Donations**

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

- **Other Income**

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

- **Donated goods, facilities and services**

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

- **Donated fixed assets (excluding Transfers on conversion/into the Trust)**

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

**Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022****1. Statement of accounting policies (continued)****1.5 Expenditure**

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

use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds includes all expenditure incurred by the Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading. Charitable activities are costs incurred on the Trust's educational operations, including support costs and costs relating to the governance of the Trust apportioned to charitable activities.

**1.6 Tangible Fixed Assets**

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 requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

- Freehold buildings **2% per year**
- 3G Pitch (Hereford) **5% per year**
- Computers **25% per year**
- Motor Vehicles **10 – 25% per year**
- Other equipment **10 – 20% per year**
- Fixtures & fittings **10% per year**

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.



## **Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

### **1. Statement of accounting policies (continued)**

Although the policy for vehicle depreciation is currently 14% (7 years), depreciation is considered on a vehicle by vehicle basis for example. Second-hand vehicles may be depreciated at 25% (4 years). Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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

#### **1.7 Intangible fixed assets**

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                      **4 years straight line**

#### **1.8 Interest Receivable**

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

#### **1.9 Debtors**

Trade and other debtors with no stated interest rate and due within one year are recorded at the amount of cash or other consideration expected to be received. Prepayments are valued at the amount paid.

#### **1.10 Cash at bank and in hand**

Cash at bank and in hand includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition. It is Trust policy to invest surplus funds in at least three different recognised financial institutions, the maximum fixed investment being £500k capital (excluding accrued interest) in institutions outside the current account holding bank. In the period, funds were spread across five financial institutions in order to spread the risk to reserves following the recent economic crisis.

#### **1.11 Stocks**

The only stocks held at the end of the period were stocks of curriculum materials. Stocks are stated at the lower of their cost and net realisable value.

## **Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

### **1. Statement of accounting policies (continued)**

#### **1.12 Liabilities**

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

#### **1.13 Provisions**

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

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

A contingent liability arises from a past event that gives the Trust a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Trust. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements. The Trust currently has no provisions except for the obligations with regard to the Local Government Pension Scheme and no contingent liabilities.

#### **1.14 Leased Assets**

Rentals under operating leases are charged on a straight-line basis over the lease term.

#### **1.15 Foreign Currency Transactions**

Foreign currency transactions relate to field courses. They are recorded using the rate of exchange ruling at the date of the transaction. During the period, foreign currency transactions amounting to a total of £1k (2021: £1k) took place. There were no outstanding foreign currency transactions at the period end.

#### **1.16 Taxation**

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

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

#### **1.17 Pension Benefits**

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

## Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

### 1. Statement of accounting policies (continued)

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

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

#### 1.18 Short Term Employment Benefits

Short-term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the period in which the employees render service to the Trust. Any unused benefits are accrued and measured as the additional amount the Trust expects to pay as a result of the unused entitlement.

#### 1.19 Fund Accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by 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 ESFA and the Department for Education.

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

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

#### *Critical accounting estimates and assumptions*

The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates

## **Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

### **1. Statement of accounting policies (continued)**

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 Trust has to determine whether leases entered into either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

The Trust has to determine whether there are indicators of impairment of the tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

The present value of the LGPS defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 29, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 August 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact upon the carrying amount of the pension liability.

The assumptions used by the actuaries in the year end LGPS pension valuation does not take account of the current inflation rates. Although this would adjust the valuation, the Trustees feel this is an arbitrary exercise which would add unnecessary additional cost in these already financially challenging times. A full triennial valuation was performed in 2022, the results of which will come into effect from 1 April 2023.

#### **1.21 Conversion to an Academy Trust**

The conversion to a Trust involves the transfer of identifiable assets and liabilities and the operation of the college for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from King Edward VI College, Stourbridge, and the Foundation Trustees of the King Edward VI College, Stourbridge Charity, to the Trust, have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations – transfer from King Edward VI College, Stourbridge in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 32.

**Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

**2. General Annual Grant (GAG)**

The Trust was not subject to a GAG carry forward restriction.

**3. Income from Donations and Capital Grants**

	Unrestricted Funds 2022 £'000	Restricted Funds 2022 £'000	Restricted Fixed Asset Funds 2022 £'000	Total Funds 2022 £'000	Total Funds 2021 restated £'000
Capital Grant	-	-	916	916	122
Other Donations	-	67	50	117	17
	<b>-</b>	<b>67</b>	<b>966</b>	<b>1,033</b>	<b>139</b>
2021 restated	-	17	122	139	

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 4. Funding for the Trust's Educational Operations

	Unrestricted Funds 2022 £'000	Restricted Funds 2022 £'000	Total Funds 2022 £'000	Total Funds 2021 restated £'000
<b>DfE / ESFA Grants</b>				
General Annual Grant (GAG)	-	26,516	26,516	21,276
Pay & pension funding	-	1,549	1,549	1,225
Other DfE / ESFA Grants	-	199	199	101
	-	<b>28,264</b>	<b>28,264</b>	<b>22,602</b>
<b>Other Government Grants</b>				
Other government grants	-	10	10	43
Local Authority grants	-	54	54	79
<b>COVID-19 Additional Funding (DfE/ESFA)</b>				
Other DfE/ESFA COVID-19 funding	-	59	59	203
	-	<b>123</b>	<b>123</b>	<b>325</b>
<b>Other Funding</b>				
Other grants	-	15	15	218
Other income from educational operations	134	956	1,090	472
	<b>134</b>	<b>971</b>	<b>1,105</b>	<b>690</b>
	<b>134</b>	<b>29,358</b>	<b>29,492</b>	<b>23,617</b>
2021 restated	<b>17</b>	<b>23,600</b>	<b>23,617</b>	

Covid-19 funding received included £nil (2021 restated: £101k) for Exceptional Support and £59k (2021 restated: £102k) for Mass Testing.

**Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

**5. Other Trading Activities**

	<b>Unrestricted Funds 2022 £'000</b>	<b>Restricted Funds 2022 £'000</b>	<b>Total Funds 2022 £'000</b>	<b>Total Funds 2021 restated £'000</b>
Catering income	48	-	48	13
Hire of facilities	56	-	56	28
Income from other activities	58	-	58	1
	<b>162</b>	<b>-</b>	<b>162</b>	<b>42</b>
2021 restated	<b>42</b>	<b>-</b>	<b>42</b>	

**6. Investment Income**

	<b>Unrestricted Funds 2022 £'000</b>	<b>Restricted Funds 2022 £'000</b>	<b>Total Funds 2022 £'000</b>	<b>Total Funds 2021 restated £'000</b>
Short term deposits	7	-	7	6
	<b>7</b>	<b>-</b>	<b>7</b>	<b>6</b>
2021 restated	<b>6</b>	<b>-</b>	<b>6</b>	

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 7. Expenditure

	Non Pay Expenditure			Total 2022 £'000	Total 2021 restated £'000
	Staff Costs £'000	Premises £'000	Other £'000		
Expenditure on raising funds					
• Direct Costs	103	-	156	259	222
• Allocated Support Costs	-	-	-	-	-
Trust's educational operation:					
• Direct Costs	16,039	-	2,379	18,418	14,575
• Allocated Support Costs	7,926	3,051	1,855	12,832	9,665
	<b>24,068</b>	<b>3,051</b>	<b>4,390</b>	<b>31,509</b>	<b>24,462</b>
2021 restated	18,781	2,522	3,159	24,462	

All of the expenditure on raising funds £259k (2021 restated: £222k) is spent from unrestricted funds.

Included in the Academy's 'educational direct costs – other' is £124k (2021 restated: £10k) of expenditure spent from unrestricted funds.

Included in the Academy's 'educational allocated support costs – Premises' is £1,485k (2021 restated: £1,152k) of expenditure spent from Restricted Fixed Asset Funds.

The remaining expenditure of £29,641k (2021 restated: £23,078k) is spent from Restricted Funds.

Net Incoming Resources / (Resources Expended) for the period includes:

	2022 £'000	2021 restated £'000
Operating lease rental	106	71
Amortisation	12	9
Depreciation	1,473	1,120
Loss on disposal of fixed assets	-	23
FRS 102 net interest cost	238	197
Auditor's remuneration – Internal Audit	7	9
Auditor's remuneration – Financial statement and regularity	23	20



Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 8. Charitable Activities

	Total 2022 £'000	Total 2021 restated £'000
Direct costs – educational operations	18,418	14,575
Support costs – educational operations (below)	12,832	9,665
	<b>31,250</b>	<b>24,240</b>

## Analysis of support costs:

	Total 2022 £'000	Total 2021 restated £'000
Support staff costs	7,926	5,844
Amortisation	12	9
Depreciation	1,473	1,143
Technology costs	820	480
Premises costs	1,566	1,369
Other support costs	997	737
Governance costs	38	83
<b>Total Support costs</b>	<b>12,832</b>	<b>9,665</b>

## Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

### 9. Staff Costs

#### A. Staff Costs

Staff costs during the period were:

	<b>Total 2022 £'000</b>	<b>Total 2021 restated £'000</b>
Wages & salaries	16,917	13,518
Social security costs	1,657	1,229
Operating costs of defined benefit pension schemes	3,617	2,843
Additional LGPS deficit lump sum contribution	23	18
Short term employee benefits	(16)	20
Apprenticeship Levy	69	53
FRS 102 Pension charge	1,461	1,022
	<b>23,728</b>	<b>18,703</b>
External employees	44	25
	<b>23,772</b>	<b>18,728</b>
Staff restructuring costs	296	53
<b>Total staff costs</b>	<b>24,068</b>	<b>18,781</b>
Staff restructuring costs comprise:		
• Contractual - redundancy payments	296	53

#### B. Severance Payments

The Trust paid five severance payments in the year, disclosed in the following bands:

0 - £25,000	2
£25,001 - £50,000	2
£50,001 - £100,000	-
£100,001 – £150,000	-
£150,000 +	1

#### C. Staff Numbers

The average number of persons employed by the Trust during the period, were as follows:-

	<b>2022 Headcount</b>	<b>2021 restated Headcount</b>
Teachers	305	255
Administration and support	299	293
Management	9	9
	<b>613</b>	<b>557</b>

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**D. Higher Paid Staff**

The number of employees whose employee benefits (excluding employer pension costs and employer National Insurance) exceeded £60,000 in a twelve-month period was:

<i>In the band of:</i>	Key management personnel		Other Staff	
	2022	2021	2022	2021
£1 - £10,000	1	1	N/A	N/A
£60,001 - £70,000	2	-	-	-
£70,001 - £80,000	3	4	-	-
£80,001 - £90,000	2	2	-	-
£90,001 - £100,000	-	-	-	-
£100,001 - £110,000	-	-	-	-
£110,001 - £120,000	-	-	-	-
£120,001 - £130,000	2	1	-	-
£130,001 - £140,000	1	1	-	-
	<b>11</b>	<b>9</b>	-	-

**E. Key Management Personnel**

The key management personnel of the Trust comprise the Trustees and the Senior Postholders as listed on page 2.

Key management personnel compensation for the period was made up as follows:

	2022	2021
	£'000	restated £'000
Salaries – including restructuring costs	834	639
Employers National Insurance	107	79
Benefit in kind	-	-
	<b>941</b>	<b>718</b>
Pension contributions	182	147
	<b>1,123</b>	<b>865</b>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

**F. Accounting Officer (Executive Principal)**

The above compensation includes amounts payable during the period to the Accounting Officer (Executive Principal) (who was also the highest paid officer) of:

	2022	2021
	£'000	restated £'000
Salaries	137	136
Employers National Insurance	18	18
Benefit in kind	0	0
	<b>155</b>	<b>154</b>
Pension contributions	33	32
	<b>188</b>	<b>186</b>

**Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

There has been no compensation for loss of office paid to any former key management personnel.

**10. Trustees' Remuneration and Expenses**

One or more Trustees have been paid remuneration or has received other benefits from an employment with the Trust. The Principal only receives remuneration in respect of services he provides in undertaking the role of Principal under his contract of employment.

The value of Trustees' remuneration and other benefits for the year to 31<sup>st</sup> August 2022:

Mr Peter Cooper (Principal and Trustee):

Remuneration £130,001 - £140,000 (2021 restated: £130,001 - £140,000)

Employer's pension contributions paid £30,001 - £40,000 (2021 restated: £30,001 - £40,000)

During the year ended 31 August 2022, travel and subsistence expenses totaling £2,965 (2021 restated: £462) were reimbursed or paid directly to a Trustee. This was in relation to the work undertaken as employees of the Trust, not in relation to their roles as Trustees.

**11. Trustees' and Officers' Insurance**

In accordance with normal commercial practice, the Trust has purchased insurance to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31<sup>st</sup> August 2022 was £1,000 (2021 restated: £1,000). The cost of this insurance is included in the total insurance costs.

**12. Central Services**

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

- Central staffing
- Audit and legal fees
- Central ICT licences
- Insurance

The Trust charges for these services on the basis of 5% of total ESFA funding.

The actual amounts charged during the year were as follows:

	<b>2022</b>	2021
	<b>£'000</b>	restated £'000
Hereford Sixth Form College	449	440
Worcester Sixth Form College	326	292
King Edward VI College, Stourbridge	490	237
	<b><u>1,265</u></b>	<b><u>969</u></b>

**Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

**13. Intangible Fixed Assets**

	<b>Software £'000</b>	<b>Total £'000</b>
<b>Costs or valuation</b>		
<b>At 1<sup>st</sup> September 2021 restated</b>	44	44
<b>Additions</b>	8	8
<b>At 31<sup>st</sup> August 2022</b>	<b>52</b>	<b>52</b>
 <b>Amortisation</b>		
<b>At 1<sup>st</sup> September 2021 restated</b>	21	21
<b>Charge</b>	12	12
<b>At 31<sup>st</sup> August 2022</b>	<b>33</b>	<b>33</b>
 <b>Carrying value at 31<sup>st</sup> August 2022</b>	<b>19</b>	<b>19</b>
 <b>Carrying value at 31<sup>st</sup> August 2021 restated</b>	<b>23</b>	<b>23</b>

## Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

### 14. Tangible Fixed Assets

	Freehold Land & Buildings £'000	Lease- hold Land & Buildings £'000	Assets Under Construc- tion £'000	Plant & Machinery £'000	Furniture & Equipment £'000	Computer Hardware £'000	Motor Vehicles £'000	Total £'000
<b>Costs or valuation</b>								
<b>At 1<sup>st</sup> September 2021 restated</b>	<b>31,171</b>	<b>4,639</b>	<b>-</b>	<b>270</b>	<b>570</b>	<b>915</b>	<b>68</b>	<b>37,633</b>
Additions	173	-	1,392	-	89	333	-	1,987
Disposals	-	-	-	-	-	-	-	-
<b>At 31<sup>st</sup> August 2022</b>	<b>31,344</b>	<b>4,639</b>	<b>1,392</b>	<b>270</b>	<b>659</b>	<b>1,248</b>	<b>68</b>	<b>39,620</b>
<b>Depreciation</b>								
<b>At 1<sup>st</sup> September 2021 restated</b>	<b>2,189</b>	<b>70</b>	<b>-</b>	<b>60</b>	<b>167</b>	<b>359</b>	<b>31</b>	<b>2,876</b>
Charge	1,006	121	-	27	81	225	13	1,473
Elimination – disposals	-	-	-	-	-	-	-	-
<b>At 31<sup>st</sup> August 2022</b>	<b>3,195</b>	<b>191</b>	<b>-</b>	<b>87</b>	<b>248</b>	<b>584</b>	<b>44</b>	<b>4,349</b>
<b>Net Book Value at 31<sup>st</sup> August 2022</b>	<b>28,149</b>	<b>4,448</b>	<b>1,392</b>	<b>183</b>	<b>411</b>	<b>664</b>	<b>24</b>	<b>35,271</b>
<b>Net Book Value at 31<sup>st</sup> August 2021 restated</b>	<b>28,982</b>	<b>4,569</b>	<b>-</b>	<b>210</b>	<b>403</b>	<b>556</b>	<b>37</b>	<b>34,757</b>

Within buildings additions above, is £1,392k (2021 restated: £nil) expenditure relating to assets under construction at 31st August 2022.

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 15. Investments

	COIF £'000	Total £'000
Valuation		
At 1 <sup>st</sup> September 2021 restated	98	98
Revaluation	-	-
Valuation at 31 <sup>st</sup> August 2022	<u>98</u>	<u>98</u>

## 16. Stocks

	2022 £'000	2021 restated £'000
Stock	8	10
	<u>8</u>	<u>10</u>

## 17. Debtors

	2022 £'000	2021 restated £'000
Trade debtors	34	28
VAT recoverable	115	82
Other debtors	11	9
Prepayments and accrued income – under one year	626	454
	<u>786</u>	<u>573</u>

## 18. Creditors: amounts falling due within one year

	2022 £'000	2021 restated £'000
Trade creditors	141	201
Other taxation, social security and pensions	850	790
Accruals and other creditors	1,438	930
Accruals – employee annual leave	44	60
Amounts owed to the ESFA	591	562
	<u>3,064</u>	<u>2,543</u>

**Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

<b>Deferred Income</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>restated</b>
		<b>£'000</b>
Deferred income as at 1 <sup>st</sup> September 2021 restated	615	361
Resources deferred during the year	591	615
Amounts released from previous years	(615)	(361)
<b>Deferred Income as 31<sup>st</sup> August 2022</b>	<b>591</b>	<b>615</b>

Income has been deferred based upon the period to which it relates. At the balance sheet date, the Trust was holding the following funds received in advance:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>restated</b>
		<b>£'000</b>
EFSA funding creditor	591	562
Underspend on grant funded projects	-	25
Trips and residential field courses etc.	-	28
	<b>591</b>	<b>615</b>



Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 19. Statement of Funds

	Brought Forward 1/9/2021 restated £'000	Income £'000	Expenditure £'000	Transfers In/Out £'000	Gains / (Losses) £'000	Carried Forward 31/8/2022 £'000
<b>Total Unrestricted Funds</b>	<b>(255)</b>	<b>303</b>	<b>(383)</b>	<b>-</b>	<b>-</b>	<b>(335)</b>
<b>Restricted Funds</b>						
Transfer on conversion	997	-	-	-	-	997
Pension Reserve	(14,235)	-	(1,699)	-	13,679	(2,255)
General Annual Grant	3,250	26,516	(25,033)	(1,029)	-	3,704
Covid-19 support	-	59	(59)	-	-	-
Pay & pension funding	-	1,549	(1,549)	-	-	-
Local Authority Grant	-	54	(54)	-	-	-
Other DfE / EFSA Grants	-	199	(199)	-	-	-
Other restricted funds	-	981	(981)	-	-	-
Donations	-	67	(67)	-	-	-
	<b>(9,988)</b>	<b>29,425</b>	<b>(29,641)</b>	<b>(1,029)</b>	<b>13,679</b>	<b>2,446</b>
<b>Restricted fixed asset funds</b>						
Transfer on conversion	33,656	-	(1,485)	-	-	32,171
DFE / ESFA capital grant	482	916	-	-	-	1,398
Donations	-	50	-	-	-	50
Capital exp. from GAG	642	-	-	1,029	-	1,671
	<b>34,780</b>	<b>966</b>	<b>(1,485)</b>	<b>1,029</b>	<b>-</b>	<b>35,290</b>
<b>Total Restricted Funds</b>	<b>24,792</b>	<b>30,391</b>	<b>(31,126)</b>	<b>-</b>	<b>13,679</b>	<b>37,736</b>
<b>Total of Funds</b>	<b>24,537</b>	<b>30,694</b>	<b>(31,509)</b>	<b>-</b>	<b>13,679</b>	<b>37,401</b>

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

- The Restricted General Fund includes GAG and other grants received from the ESFA and the Local Authority towards educational activities.
- The Restricted Fixed Asset Fund includes amounts received from the ESFA in respect of tangible fixed assets held for academy use. Transfers between the GAG Fund and Restricted Fixed Asset Fund relate to purchases from this fund.
- The Pension Reserve relates to the Trust's share of the deficit of the Local Government Pension Scheme overseen by Worcestershire County Council.
- Under the Funding Agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31<sup>st</sup> August 2022.

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

Transfers between funds

During the year, a transfer between funds has been made for fixed assets purchased out of general restricted funds.

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

	Brought Forward 01/09/2020 restated £'000	Income £'000	Expenditure £'000	Transfers In/Out £'000	Gains / (Losses) £'000	Carried Forward 31/08/2021 restated £'000
<b>Total Unrestricted Funds</b>	<b>(88)</b>	<b>65</b>	<b>(232)</b>	<b>-</b>	<b>-</b>	<b>(255)</b>
<b>Restricted Funds</b>						
Transfer on conversion	1,595	(598)	-	-	-	997
Pension Reserve	(8,274)	(6,561)	(1,219)	-	1,819	(14,235)
General Annual Grant	1,795	21,276	(19,518)	(303)	-	3,250
Covid-19 support	-	203	(203)	-	-	-
Pay & pension funding	-	1,225	(1,225)	-	-	-
Local Authority Grant	-	79	(79)	-	-	-
Other DfE / EFSA Grants	-	101	(101)	-	-	-
Other restricted funds	-	716	(716)	-	-	-
Donations	-	17	(17)	-	-	-
	<b>(4,884)</b>	<b>16,458</b>	<b>(23,078)</b>	<b>(303)</b>	<b>1,819</b>	<b>(9,988)</b>
<b>Restricted fixed asset funds</b>						
Transfer on conversion	20,575	14,233	(1,152)	-	-	33,656
DfE / EFSA capital grant	360	122	-	-	-	482
Capital exp. from GAG	339	-	-	303	-	642
	<b>21,274</b>	<b>14,355</b>	<b>(1,152)</b>	<b>303</b>	<b>-</b>	<b>34,780</b>
<b>Total Restricted Funds</b>	<b>16,390</b>	<b>30,813</b>	<b>(24,230)</b>	<b>-</b>	<b>1,819</b>	<b>24,792</b>
<b>Total of Funds</b>	<b>16,302</b>	<b>30,878</b>	<b>(24,462)</b>	<b>-</b>	<b>1,819</b>	<b>24,537</b>

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 19. Statement of Funds (continued)

## Total funds analysis by academy

Fund balances at 31 August 2022 were allocated as follows:

	2022 £'000	2021 restated £'000
Hereford Sixth Form College	3,504	3,705
Worcester Sixth Form College	331	114
King Edward VI College, Stourbridge	(225)	(377)
Central services	757	550
Total before fixed assets and pension reserve	4,367	3,992
Restricted fixed asset funds	35,289	34,780
Pension reserve	(2,255)	(14,235)
<b>Total</b>	<b>37,401</b>	<b>24,537</b>

King Edward VI College, Stourbridge is carrying a net deficit of £225k (2021 restated: £377k) on these funds. The College is working towards managing costs.

## Total cost analysis by academy

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

	Teacher and Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (excluding Depreciation) £'000	2022 £'000	2021 restated £'000
Hereford Sixth Form College	5,635	2,303	980	1,079	9,997	9,605
Worcester Sixth Form College	4,272	1,451	394	1,093	7,210	6,275
King Edward VI College	5,581	2,629	775	1,076	10,061	5,872
Central services	382	1,771	20	583	2,756	1,558
<b>Trust</b>	<b>15,870</b>	<b>8,154</b>	<b>2,169</b>	<b>3,831</b>	<b>30,024</b>	<b>23,310</b>

The FRS 102 pension charges of the Worcestershire Pension Fund have been allocated against Central Services as the split between Hereford, Worcester and Central cannot be identified. The FRS 102 pension charges of the West Midlands Pension Fund have been allocated against Central Services, in order for consistent treatment across the MAT.

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 20. Analysis of Net Assets between Funds

Fund balances at 31 August 2022 are represented by:

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total Funds £'000
Intangible Fixed Assets	-	-	19	19
Tangible Fixed Assets	-	-	35,271	35,271
Investments	-	98	-	98
Currents Assets	36	7,296	-	7,332
Current Liabilities	(371)	(2,693)	-	(3,064)
Pension Scheme liability	-	(2,255)	-	(2,255)
<b>Total Net Assets</b>	<b>(335)</b>	<b>2,446</b>	<b>35,290</b>	<b>37,401</b>

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

	Unrestricted Funds restated £'000	Restricted General Funds restated £'000	Restricted Fixed Asset Funds restated £'000	Total Funds restated £'000
Intangible Fixed Assets	-	-	23	23
Tangible Fixed Assets	-	-	34,757	34,757
Investments	-	98	-	98
Currents Assets	36	6,401	-	6,437
Current Liabilities	(291)	(2,252)	-	(2,543)
Pension Scheme liability	-	(14,235)	-	(14,235)
<b>Total Net Assets</b>	<b>(255)</b>	<b>(9,988)</b>	<b>34,780</b>	<b>24,537</b>

## 21. Capital Commitments

	2022 £'000	2021 restated £'000
Contracted for, but not provided in the financial statements	3,127	-
	<b>3,127</b>	<b>-</b>

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 22. Commitments under Operating Leases

At 31<sup>st</sup> August, the Trust had minimum lease payments under non-cancellable operating leases as follows:

	2022 £'000	2021 restated £'000
<b>Land and building</b>		
- Amounts due within one year	-	-
- Amounts due between one and five years	-	-
- Amounts due after five years	-	-
	<hr/>	<hr/>
	-	-
<b>Other</b>		
- Amounts due within one year	136	129
- Amounts due between one and five years	82	133
- Amounts due after five years	-	-
	<hr/>	<hr/>
	<b>218</b>	<b>262</b>

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

	2022 £000	2021 restated £000
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	<b>(815)</b>	6,416
<i>Adjusted for:</i>		
Net assets transferred on conversion	-	(7,074)
Cash received on conversion	-	107
Amortisation [note 13]	<b>12</b>	9
Depreciation [note 14]	<b>1,473</b>	1,143
Capital grants from DfE and other capital income	<b>(966)</b>	(122)
Interest receivable [note 6]	<b>(7)</b>	(6)
Defined benefit pension scheme cost less contributions payable [note 28]	<b>1,461</b>	1,022
Defined benefit pension scheme finance cost [note 29]	<b>238</b>	197
Decrease in investments	-	3
Decrease / (Increase) in stocks	<b>2</b>	(5)
(Increase) in debtors	<b>(213)</b>	(124)
Increase in creditors less than 1 year	<b>521</b>	265
<b>Net cash provided by / (used in) Operating Activities</b>	<hr/> <b>1,706</b> <hr/>	<hr/> <b>1,831</b> <hr/>

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**24. Cash flows from financing activities**

	2022	2021
	£000	restated £000
Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
<b>Net cash provided by / (used in) financing activities</b>	<b>-</b>	<b>-</b>

**25. Cash flows from investing activities**

	2022	2021
	£000	restated £000
Dividends, interest and rents from investments	7	6
Purchase of intangible fixed assets	(8)	(12)
Purchase of tangible fixed assets	(1,987)	(413)
Capital grants from DfE/ESFA	916	122
Capital donation	50	-
<b>Net cash provided by / (used in) investing activities</b>	<b>(1,022)</b>	<b>(297)</b>

**26. Analysis of cash and cash equivalents**

	2022	2021
	£000	restated £000
Cash in hand and at bank	6,538	5,854
<b>Total cash and cash equivalents</b>	<b>6,538</b>	<b>5,854</b>

**27. Contingent liabilities**

The Trust is not aware of any issues that could give rise to a contingent liability.

**28. Members' liability**

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £1 for the debts and liabilities contracted before he/she ceases to be a member.

## **Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**

### **29. Pension Obligations**

The Trust's employees belong to two principal pension schemes, the Teachers' Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which are managed by Worcestershire County Council (WCC) and Dudley Metropolitan Borough Council (DMBC). Both are multi-employer defined-benefit plans.

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

Contributions amounting to £426k were payable to the schemes at 31 August 2022 (2021 restated: £426k) and are included within creditors.

#### **Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for 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 Services Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every four 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% employer administration charge)
- 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 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 by 1 April 2024.

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022**29. Pension Obligations (continued)**

The employer's pension costs paid to TPS in the period amounted to £2,566k (2021 restated: £2,043k).

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

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

**Local Government Pension Scheme**

The LGPS are funded defined-benefit pension schemes, with the assets held in separate Trustee-administered funds. King Edward VI College, Stourbridge uses the West Midlands Pension Fund (WMPF) and the rest of the Trust uses the Worcestershire Pension Fund (WPF). The total contribution made for the period ended were:

	2022	2021
	£'000	restated £'000
Employer's	1,287	816
Employer's – lump sum deficit	29	19
Employee's	330	256
	<b>1,646</b>	<b>1,091</b>

The agreed contribution rates for future years are 20.0% (WPF) and 20.7% (WMPF) for employers and 5.5% to 9.9% for employees, depending on salary. Due to an overall deficit in the scheme, the Trust has made additional contributions in the period amounting to £19k (2021 restated: £19k) to WPF and £10k (2021 £nil) to WMPF. These additional contributions are expected to continue for a further 16 years (WPF).

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.

The assumptions used by the actuaries in the year end LGPS pension valuation does not take account of the current inflation rates. Although this would adjust the valuation, the Trustees feel this is an arbitrary exercise which would add unnecessary additional cost in these already financially challenging times. A full triennial valuation was performed in 2022, the results of which will come into effect from 1 April 2023.



Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 29. Pension Obligations (continued)

## Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31<sup>st</sup> March 2016, updated by a qualified independent actuary:

	31 August 2022 % WPF	31 August 2022 % WMPF	31 August 2021 % WPF	31 August 2021 % WMPF
Rate of increase in salaries	4.4	4.05	4.2	3.9
Rate of increase for pensions in payment / inflation	3.0	3.05	2.8	2.9
Discount rate for Scheme Liabilities	4.3	4.25	1.7	1.65
Inflation assumption (CPI)	2.9	3.05	2.7	2.9
Commutation of pensions to lump sums (max)	50	50	50	50

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

	31 August 2022 WPF	31 August 2022 WMPF	31 August 2021 WPF	31 August 2021 WMPF
<b>Retiring Today</b>				
Males	22.6	21.2	22.7	21.6
Females	25	23.6	25.1	24
<b>Retiring in 20 Years</b>				
Males	24.1	22.9	24.4	23.4
Females	27	25.4	27.1	25.8

Sensitivity Analysis	31 August 2022 £'000	31 August 2021 £'000
Discount rate +0.1%	(1,736)	(13,440)
Mortality assumption 1 year increase	(3,045)	(15,744)
CPI rate +0.1%	(2,763)	(15,013)
Pay growth +0.1%	(2,300)	(14,309)

## Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

### 29. Pension Obligations (continued)

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

	Fair Value at 31 August 2022 £'000	Fair Value at 31 August 2021 restated £'000
Equities	18,850	19,847
Government bonds	-	669
Bonds	2,248	514
Cash	660	746
Property	2,167	1,358
Other	2,487	2,890
<b>Total market value of assets</b>	<b>26,412</b>	<b>26,024</b>
<b>Actual return on scheme assets</b>	<b>(665)</b>	<b>3,596</b>

Amounts included in the balance sheet in respect of the defined benefit pension plan:

	31 August 2022 £'000	31 August 2021 restated £'000
Fair value of plan assets	26,412	26,024
Present value of plan obligations	(28,667)	(40,259)
<b>Net pensions (liability) / asset</b>	<b>(2,255)</b>	<b>(14,235)</b>

Amounts recognised in the Statement of Financial Activities (incorporating the income and expenditure account):

	31 August 2022 £'000	31 August 2021 restated £'000
Current service cost	(2,676)	(1,844)
Past service cost	(87)	-
Net interest costs	(238)	(197)
Remeasurement of assets	13,679	1,819
Administration fee	(14)	(13)
<b>Total amount recognised in the SOFA</b>	<b>10,664</b>	<b>(235)</b>

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 29. Pension Obligations (continued)

Movement in net defined benefit (liability) / assets during the period:

	31 August 2022	31 August 2021
	£'000	restated £'000
<b>Brought forward at 1 September 2021 restated</b>	<b>(14,235)</b>	<b>(8,274)</b>
<i>Movement in period:</i>		
Transfer in - King Edward VI College, Stourbridge	-	(6,561)
Current service cost	(2,676)	(1,844)
Past service cost	(87)	-
Employer contributions	1,316	835
Net interest on defined liability	(238)	(197)
Administration fee	(14)	(13)
Actuarial gain / (loss)	13,679	1,819
<b>Net defined benefit (liability)</b>	<b>(2,255)</b>	<b>(14,235)</b>
<b>/ assets in scheme at 31 August 2022</b>		

## Asset and Liability Reconciliation:

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

	31 August 2022	31 August 2021
	£'000	restated £'000
<b>Brought forward at 1 September 2021 restated</b>	<b>40,259</b>	<b>23,303</b>
Transfer in - King Edward VI College, Stourbridge	-	13,866
Current service cost	2,676	1,844
Past service cost	87	-
Interest costs	685	530
Employee contributions	330	256
Actuarial (gain) / loss	(14,791)	1,443
Estimated benefits paid	(579)	(983)
<b>Defined benefit obligations at 31 August 2022</b>	<b>28,667</b>	<b>40,259</b>

Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

## 29. Pension Obligations (continued)

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

	31 August 2022	31 August 2021 restated
	£'000	£'000
Brought forward at 1 September 2021 restated	26,024	15,029
Transfer in - King Edward VI College, Stourbridge	-	7,305
Interest income	447	333
Actuarial gain / (loss)	(1,112)	3,262
Employer contributions	1,316	835
Employee contributions	330	256
Administration fee	(14)	(13)
Estimated benefits paid	(579)	(983)
<b>Fair value of scheme assets at 31 August 2022</b>	<b>26,412</b>	<b>26,024</b>

## 30. Related Party Transactions

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

The total expenses paid to or on behalf of the Trustees during the period were less than £1k (2021 restated: £1k).

No Trustee has received any remuneration or waived payments from the Trust during the period.

*Worcester Sixth Form College:*

Mr Edward Senior's wife was employed by the College during the period and received remuneration of £49k (2021 restated: £52k). The post was paid within the normal pay section for her role and this individual received no special treatment as a result of the relationship.

## 31. Events after the end of the reporting period

There have been no events since the balance sheet date that would materially affect the results for the period.

## 32. Agency Arrangements

The Trust distributes bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2022, the Trust received £1.147m (2021 restated: £767k) and disbursed £759k (2021 restated: £454k) from the funds. As a result, an amount of £388k (2021 restated: £313k) is included in creditors relating to the undistributed funds.

## Notes to the Financial Statements for the period ended 31<sup>st</sup> August 2022

### 33. Conversion to an Academy Trust in the prior year

On 1<sup>st</sup> February 2021 the King Edward VI College, Stourbridge converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Heart to Mercia Trust from the former King Edward VI College, Stourbridge for £nil consideration.

On 1<sup>st</sup> February 2021 leasehold land and buildings totaling £4,639k were transferred from the Foundation Trustees of the King Edward VI College, Stourbridge Charity to the Heart of Mercia Multi-Academy Trust for £nil consideration.

The transfers have been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as Donations – transfer from King Edward VI College, Stourbridge.

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

	Unrestricted Funds restated £'000	Restricted General Funds restated £'000	Restricted Fixed Asset Funds restated £'000	Total restated £'000
Tangible fixed assets				
Freehold land and buildings	-	-	9,287	9,287
Leasehold land and buildings	-	-	4,639	4,639
Other tangible fixed assets	-	-	307	307
Current assets	-	407	-	407
Current liabilities	-	(1,005)	-	(1,005)
Non-current liabilities				
LGPS pension surplus/(deficit)	-	(6,561)	-	(6,561)
<b>Net assets/liabilities</b>	<b>-</b>	<b>(7,159)</b>	<b>14,233</b>	<b>7,074</b>

### 34. Prior year adjustment

#### Leasehold Land and Buildings

In the prior year leasehold land and buildings totalling £4,639k were transferred from the Foundation Trustees of the King Edward VI College, Stourbridge Charity to the Heart of Mercia Multi-Academy Trust. The correct accounting treatment was to credit the Fixed Asset Fund by £4,639k, not the Fixed Asset Revaluation Reserve. Correction of the error does not affect the overall reserves position of the Heart of Mercia Multi-Academy Trust. The SOFA for year ended 31<sup>st</sup> August 2021 shows an increase in Transfer on Conversion by £4,639k, and a reduction to Gain on Revaluation of Fixed Assets of £4,639k.

#### Bursary Funds Agency Arrangements

ESFA bursary funds, which are distributed by the Multi-Academy Trust acting as agent on behalf of the ESFA, have been accounted for under Agency Arrangements (note 33) this year. The prior year effect on the SOFA is to reduce restricted income and restricted expenditure by £454k each. There is no effect on the balance sheet as a result of accounting for bursary funds under Agency Arrangements.