



# The Priory Federation of Academies Trust

(A company limited by guarantee)

## Financial Statements for the year ended 31st August 2016

Company registered number 06462935 in England and Wales



# **The Priory Federation of Academies**

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

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# The Priory Federation of Academies

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## Reference and Administrative Details

**Members**                      The Priory Fundraising Trust (sponsor)  
H D Gee  
I Jones

**Trustees**

a, e	H D Gee (Chair) I Jones (ex-officio)
e	F Knowles
c	D Knowles
d	S Richardson (Vice-Chair) P Murphy (Staff)
b	S Milner (Parent) D Harry (Co-opted) J Powell (Co-opted) P Houten (Co-opted) Councillor R Kirk (LA) (resigned Nov 15)
f	R Partington

**Key**

a	Chair of Priory Witham local committee
b	Chair of Priory Ruskin local committee
c	Chair of Priory LSST local committee
d	Chair of Priory City of Lincoln local committee
e	Sponsor Trustee
f	Higher Education Trustee

<b>Chief Executive/Accounting Officer</b>	I Jones
<b>Chief Financial Officer/Company Secretary</b>	A Olsson
<b>Clerk to the Trustees</b>	M Mammatt

<b>Head, The Priory Academy LSST</b>	I Jones
<b>Head, The Priory Witham Academy</b>	A Madge
<b>Head, The Priory City of Lincoln Academy</b>	J Hopkinson
<b>Head, The Priory Ruskin Academy</b>	R Wyles
<b>Primary Head, The Priory Witham Academy</b>	P Curtis
<b>Director of Standards</b>	A Chisholm
<b>Director of Student Welfare</b>	R Reeve

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Reference and Administrative Details

**Registered Office**                      The Priory Federation of Academies  
23 Cross O'Cliff Hill  
LINCOLN  
Lincolnshire  
LN5 8PW  
Tel: 01522 889977

**Company Registration Number**      06462935 (England and Wales)

**Independent External Auditor**        Duncan & Toplis Limited  
Statutory Auditors  
15 Chequergate  
Louth  
Lincolnshire  
LN11 0LJ

**Independent Internal Auditor**        Mazars LLP  
45 Church Street  
Birmingham  
B3 2RT

**Solicitors**                                Langleys Solicitors LLP  
Olympic House  
995 Doddington Rd  
Lincoln  
LN6 3SE

**Bankers**                                    Lloyds Bank plc  
Nottingham RST  
3rd Floor Old Market Square House  
Old Market Square  
NOTTINGHAM  
Nottinghamshire  
NG1 6FD  
  
NatWest Bank  
2nd Floor The Maltings  
Brayford Wharf East  
Lincoln  
LN5 7DS

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Reference and Administrative Details

### Trading addresses

The Priory Ruskin Academy  
Rushcliffe Road  
Grantham  
NG31 8ED

The Priory Academy LSST  
Cross O'Cliff Hill  
Lincoln  
LN5 8PW

The Priory Witham Academy  
De Wint Avenue  
Lincoln  
LN6 7DT

The Priory City of Lincoln Academy  
Skellingthorpe Road  
Lincoln  
LN6 0EP

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## The Trustees' Report for the Year Ended 31 August 2016

The trustees present their annual report, together with the financial statements and auditor's reports, of the charitable company for the period 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The Trust operates four academies in Lincolnshire; three secondary and one all-through with a combined roll of 4,850 in the school census on 1 May 2016.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution**

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The trustees of The Priory Federation of Academies Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Priory Federation of Academies.

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

### **Members' Liability**

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

### **Trustees' Indemnities**

The Trust is a member of the Department for Education's Risk Protection Arrangement (RPA). The RPA Administrator will subject to the definitions, extensions, exclusions and conditions of the Rules indemnify the Trust in respect of losses arising as a result of indemnifying an indemnified person in accordance with its legal obligations, for loss arising from claims made against the indemnified person, during a membership year. The RPA Administrator's limit of liability in respect of each academy shall be £10,000,000 each and every loss and shall be the maximum aggregate liability of the RPA Administrator from all losses from an academy whose Academy Trust is a member during any one membership year.

An indemnified person is:

- i) Any Governor or any member of the governing body or board of governors of the Trust and/or any representative acting solely on behalf of an indemnified person.
- ii) Any Employee of the member whilst acting in a managerial capacity with regard to the overall operation of the educational establishment.
- iii) Any Employee who is named as a co-defendant in respect of a Claim made against a Governor.

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

Trustees are appointed in accordance with the memorandum and articles of association.

The number of Trustees shall be not less than 3, and the Trust shall have the following Trustees

- i) Up to 5 Trustees appointed by the Members and
- ii) Up to 7 Trustees appointed by the Sponsor, The Priory Fundraising Trust.
- iii) In addition, Trustees may appoint co-opted Trustees.

A minimum of 2 Parent Governors sit on each local governing body.

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

All new Trustees are provided with access to appropriate Charity Commission guides and the Trust's own Governance Handbook. In addition, a Trustee training workshop is arranged at least once per year.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## The Trustees' Report for the Year Ended 31 August 2016 (continued)

### **Organisational Structure**

Prior to 31<sup>st</sup> August 2010, The Priory Federation of Academies consisted of: The Priory Academy LSST, The Priory Witham Academy, and The Priory City of Lincoln Academy. On 1 September 2010, the Grantham Church VA School and the Grantham Central Technology College joined the Priory Federation of Academies as The Priory Ruskin Academy.

As specified in the Memorandum of Association, The Priory Federation of Academies is responsible for all four Academies.

The trustees of The Priory Federation of Academies may delegate to a committee, to any trustee holding executive office, to the Chief Executive, or to the Heads of Academy, such of their powers or functions as they consider to be desirable to be exercised by them.

Committees of The Priory Federation of Academies are known as Federation committees. Separate local advisory committees known as "Local Governing Bodies" have been appointed for each of the academies.

One of the Chairs of the Local Governing Bodies is nominated by the Members of the Trust to act as Chair of the Chairs' committee and to become a Trustee. This committee provides a link between the Trust Board and the individual Academies.

The accounting officer is the Chief Executive of the Trust.

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

The Trust policy for Teachers' pay (up to and including Headteachers) follows closely the requirements of the School Teachers' Pay and Conditions Document (STPCD), including the salary scales and reference points for the Main, Upper and Leadership scales. Pay progression is dependent upon a successful annual appraisal.

The job roles of the key non-teaching staff have been externally evaluated by The Hay Group for the first time in 2016 and this data is being used to ensure that pay is appropriate for each senior position. Again, pay progression is dependent on a successful appraisal. Appraisals for the Headteachers and key non-teaching staff are managed by the CEO and moderated with an external consultant. The CEO's appraisal is carried out by the Pay Performance and HR committee, again supported by an external consultant. In addition, annual benchmarking against similar Multi Academy Trusts is carried out in respect of the CEO's pay.

### **Connected Organisations, including Related Party Relationships**

The Priory Fundraising Trust (PFT) is the sponsor of The Priory Federation of Academies. The PFT's role is to ensure that a suitably qualified Board of Trustees is appointed to The Priory Federation of Academies and that the ethos of the Academies is maintained.

The Priory Academy LSST has Teaching School status and is involved in leading educational improvement activities and initial teacher training with 17 other academies throughout Lincolnshire.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## The Trustees' Report for the Year Ended 31 August 2016 (continued)

### OBJECTIVES AND ACTIVITIES

#### Objects and Aims

The principal object of the Trust, in line with the Articles, is to advance for the public benefit education in the United Kingdom, by establishing and developing schools offering a broad and balanced curriculum.

Our Mission statement is

- a) To improve the life chances of our students and
- b) To ensure that all students appreciate the excitement of learning, the rewards of personal challenge and the importance of helping others – and so become true citizens of the world.

#### Objectives, Strategies and Activities

The Trust aims to become a leading Multi Academy Trust by 2019. In our vision for the Trust we see:

- A collective view of success
- Life enhancing opportunities
- A Trust-wide approach towards the development of high quality staff
- Developing expert systems
- Championing a commitment to the Trust

#### Equal Opportunities Policy

The trustees recognise that equal opportunities is an integral part of good practice within the workplace. The Priory Federation of Academies aims to maintain equal opportunity in all areas of its activities, including a working environment in which the contribution and needs of all people are fully valued.

#### Disabled Persons

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

#### Public Benefit

1. To advance for the public benefit education in The City of Lincoln and the surrounding area including Grantham, in particular but without prejudice to the generality of the foregoing by estimating, maintaining, carrying on, managing and developing schools, offering a broad curriculum with a strong emphasis on, but in no way limited to, either one or a combination of the specialisms. The specialisms are The Priory Academy LSST – Technology and Science; The Priory Witham Academy – Performing Arts and Business and Enterprise; The Priory City of Lincoln Academy – Engineering and Sport; and The Priory Ruskin Academy – Sport and Health and Visual Arts.
2. To provide facilities for recreational and other leisure time occupation for the community at large, in the interests of social welfare and with the interest of improving the life of the said community.

In accordance with the guidance laid down by the EFA in the 2015 to 2016 Accounts Direction, the trustees have complied with their duty to have regard to the guidance on public benefit published by the Charity Commission.



# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## The Trustees' Report for the Year Ended 31 August 2016 (continued)

### STRATEGIC REPORT

There is a clear vision for the Trust, outlined in the vision statement and the resulting Trust Development Plan. The overarching aspiration is to meet all of the criteria to become a Leading MAT as identified in Sir David Carter's Characteristics of a Successful MAT. The Trust believes that it has moved from the status of a Beginning MAT to that of a Developing MAT and, over the course of 2015/6, has improved its systems and structures to ensure that it is on the way to being able to identify itself as an Emerging MAT. The Trust's SEF provides evidence of this.

### Educational Outcomes

The educational outcomes for the academies are generally good and improving.

Key Stage 2	Reading Attainment	Writing (Att)	Maths (Att)	Reading Progress	Writing Progress	Maths Progress
Priory Witham Primary	48%	72.4%	65.6%	(1.6)	1.1	0.7
National	66%	74%	70%			

- Improvements in the rates of progress across Witham Primary is a strength
- Attainment has moved close to national averages.

Key Stage 4 (provisional)	P8	At8	Basics	Ebacc
Priory LSST Academy	(0.03)	6.10	91	64
Priory Lincoln Academy	(0.42)	4.28	36	7
Priory Ruskin Academy	0.51	5.12	58	9
Priory Witham Academy	0.25	4.40	45	5
Average: State Schools	(0.03)	4.98	63	25

- Ruskin's P8 score placed it as the top performing academy in the county
- Witham's score placed it as one of the top performing academies in Lincoln.

Key Stage 5	A Level Attainment	Best 3 A Level Attainment	Vocational Attainment
Priory LSST Academy	C+	B-	Distinction +
Priory Lincoln Academy	D+	C	Distinction*-
Priory Ruskin Academy	C-	n/a	Distinction +
Priory Witham Academy	C-	C-	Distinction +

- University applications were at a record high.
- Over 40% of students gained entry to a Russell Group university
- Students at the Trust gained six Oxbridge places and a range of early entry places in Medical, Dentistry and Veterinary schools.
- NEETs for Post 16 students remain very low.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## The Trustees' Report for the Year Ended 31 August 2016 (continued)

### **Priory School Centred Initial Teacher Training (SCITT)**

	2015/16: secondary	2016/17: Secondary/Primary
Students recruited	26	28/50
Student completion	26	n/a
Students employed	24	n/a

The first cohort of the Trust's SCITT programme (School Centred Initial Teacher Training) graduated in July 2016. All students were successful, with 21 gaining employment in Lincolnshire.

Two graduates are looking for specific careers linked to education, but not as teachers. It is encouraging that six of the cohort are now employed as NQTs in the Trust's academies and those who are employed elsewhere in the county have helped recruitment generally. Lincolnshire remains a difficult place in which to recruit and retain teaching staff.

The SCITT has opened a Primary route for September 2016, which has been very popular. It recruited 50 students and was capped at that level by the national framework for recruitment. It could have recruited significantly more students, particularly in areas of high need.

### **Priory Training**

Priory Training, a new venture for the Trust, has been established this year with a view to addressing the government's Apprentice Levy and also the local skills shortage. Priory Training is working with a national apprenticeship provider and has started to recruit for a range of training posts identified in each of the academies.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## The Trustees' Report for the Year Ended 31 August 2016 (continued)

### FINANCIAL REVIEW

#### Going Concern

After making appropriate enquiries, the Board of Trustees 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 the adoption of the going concern basis can be found in the Statement of Accounting Policies.

#### Financial Report for the Period

The majority of The Priory Federation of Academies' income is obtained from the DfE (Department for Education) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the period ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Priory Federation of Academies also receives grants for fixed assets from the DfE. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year ended 31 August 2016, total income was £30,043,000.

Net book value of fixed assets was £91,646,000.

### Financial and Risk Management Objectives and Policies

#### Reserves Policy

The trustees review the reserve levels of The Priory Federation of Academies annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees have determined that the appropriate level of free cash reserves should be approximately £1.5 million. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The Priory Federation of Academies' current level of unrestricted reserves is £1,876,000 with a further £9,181,000 of unspent (restricted) grant monies. In total the level of reserves comprises approximately 3 month's recurring expenditure.

Restricted funds designated for a particular purpose such as unspent start-up grants are disclosed in note 17 to these accounts. These funds will be expended as required dependent upon the level of core funding in the following year.

#### Investment Policy

Investments must be made only in accordance with written procedures approved by the Federation Trust.

All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

Any investment must first be approved by the Trust's Finance Committee. However, any investments are in the form of interest-bearing zero-risk deposits in UK high street bank accounts.

The LGPS pension funds are materially in deficit. Valuations are conducted at least every four years to assess the level of scheme assets and liabilities. Specialist advice is taken to assure reasonable assumptions and forecasts are delivered. Employer and employee contribution levels are reviewed in line with the valuation to ensure the deficit is managed.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## The Trustees' Report for the Year Ended 31 August 2016 (continued)

### AUDITOR

In so far as the trustees are aware:

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

The auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting until a tendering process ahead of 2016/17 year end.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 5 December 2016 and signed on the board's behalf by:



H Gee  
Chair of Trustees

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Governance Statement for the Year Ended 31 August 2016

### Scope of Responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Chief Executive, 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 Priory Federation of Academies and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

### Governance

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

Trustee	Meetings attended	Out of a possible
H D Gee (Chair)	4	4
I Jones	4	4
F Knowles	4	4
D Knowles	2	4
S Richardson	4	4
P Murphy	4	4
S Milner	3	4
D Harry	3	4
J Powell	2	4
P Houten	4	4
R Partington*	0	4
R Kirk**	0	1

\* R Partington was on a sabbatical overseas during the year ended 31<sup>st</sup> August 2016, apologies were accepted in advance and he continues to play an active role outside of formal meetings.

\*\*R Kirk resigned from office in November 2015. The Trust thanks her for her expertise and dedication to the Trust's aims and objectives.

**The Finance Committee** is a sub-committee of the main board of trustees. Its main purposes, among those set out in its Terms of Reference, are to monitor the annual budget of the Trust and its performance to budget, to approve certain expenditure and to recommend the Annual Report to the Trust.

Attendance at Finance Committee meetings during the year was as follows:

Trustee	Meetings attended	Out of a possible
D Harry (Chair)	6	6
H Gee	6	6
I Jones	6	6
F Knowles	5	6
L Gregory (co-opted non-Trustee)	5	6
	4	6

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Governance Statement for the Year Ended 31 August 2016 (continued)

**The Education & Standards Committee** is a sub-committee of the main board of trustees. Its main purpose, among those set out in its Terms of Reference, is to monitor educational standards.

Attendance at Education & Standards Committee meetings during the year was as follows:

Trustee	Meetings attended	Out of a possible
F Knowles (Chair)	3	3
P Murphy	3	3
S Milner	1	3
I Jones	2	3

**The Pay, Performance & HR Committee** is a sub-committee of the main board of trustees. Its main purpose, among those set out in its Terms of Reference, is to monitor HR issues and to carry out the performance management process for Heads and Federation staff Directors.

Attendance at Pay, Performance & HR Committee meetings during the year was as follows:

Trustee	Meetings attended	Out of a possible
S Richardson	5	5
H Gee	5	5
I Jones	5	5

**The Audit Committee** is a sub-committee of the main board of trustees. Its main purposes, among those set out in its Terms of Reference, are: to advise the Board on the adequacy and effectiveness of the Trust's systems of internal control and its arrangements for risk management, control and governance processes; to scope, evaluate, monitor and report on the work of internal and external auditors; and to report to the board as required on the above and other matters within its Terms of Reference.

Attendance at Audit Committee meetings during the year was as follows:

Trustee	Meetings attended	Out of a possible
J Powell (Chair)	4	4
P Houten	4	4
D Finch (co-opted non-Trustee)	4	4
J Kirkham (co-opted non-Trustee)	2	4

**The Health and Safety Committee** is a sub-committee of the main board of trustees. Its main purposes, among those set out in its Terms of Reference, are to develop, implement and monitor a Health and Safety strategy and ensure a consistent and co-ordinated approach to H&S management throughout the Priory Federation of Academies.

Attendance at Health and Safety Committee meetings during the year was as follows:

Trustee	Meetings attended	Out of a possible
S Milner	2	2
S Richardson	2	2
D Knowles	0	2

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Governance Statement for the Year Ended 31 August 2016 (continued)

### Governance Reviews

Following on from an external evaluation in 2014, and in line with DfE model guidance for MATs, the Trust adopted new Articles of Association in December 2015 (as recommended to the Members by the Trustees). Implementation was carried out during the remainder of the academic year, with the make-up of the Board for September 2016 onwards approved at the Trust meeting in July 2016. The agreed appointment and constitutional arrangements were further set out in the Trust's annual Governance Handbook, published in August 2016.

In addition, a large-scale independent review of governance was commissioned in January 2016 and carried out by the National Governors' Association. It described PFAT as an "effective and skilled MAT board with positive outcomes for children". Recommendations relating to consistency across the Local Governing Bodies (LGBs) and Trust/LGB links were due to be implemented during the 2016-17 academic year.

### Review of Value for Money

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

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

### Improving educational results

- The Trust's Education & Standards Committee monitored the effectiveness of the academies in terms of the key performance indicators that relate to students.

Data included: attainment (pass rates and progress) and behaviour (attendance and exclusion rates).

- Standards have risen over time in each of the academies. Attendance continued to improve across the Trust and permanent exclusions were below the national average.

- Targeted intervention work took place, with additional classes and one-to-one support for specific students. The Director of Student Welfare monitored and reported on SEN provision and its effectiveness.

- Pupil Premium funding was deployed in targeted ways in each of the academies, including additional one-to-one support for academic subjects (with emphasis on literacy and numeracy), mentoring, enhanced ICT provision and reducing class sizes.

- The Trust's academies led the way in a Teaching School Alliance of 20 partners, thereby improving the potential for recruiting and retaining high quality new entrants to the profession.

- The Trust established a successful SCITT, ensuring that it is attempting to address, in part, the skills shortage in the education sector.

- All students up to the age of 16 were able to access the most appropriate provision within their own academy, and from the age of 16 were able to choose options offered by any of the four academies to suit their interests and needs. The average class sizes in the Sixth Form also demonstrated increasing efficiency.

- The four academies, working and collaborating as a Federation, enabled a common approach to be taken to values, standards, the use of resources, utilisation of management expertise and the creation of a broad and rich opportunity for young people to achieve their maximum potential in society.

- Existing staffing structures were under regular review by Heads and curriculum managers to ensure best value and best use of resources. A departmental restructure, for example, resulted in appreciable cost savings. Best practice was shared across a range of educational and pastoral initiatives.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Governance Statement for the Year Ended 31 August 2016 (continued)

### **Financial governance and oversight**

- The Trust's Finance Committee and Audit Committee met a total of 10 times during 2015-16, with committee members presenting scrutiny and challenge to budgeting processes, spending decisions and resource allocations. Financial performance was in line with the expectations of the Board of Trustees, as evidenced by the two unqualified audit reports issued by our external auditors at the end of the financial year.
- The Audit Committee engages national education experts Mazars as the Trust's Internal Auditor on a four-year contract. The IA team examined Core Finance Systems, New Finance System Implementation, Procurement, Governance, Business Continuity Planning, Capital Projects Management and Health & Safety, as a result of which the Committee's annual report to the Board gave assurance that adequate and effective systems were in place.
- Large-value purchases (over £50,000) observed a set procurement and tendering process followed by detailed assessments and evaluations before any decisions were reached.
- Medium-range purchases (£20,000 to £50,000) required a minimum of three quotes to be obtained. The Finance team ensured the Trust's policy was followed as part of the approval process.

### **Better purchasing: What has the Trust done to get more for its money?**

- Contracts and services were regularly reviewed – particularly at any annual review – to ensure that the Trust obtained optimum value for money.
- Economies of scale and multi-site discounts were achieved through a collaborative cross-academies approach overseen by the Federation's Estates and Facilities Manager.
- Our central ICT function delivered clear financial – as well as pastoral and educational – benefits across the academies, in terms of both infrastructure and personnel.
- Contract costs have been held, renegotiated or switched to secure maximum quality and efficiency in major areas like catering supplies; cleaning; alarm systems; security; transport; and equipment maintenance and servicing.
- Website redevelopment costs were reduced by the ability to negotiate as a MAT.

### **Better income generation**

- The academies' facilities were used in line with the Trust's charitable objectives, including community use where possible and where it was not in conflict with students' term-time or extra-curricular activities.
- Lettings were possible in some areas such as swimming pools and sports halls, with resulting revenue used for the service, maintenance and replacement of equipment and infrastructure.
- An artificial football pitch at one academy continues to prove hugely popular with the local community and income through regular external bookings is healthy.

### **Reviewing controls and managing risks**

- The Trust, informed by internal reports and controls, provided strategic direction for the use of assets and funds, with oversight exercised by the Finance Committee and Audit Committee.
- All Trust Committees had regard for the Trust's Risk Register. The Register is reviewed regularly by management and Trustees.
- Heads met regularly with their respective Finance Officers to review individual academy budgets. The Federation's Management Team received monthly budget reports from the Finance Director to help assess current and forecast (up to three years) income and expenditure plans. Sufficient cash is held in reserve to enable the Federation to support any unexpected or urgent financial issues that the four academies may experience.



# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Governance Statement for the Year Ended 31 August 2016 (continued)

### **Lessons learned**

- The Trust is mindful of additional investments that will be required over coming years and this informed the prudent use of its financial resources.
- Independent external reviews of safeguarding and governance provided positive assurance, together with further examples of best practice to be adopted.
- The benefits of further collaboration through (a) the Sixth Form and (b) the Teaching School Alliance were explored and developed. The new teacher training partnership, established with the University of Lincoln's School of Education, continues to flourish.
- The Trust learned to be watchful of the increased cost base of running an academy, through increases in pension contributions, national insurance contributions and pay awards.
- The Trust is building in assumptions for reductions in funding.
- The Trust is assuming that there will be national shortages of teachers in the future.
- The Trust is supporting the Fair Funding review being undertaken by the Local Authority.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Priory Federation of Academies' 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 continued in place in The Priory Federation of Academies throughout the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The board of trustees has reviewed the key risks to which the Academy Trust is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Governance Statement for the Year Ended 31 August 2016 (continued)

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

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

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

The board of trustees has considered the need for a specific internal audit function and, pursuant to a competitive tender process, decided to appoint Mazars as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a quarterly basis, the internal auditor reports to the board of trustees, through the Audit Committee, on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The internal auditor carried out their schedule of work as planned and no material control issues arose.

### **Review of Effectiveness**

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

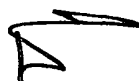
- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process; and
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee and the Finance Committee and a plan to ensure continuous improvement of the systems is in place.

Approved by order of the members of the Governing Body on 5 December 2016 and signed on its behalf by:



**H Gee**  
Chairman



**I Jones**  
Accounting Officer

# The Priory Federation of Academies

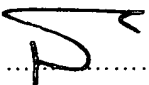
(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Statement on Regularity, Propriety and Compliance for the Year Ended 31 August 2016

I have considered my responsibility to notify the Academy Trust governing body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the Funding Agreement in place between the Academy Trust and the Secretary of State. As part of my consideration, I have had due regard to the requirements of the Academies Financial Handbook.

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

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



.....

**I Jones**  
**Accounting Officer**  
5 December 2016

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## **Statement of Trustees' Responsibilities for the Year Ended 31 August 2016**

The trustees for charitable activities of The Priory Federation of Academies, 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 Requirements issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

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

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

Approved by order of the members of the board of trustees on 5 December 2016 and signed on its behalf by:



**H Gee**  
**Chairman**

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## **Report of the Independent Auditors to the Members of The Priory Federation of Academies**

We have audited the financial statements of The Priory Federation of Academies for the year ended 31 August 2016 on pages 24 to 65. 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 Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the Academy Trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy Trust'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 Academy Trust and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

### **RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS**

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the Academy Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Academy Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **UNQUALIFIED OPINION**

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2016 issued by the Education Funding Agency.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# The Priory Federation of Academies


(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Report of the Independent Auditors to the Members of The Priory Federation of Academies (continued)

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION.

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.



.....  
Nicholas Cusmore FCA (Senior statutory auditor)  
for and on behalf of Duncan & Toplis Ltd  
Chartered Accountants and  
Statutory Auditors  
15 Chequergate  
Louth  
Lincolnshire  
LN11 0LJ

Date: 5<sup>th</sup> December 2016

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## **Independent Reporting Auditors' Assurance Report on Regularity to The Priory Federation of Academies and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 12 November 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Priory Federation of Academies during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Retrospective responsibilities of The Priory Federation of Academies' accounting officer and the reporting auditor**

The accounting officer is responsible, under the requirements of The Priory Federation of Academies' funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2015, 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 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 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 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

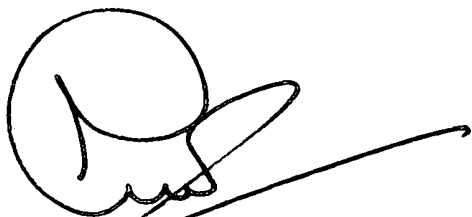
# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Independent Reporting Auditors' Assurance Report on Regularity to The Priory Federation of Academies and the Education Funding Agency (continued)

### 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 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not confirm to the authorities which govern them.



Nicholas Cadmore FCA (Senior statutory auditor)  
Duncan & Toplis Ltd  
Chartered Accountants and Statutory Auditors  
15 Chequergate  
Louth  
Lincolnshire  
LN11 0LJ

Date: 5<sup>th</sup> December 2016



# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Statement of Financial Activities (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses) for the year ended 31 August 2016

		Unrestricted	Restricted	Restricted	Restricted	Total	Total
	Note	Funds £000	General Funds £000	Endowment Fund £000	Fixed Asset Funds £000	2016 £000	2015 £000
<b>Income and endowments from:</b>							
Donations and capital grants	3	4	-	-	-	4	4
<b>Charitable activities:</b>							
Funding for the Federation's educational operations	4	-	27,779	-	-	27,779	28,940
Provision of boarding activities	19	5	555	-	-	560	627
<b>Other trading activities</b>	5	320	1,282	-	-	1,602	1,284
<b>Investments</b>	6	98	-	-	-	98	185
<b>Total</b>		427	29,616	-	-	30,043	31,040
<b>Expenditure on:</b>							
<b>Raising funds</b>	7	128	1,207	-	-	1,335	1,009
<b>Charitable activities:</b>							
Academy's educational operations	7	-	28,856	-	3,556	32,412	32,430
Provision of boarding activities	19	-	443	-	12	455	465
<b>Total</b>		128	30,506	-	3,568	34,202	33,904
<b>Net income (expenditure)</b>		299	(890)	-	(3,568)	(4,159)	(2,864)
Transfers between funds	17	-	(258)	-	258	-	-
<b>Other recognised gains and losses</b>							
Actuarial (losses)/gains on defined benefit pension schemes	24	-	(3,546)	-	-	(3,546)	(40)
<b>Net movement in funds</b>		299	(4,694)	-	(3,310)	(7,705)	(2,904)
<b>Reconciliation of funds</b>							
Total funds brought forward		1,577	7,019	500	95,661	104,757	107,661
<b>Total funds carried forward</b>		1,876	2,325	500	92,351	97,052	104,757

The notes form part of these Financial Statements.

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

All of The Priory Federation of Academies' activities are derived from continuing operations for the above two periods.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Balance Sheet as at 31 August 2016

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Intangible assets	11	50	9
Tangible assets	12	91,596	94,169
<b>Current assets</b>			
Investments	13	-	-
Stock	14	18	22
Debtors	15	1,029	1,139
Cash at bank and in hand		13,434	15,364
		<u>14,481</u>	<u>16,525</u>
<b>Liabilities</b>			
Creditors - amounts falling due within one year	16	<u>(2,219)</u>	<u>(2,981)</u>
<b>Net current assets</b>		<u>12,262</u>	<u>13,544</u>
<b>Net assets excluding pension liability</b>		103,908	107,772
Defined benefit pension scheme liability	24	(6,856)	(2,965)
<b>Net assets including pension liability</b>		<u>97,052</u>	<u>104,757</u>
<b>Funds of the Academy Trust:</b>			
<b>Restricted funds</b>			
Restricted fixed asset funds	18	92,351	95,661
Restricted general funds	18	9,181	9,984
Endowment funds	18	500	500
Pension reserve	18	<u>(6,856)</u>	<u>(2,965)</u>
<b>Total restricted funds</b>		95,176	103,180
<b>Unrestricted income funds</b>	18	1,876	1,577
<b>Total funds</b>		<u>97,052</u>	<u>104,757</u>

The financial statements on pages 24 to 65 were approved by the Board of Trustees, and authorised for issue on 5th December 2016 and signed on their behalf by:



H Gee  
Chairman

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Statement of Cash Flows for the year ended 31 August 2016

		2016 £000	2015 £000
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net cash provided by (used in) operations	28	(1,000)	672
<b>Cash flows from investing activities</b>	29	<b>107</b>	<b>104</b>
<b>Cash flows from financing activities</b>	30	<b>(1,037)</b>	<b>1,030</b>
<b>Change in cash and cash equivalents in the reporting period</b>	31	<b>(1,930)</b>	<b>1,806</b>
Cash and cash equivalents at beginning of year		15,364	13,558
<b>Cash and cash equivalents at end of year</b>		<b>13,434</b>	<b>15,364</b>

# **The Priory Federation of Academies**

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## **Notes to the Financial Statements for the year ended 31 August 2016**

### **Principal Accounting Policies**

#### **Basis of accounting**

The Financial statements are the first financial statements of the Academy Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015).

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

#### **Explanation of the transition to FRS 102**

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1st September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards. Comparative figures have been restated to reflect the adjustments made, except to the extent that the Trustees have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

#### **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 company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

As explained on page 10, after making appropriate enquiries, the Board of Trustees 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.

#### **Basis of Consolidation**

The group financial statements consolidate the financial statements of The Priory Federation of Academies ("the company") and entities controlled by the company (its subsidiaries) using the equity method of accounting.

The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### Principal Accounting Policies (Continued)

#### Incoming resources

##### *Grants receivable*

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance sheet in the restricted fixed asset fund. The Academy Trust is not subject to a limited GAG carried forward amount.

##### *Sponsorship income*

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

##### *Donations*

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

##### *Other income*

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

##### *Interest receivable*

Interest receivable is included within the Statement of Financial Activities on a receivable basis.

##### *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'. 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 fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

##### *Long term lease of property*

When a long term lease has been entered into by The Priory Federation of Academies following the procurement of a new build through the Partnership for Schools the cost of the new build together with the cost of the original land and any remaining buildings is included in the appropriate fixed asset category and depreciated over its useful economic life in accordance with The Priory Federation of Academies' accounting policy regarding tangible fixed assets.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### Principal Accounting Policies (Continued)

#### 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

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

#### Charitable Activities

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

As of 1 April 2011 The Priory Federation of Academies was registered for VAT under the partial exemption scheme, this therefore means that some resources are included in the accounts inclusive of irrecoverable VAT and some are included excluding VAT.

#### Allocation of costs

In accordance with the Charities' SORP, expenditure has been analysed between the cost of generating funds and The Priory Federation of Academies' charitable activities. Items of expenditure which involve more than one cost category have been apportioned on a reasonable, justifiable and consistent basis for the cost category concerned.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### Principal Accounting Policies (Continued)

#### Intangible Fixed Assets

Intangible assets costing £2,500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a reducing balance basis over its expected useful life, as follows:

Purchased computer software 30%

Computer licences at a net book value of £8,941 have been reclassified from tangible fixed assets as disclosed in the 2015 accounts to intangible assets as required by FRS102 in the 2016 accounts.

Intangible assets are reviewed on an annual basis to review for any signs of impairment.

#### Tangible fixed assets

Tangible fixed assets acquired since The Priory Federation of Academies was established are included in the accounts at cost, net of depreciation and any provision for impairment.

Assets costing less than £2,500 are written off in the year of acquisition. All other assets are capitalised.

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

Within the Academy Trust's fixed assets there is a gifted asset (at cost £275,000) from the Priory Fundraising Trust, which comprises land located at St Paul de Vernay, France. The Priory Federation of Academies retain all operational use, risk and reward associated, although the legal title remains with the Priory Fundraising Trust.

#### Depreciation

Depreciation is provided on a reducing balance basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principle annual rates used are:

Freehold property	2%
Leasehold improvements	2-15%
Computer equipment	30%
Motor vehicles	25%
Plant and machinery	15%
Fixture and fittings	15%

No depreciation is charged on the value of land included within freehold or leasehold property.

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

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

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### Principal Accounting Policies (Continued)

#### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### Debtors Management policy

Debtors are recognised when the Academy Trust is entitled to the income, receipt is probable and it can be reliably measured. All amounts owing to the Academy Trust are reported as debtors at their recoverable amounts (being the amount the Academy Trust expects to receive from the debt). Debts due after more than one year are separately disclosed. The process for chasing payment of overdue invoices is outlined in the Trust Finance Manual.

#### Liabilities

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

#### Provisions

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

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

#### Leased Assets

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

#### Taxation

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

As of 1 April 2011 The Priory Federation of Academies was registered for VAT under the partial exemption scheme, this therefore means that some resources are included in the accounts inclusive of irrecoverable VAT and some are included excluding VAT.

#### Pensions

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



# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### Principal Accounting Policies (Continued)

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 24, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is treated as a defined contribution scheme and the contributions recognised as they are paid each year.

#### **Local Government Pension Scheme**

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses. In accordance with DfE guidance the deficit on the LGPS is set off against restricted funds.

#### **Investments**

The Academy Trust's shareholding in the wholly owned subsidiary Laughton Livery Centre Ltd dissolved when the company ceased trading on 19<sup>th</sup> January 2016.

#### **Fund accounting**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose and include grants from the Education Funding Agency.

#### **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.

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. The latest full actuarial valuation was issued on 16th September 2016 and has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 1 General Annual Grant

A new funding agreement in place with the EFA has seen the removal of any carry forward limits, which is in accordance with the Academies' Financial Handbook 2015-16.

### 2 Agency Arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for the EFA. In the accounting period ending 31 August 2016 the trust received £21,000 and disbursed £17,000. The trust redeemed a 5% administration element in line with the EFA regulations, of £4,000. An amount of £117,219 is included in deferred income relating to recycled funds that will be distributed to students in future years.

### 3 Donations And Capital Grants

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Interest received on endowment funds	4	-	4	4
	4	-	4	4

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 4 Funding For The Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2016 £000	Total 2015 £000
General Annual Grant (GAG) (note 1)					
- The Priory Academy LSST	-	8,606	-	8,606	8,847
- The Priory City of Lincoln Academy	-	4,279	-	4,279	4,325
- The Priory Witham Academy	-	5,330	-	5,330	5,457
- The Priory Ruskin Academy	-	6,128	-	6,128	6,218
Start-up grants					
- The Priory Ruskin Academy	-	15	-	15	9
Capital formula grants					
- The Priory Academy LSST	-	-	-	-	37
- The Priory City of Lincoln Academy	-	15	-	15	27
- The Priory Ruskin Academy	-	23	-	23	28
Summer School funds					
- The Priory Academy LSST	-	-	-	-	16
- The Priory City of Lincoln Academy	-	-	-	-	25
- The Priory Witham Academy	-	7	-	7	19
- The Priory Ruskin Academy	-	-	-	-	14
Pupil Premium grant					
- The Priory Academy LSST	-	160	-	160	177
- The Priory City of Lincoln Academy	-	225	-	225	260
- The Priory Witham Academy	-	476	-	476	535
- The Priory Ruskin Academy	-	257	-	257	269
Rates Relief Funding					
- The Priory Academy LSST	-	53	-	53	53
- The Priory City of Lincoln Academy	-	47	-	47	40
- The Priory Witham Academy	-	49	-	49	48
- The Priory Ruskin Academy	-	69	-	69	40
Other grants					
- 16-18 Bursary	-	21	-	21	28
- Other grants	-	144	-	144	91
<b>DfE/ EFA funding (carried forward)</b>	<b>-</b>	<b>25,904</b>	<b>-</b>	<b>25,904</b>	<b>26,563</b>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 4 Funding For The Academy's Educational Operations (Continued)

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2016 £000	Total 2015 £000
<b>DfE/ EFA funding (brought forward)</b>	-	25,904	-	25,904	26,563
<b>Other Government grants</b>					
Standards funds					
- The Priory Ruskin Academy	-	-	-	-	3
Special education needs					
- The Priory Academy LSST	-	90	-	90	100
- The Priory City of Lincoln Academy	-	71	-	71	102
- The Priory Witham Academy	-	83	-	83	170
- The Priory Ruskin Academy	-	127	-	127	132
Other grants					
- The Priory Academy LSST	-	8	-	8	6
- The Priory City of Lincoln Academy	-	17	-	17	7
- The Priory Witham Academy	-	459	-	459	658
- The Priory Ruskin Academy	-	10	-	10	13
	-	865	-	865	1,191
<b>Other educational bodies</b>					
Graduate teacher income					
- The Priory Academy LSST	-	-	-	-	-
- The Priory City of Lincoln Academy	-	-	-	-	-
- The Priory Witham Academy	-	-	-	-	-
- The Priory Ruskin Academy	-	-	-	-	-
Other educational income					
- The Priory Academy LSST	-	6	-	6	6
- The Priory City of Lincoln Academy	-	24	-	24	24
- The Priory Witham Academy	-	19	-	19	38
- The Priory Ruskin Academy	-	26	-	26	48
	-	75	-	75	116
<b>Funding sub-total (carried forward)</b>	-	26,844	-	26,844	27,870

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 4 Funding For The Academy's Educational Operations (Continued)

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2016 £000	Total 2015 £000
<b>Funding sub-total (brought forward)</b>	-	26,844	-	26,844	27,870
<b>Other income</b>					
Sports England	-	-	-	-	1
- The Priory Academy LSST	-	-	-	-	-
- The Priory City of Lincoln Academy	-	-	-	-	-
- The Priory Witham Academy	-	-	-	-	-
- The Priory Ruskin Academy	-	-	-	-	-
Minibus income					
- The Priory Academy LSST	-	16	-	16	16
- The Priory City of Lincoln Academy	-	-	-	-	-
- The Priory Witham Academy	-	-	-	-	-
- The Priory Ruskin Academy	-	2	-	2	3
Nursery income					
- The Priory Academy LSST	-	-	-	-	-
- The Priory City of Lincoln Academy	-	-	-	-	-
- The Priory Witham Academy	-	219	-	219	222
- The Priory Ruskin Academy	-	-	-	-	-
Staff on secondment					
- The Priory Academy LSST	-	-	-	-	-
- The Priory City of Lincoln Academy	-	2	-	2	1
- The Priory Witham Academy	-	6	-	6	6
- The Priory Ruskin Academy	-	1	-	1	1
Residential Centre Trip income					
- The Priory Academy LSST	-	63	-	63	66
- The Priory City of Lincoln Academy	-	24	-	24	28
- The Priory Witham Academy	-	9	-	9	18
- The Priory Ruskin Academy	-	33	-	33	37
School Fund income					
- The Priory Academy LSST	-	249	-	249	260
- The Priory City of Lincoln Academy	-	12	-	12	31
- The Priory Witham Academy	-	25	-	25	32
- The Priory Ruskin Academy	-	59	-	59	170
Sundry income					
- The Priory Academy LSST	-	102	-	102	104
- The Priory City of Lincoln Academy	-	14	-	14	21
- The Priory Witham Academy	-	9	-	9	35
- The Priory Ruskin Academy	-	90	-	90	18
	-	935	-	935	1,070
<b>Funding for the Academy Trust's educational operations</b>	-	27,779	-	27,779	28,940

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 5 Other Trading Activities

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2016 £000	Total 2015 £000
Lettings and hire of facilities	145	-	-	145	115
Catering income	-	707	-	707	638
Music tuition	-	10	-	10	6
Teaching Alliance	-	563	-	563	333
Sports Partnerships	-	2	-	2	20
Priory Lincoln Academy Sports Centre	172	-	-	172	172
Equestrian Centre	3	-	-	3	-
	320	1,282	-	1,602	1,284

### 6 Investment Income

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2016 £000	Total 2015 £000
Bank interest	98	-	-	98	100
Pension finance income	-	-	-	-	85
	98	-	-	98	185

### 7 Expenditure

	Staff Costs £000	Premises £000	Other £000	Total 2016 £000	Total 2015 £000
Expenditure on raising funds	439	18	878	1,335	1,009
Educational operations:					
- Direct costs	18,922	-	-	18,922	18,520
Depreciation			3,556	3,556	3,753
Amortisation of Intangible asset			3	3	-
Books, materials and supplies			1,142	1,142	1,288
Other			1,215	1,215	1,407
- Allocated support costs	4,046			4,046	3,697
Cleaning		627		627	597
Light and Heat		586		586	628
Rent, rates and water		254		254	266
Insurances		157		157	152
Other		881	1,023	1,904	2,122
Boarding activities:					
- Direct costs	-	-	79	79	90
- Allocated support costs	233	-	143	376	375
	23,640	2,523	8,039	34,202	33,904

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

Incoming/(outgoing) resources for the year include:	2016 £000	2015 £000
Operating leases	190	164
Amortisation of intangible assets	3	-
Depreciation of tangible fixed assets	3,540	3,972
Auditors' remuneration	50	37
- Payable to External Auditors - statutory audit		
- Payable to External Auditors - other services	1	12
- Payable to Internal Auditors - internal audit	11	7
- Other Services provided by other audit firms	-	6
Profit/(Loss) on disposal of fixed assets	(25)	213

Included within resources expended are the following transactions:  
No individual transactions on these items exceed £5,000.

Nature of payment/expenditure:	2016 £	2015 £
Gifts made by the Trust	799	778
Fixed asset losses	25,480	2,697
Stock losses	-	1,318
Unrecoverable debts	2,330	432
Cash losses	-	160

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 8 Charitable Activities

	<b>Total 2016 £000</b>	<b>Total 2015 £000</b>
Direct costs - educational operations	24,838	24,968
Direct costs - boarding	79	90
Support costs - educational operations	7,574	7,462
Support costs - boarding	376	375
	<b>32,867</b>	<b>32,895</b>

<b>Analysis of support costs</b>	<b>Boarding £000</b>	<b>Educational operations £000</b>	<b>Total 2016 £000</b>	<b>Total 2015 £000</b>
Support staff costs	233	4,046	4,279	3,923
Premises costs	-	881	881	2,755
Other support costs	136	2,405	2,541	962
Governance costs	7	242	249	197
<b>Total support costs</b>	<b>376</b>	<b>7,574</b>	<b>7,950</b>	<b>7,837</b>



# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 9 Staff Costs

The average number of persons (including senior management team) employed by The Priory Federation of Academies during the year:

<b>Charitable Activities</b>	<b>2016 No.</b>	<b>2015 No.</b>
<b>Average Headcount</b>		
Teachers	453	420
Administration	174	159
Management	38	35
<b>Total Headcount</b>	<b>664</b>	<b>615</b>
<b>Average Full Time Equivalent</b>		
Teachers	404	374
Administration	143	132
Management	31	30
<b>Total FTE</b>	<b>578</b>	<b>535</b>

<b>Staff costs comprise:</b>	<b>2016 £000</b>	<b>2015 £000</b>
Gross wages and salaries	18,552	18,044
Employer's national insurance costs	1,497	1,301
Other pension costs	2,904	2,912
	<b>22,953</b>	<b>22,257</b>
Supply staff costs	239	296
Staff restructuring costs	196	157
	<b>23,388</b>	<b>22,710</b>

#### Staff restructuring costs comprise:

Redundancy payments	58	-
Severance payments	138	157
Other restructuring costs	196	157

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 9 Staff Costs (Continued)

#### Staff severance payments

Included in staff restructuring costs are non-statutory /non-contractual severance payments totalling £138,108 (2015: £157,478). Individually the payments were:

o £32,641	o £3,353	o £29,000	o £39,000
o £10,881	o £23,233		

The legal authority sought to make ex-gratia payments was in compliance with the Academies Financial Handbook, being delegated authority or approval from the Education Funding Agency.

#### Higher paid employees

The number of employees whose emoluments exceeded £60,000 (including taxable benefits but excluding employer's pension contributions) in the year was 19 (2015: 23). The total emoluments of these employees were in the following ranges:

	2016 No.	2015 No.
£60,001 - £70,000	11	14
£70,001 - £80,000	5	4
£80,001 - £90,000	2	4
£150,001 - £160,000	1	1
	<hr/> 19	<hr/> 23

Of the above, 17 employees (2015: 21) participated in the Teachers' Pension Scheme. During the year ended 31 August 2016, employer's pension contributions for these staff amounted to £206,348 (2015: £238,260).

Of the above employees, 1 employee (2015: 2) participated in the Local Government Pension Scheme. During the year ended 31 August 2016, employer's pension contributions for these staff amounted to £14,884 (2015: £25,951).

#### Key Management Personnel

The key management personnel of the Academy Trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £917,932 (2015: £896,511).

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 10 Trustees' Remuneration And Expenses

The Chief Executive and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of The Chief Executive and teaching staff and not in respect of their services as Trustees.

The remuneration including other taxable benefits paid to the Chief Executive and staff trustees during the period comprised:

	2016 £000	2015 £000
Mr I Jones – CEO and Trustee		
Remuneration	150-155	150-155
Employer pension contributions	25-30	20-25
Mr P Murphy – Staff Governor and Trustee		
Remuneration	45-50	45-50
Employer pension contributions	5-10	5-10

Other Trustees did not receive any payments, other than reimbursement of out of pocket expenses, from the Academy Trust in respect of their role as Trustees.

Total pensions paid on behalf of the highest remunerated trustee amounted to £25,111 (2015: £21,485).

During the year ended 31 August 2016, the following payments were made to Trustees:

	2016 £	2015 £
<b>Trustees' expenses</b>		
Travel & subsistence within the UK	794	384
Other expenses*	674	-
<b>Disclosed as Trustees' expenses</b>	<b>1,468</b>	<b>384</b>

\*Claimed by reason of employment

<b>Number of Trustees claiming expenses</b>	<b>3</b>	<b>2</b>
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# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 11 Intangible Fixed Assets

	Computer software	Development costs	Total
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 September 2015	9	-	9
Additions	44	-	44
At 31 August 2016	53	-	53
<b>Accumulated depreciation and impairment provisions</b>			
At 1 September 2015			
Charged in period	3	-	3
At 31 August 2016	-	-	-
<b>Net book values</b>			
At 31 August 2015	9	-	9
At 31 August 2016	50	-	50

### 12 Tangible Fixed Assets

	Freehold Property £000	Leasehold and Improvements £000	Assets under construction £000	Motor Vehicles £000
<b>Cost or valuation</b>				
At 1 September 2015	4,557	83,184	503	45
Additions	155	17	-	28
Transfers In	503	-	-	-
Transfers Out	-	-	(503)	-
At 31 August 2016	5,215	83,201	-	73
<b>Accumulated depreciation and impairment provisions</b>				
At 1 September 2015	447	5,571	-	21
Charged in period	82	1,423	-	11
At 31 August 2016	529	6,994	-	32
<b>Net book values</b>				
At 31 August 2015	4,110	77,613	503	24
At 31 August 2016	4,686	76,207	-	41

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 12 Tangible Fixed Assets (continued)

	Computer Hardware £000	Plant and Machinery £000	Fixtures and Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 September 2015	4,853	13,050	4,683	110,875
Additions	244	18	28	1,496
Disposals	(66)	(19)	(19)	(607)
At 31 August 2016	5,031	13,049	4,692	111,764
<b>Accumulated depreciation and impairment provisions</b>				
At 1 September 2015	3,393	5,378	1,896	16,706
Charged in period	451	1,151	422	3,540
Disposals	(59)	(8)	(11)	(78)
At 31 August 2016	3,785	6,521	2,307	20,168
<b>Net book values</b>				
At 31 August 2015	1,460	7,672	2,787	94,169
At 31 August 2016	1,246	6,528	2,385	91,596

Following the completion of the new builds at The Priory City of Lincoln Academy, The Priory Academy LSST, The Priory Witham Academy and The Priory Ruskin Academy, long-term leases were finalised for these sites. However no rent is actually charged by the Local Authority. After full consideration of the Academies Accounts Direction, the Federation has recognised the assets as leasehold property. The valuation was made by the Trustees based on the market value of the remaining land and buildings together with the cost of the new builds.

Type of agreement	Classification	Site	2016 NBV £000	2015 NBV £000
Long term lease	Leasehold	Lincoln	17,700	18,019
Development lease	Leasehold	Witham	16,234	16,508
Development lease	Leasehold	Ruskin	8,450	8,603
Development lease	Leasehold	LSST	33,822	34,483
			<u>76,207</u>	<u>77,613</u>

Included within fixed assets is leasehold land of £8,341,981 (2015: £8,341,981) which is not depreciated.

There have been no acquisition of disposal of freehold or leasehold property during the accounting year ended 31<sup>st</sup> August 2016, the construction of the Keyworth centre was completed in December 2015.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 13 Current Asset Investments

	2016 £	2015 £
Cost at 1 September	1	1
Written off	(1)	-
Cost at 31 August	-	1

The Trust's investments at the balance sheet date in the share capital of companies include the following;

#### Laughton Livery Centre Ltd

Nature of business : Livery centre (dissolved 19<sup>th</sup> January 2016)

Incorporated in England

Class of shares:	% holding	2016 £	2015 £
Ordinary	100	-	2,582
Aggregate capital and reserves		-	(879)
Profit/(loss) for the period		-	

### 14 Stock

	2016 £000	2015 £000
General books and stationery	18	22

### 15 Debtors

	2016 £000	2015 £000
Trade debtors	121	138
Prepayments and accrued income	825	834
Other taxes - VAT	82	162
Other debtors - The Priory Fundraising Trust	-	1
Other debtors	1	4
	1,029	1,139

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 16 Creditors: Amounts Falling Due Within One Year

	2016 £000	2015 £000
Trade creditors	469	952
Accruals and deferred income	937	1,204
EFA creditors	17	-
Other creditors	361	431
Taxation and Social Security	435	394
	<u>2,219</u>	<u>2,981</u>

	2016 £000	2015 £000
<b>Deferred income</b>		
Deferred income at 1 September	651	555
Resources deferred in the year	775	651
Amount released from previous year	(651)	(555)
Deferred income at 31 August	<u>775</u>	<u>651</u>

	2016 £000	2015 £000
Deferred income at 31 August comprises:		
Boarding fees paid in advance	221	208
EFA grants re bursary and other grants	205	247
Lincolnshire County Council and other educational grants	30	38
National College – Teaching School		
Alliance Membership	93	76
Other	226	82
	<u>775</u>	<u>651</u>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 17 Funds

The income funds of The Priory Federation of Academies comprise the following balances of grants to be applied for specific purposes:

	Balance at 1 September 2015 £000	Incoming Resources £000	Resources Expended £000	Gains, (Losses) and Transfers £000	Balance at 31 August 2016 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	6,421	24,343	(24,854)	(255)	5,655
Start Up Grant	2,466	15	(15)	-	2,466
Other DfE/ EFA grants	117	1,546	(1,572)	8	99
Local government grants	70	865	(858)	-	77
Other educational bodies	16	75	(75)	-	16
Teaching Alliance	5	563	(619)	-	(51)
Sports Partnership	55	2	(2)	-	55
Provision for boarding	516	555	(443)	(7)	621
Other income	318	1,652	(1,723)	(4)	243
Pension reserve	(2,965)	-	-	(3,891)	(6,856)
	7,019	29,616	(30,161)	(4,149)	2,325
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	7,156	-	(221)	354	7,289
Faraday Centre funding	507	-	(39)	-	468
Other educational bodies	46	-	(1)	-	45
School carry forwards	653	-	(22)	7	638
Priory Fundraising Trust	580	-	(6)	-	574
Sports England	133	-	(10)	-	123
Partnership for Schools	84,572	-	(3,244)	(4)	81,324
Football Foundation	215	-	(10)	-	205
Laughton Manor Proceeds	1,799	-	(15)	(99)	1,685
	95,661	-	(3,568)	258	92,351
<b>Restricted endowment</b>					
Sponsorship	500	-	-	-	500
<b>Total restricted funds</b>	103,180	29,616	(33,729)	(3,891)	95,176
<b>Unrestricted general funds</b>					
General funds	1,577	427	(128)	-	1,876
<b>Total unrestricted funds</b>	1,577	427	(128)	-	1,876
<b>Total funds</b>	104,757	30,043	(33,857)	(3,891)	97,052



# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 17 Funds (continued)

#### Analysis of Academies by fund balance

Fund balances at 31 August 2016 were allocated as follows:

	2016 £000	2015 £000
The Priory Academy LSST	2,885	2,632
The Priory City of Lincoln Academy	466	813
The Priory Witham Academy	1,912	2,246
The Priory Ruskin Academy	1,563	1,532
Central services (including Teaching School)	4,377	4,523
Boarding	354	315
Total before fixed assets and pension reserve	11,557	12,061
Restricted fixed asset fund	92,351	95,661
Pension reserve	(6,856)	(2,965)
<b>Total</b>	<b>97,052</b>	<b>104,757</b>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 17 Funds (continued)

#### Analysis of academies by cost

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

	The Priory Academy LSST £000	The Priory City of Lincoln Academy £000	The Priory Witham Academy £000	The Priory Ruskin Academy £000	Central Services £000	Total £000
Teaching and Educational Support Staff Costs	6,154	3,314	4,882	4,572	361	19,283
Other Support Staff Costs	1,250	871	1,040	885	311	4,357
Occupancy Costs	663	473	394	429	71	2,030
Educational Supplies	524	156	249	335	-	1,264
Catering Costs	234	95	125	194	98	746
Exam Fees	245	69	59	117	-	490
Postage and Stationery	98	113	165	230	-	606
Maintenance Costs	211	251	158	191	16	827
Legal and Professional Fees	78	44	57	62	31	272
Technology Costs	19	16	16	17	-	70
Other Costs (excluding Depreciation)	79	108	124	76	302	689
Actuarial Movements	1,206	638	816	887	-	3,546
<b>Total</b>	<b>10,761</b>	<b>6,148</b>	<b>8,085</b>	<b>7,995</b>	<b>1,190</b>	<b>34,180</b>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 17 Funds (continued)

#### **Educational Income and Grants**

##### General Annual Grant (GAG)

This will be expended on the provision of education and teaching activities.

##### Standards Funds

These funds are designated for the provision of education and teaching activities in accordance with the terms of the Standards Funds grant.

##### Start Up Funds

These funds are designated for the purchase of a basic stock of teaching and learning materials including library books, text books, software, stationery, science equipment, PE equipment and other consumables. A further element of this is set aside to fund any transitional costs and for the enhancement of education.

##### Pupil Premium Funds

These funds are designated for the provision of education and teaching activities in accordance with the terms of the Pupil Premium grant.

##### Teachers Grant Funds

These funds are designated for the provision of education and teaching activities in accordance with the terms of the Teachers grant.

##### 16-19 Bursary Grant Funds

These funds are designated for the provision of bursaries to qualifying students in accordance with the terms of the 16-19 Bursary grant.

##### Training Development Agency Grant Funds

These funds are designated for the provision of training activities in accordance with the terms of the Training Development Agency grant.

##### Capital Formula Grant Funds

These funds are designated for the provision of capital assets in accordance with the terms of the Capital Formula grant.

##### Lincolnshire County Council Grant Funds

These funds are designated for the provision of various designated education and teaching activities in accordance with the terms of the relevant Lincolnshire County Council grant. This will include funding for Special Educational Needs, Standards and Other educational activities.

##### Other Educational Bodies Grant Funds

These funds are designated for the provision of various designated education and teaching activities in accordance with the terms of the relevant educational body. This will include funding for Graduate Teachers and other educational income.

##### Transfers

The excess cost incurred in the provision of the relevant education and teaching activity over the relevant grant received is funded by a transfer from GAG.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 17 Funds (continued)

#### Activities for generating funds

##### Nursery Income

These funds are designated for the provision of day care nursery facilities by the Priory Witham Academy.

##### Canteen Income

These funds will be used to maintain and provide catering provisions to the pupils of The Priory Federation of Academies.

##### Music tuition Income

These funds will be used on the provision of music tuition to the pupils of The Priory Federation of Academies.

##### Transfers

The excess cost incurred in the provision of the activity over the relevant income received is funded by a transfer from GAG.

#### Restricted Endowment Funds

##### Endowment Reserve

This is a permanent reserve that is held as sponsorship for The Priory Federation of Academies. The income generated by the Endowment reserve is allocated to the General Restricted reserve which is used for the provision of education.

##### Transfers

There should be no outgoing transfers from the Endowment Reserve. The investment income earned on the Endowment Funds can be used by The Priory Federation of Academies as unrestricted funds.

#### Restricted Pension Reserve

##### LGPS Reserve

In accordance with the latest EFA Accounts Direction this reserve is required in respect of the LGPS Pension Scheme calculated in accordance with FRS102.

#### Other incoming resources

##### Pastoral Fund

These funds are designated for various educational or recreational trips and other activities to be undertaken by disadvantaged pupils of The Priory Federation of Academies.

##### Insurance claims

These funds will be expended on the cost of insurance claims made by The Priory Federation of Academies.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 17 Funds (continued)

#### Other incoming resources (continued)

##### Minibus Income

These funds will be expended on the cost of minibus running costs for students incurred by The Priory Federation of Academies.

##### Trip Income, incorporating school funds

These funds will be expended on the cost of educational and other trips for students incurred by The Priory Federation of Academies.

##### Staff on secondment Income

These funds will be expended on the cost of supplying educational staff on secondment to other organisations by The Priory Federation of Academies.

##### Boarding Income

These funds will be expended on the cost of providing boarding facilities for students by The Priory Federation of Academies.

##### Sundry Income

These funds will be expended on various other costs incurred by the curriculum departments for students by The Priory Federation of Academies.

##### Transfers

The excess cost incurred in the provision of the activity over the relevant income received is funded by a transfer from GAG.

##### Transfers

The change in the LGPS Pension Scheme assets/liabilities is funded by a transfer from GAG.

#### Restricted Fixed Assets Funds

##### DfE Capital Grants Funds

These funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held.

##### Faraday Capital Grants Funds

These funds are carried forward to cover the future depreciation charges that will be required on the Faraday Project acquired from Lincolnshire County Council grants in earlier years.

##### Other Educational Bodies Capital Grants Funds

These funds are carried forward to cover the future depreciation charges that will be required on the fixed assets acquired from Other Educational Bodies grants in earlier years.

##### School Carry Forwards Grants Funds

These funds are carried forward to cover the future depreciation charges that will be required on the fixed assets acquired from the previous Schools Carry Forwards in earlier years.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 17 Funds (continued)

#### Restricted Fixed Assets Funds (continued)

##### Partnership for Schools

These funds are carried forward to cover the future depreciation charges that will be required on the fixed assets acquired from the various new builds procured by the Lincolnshire County Council in the current and earlier years.

##### Transfers

The cost of fixed assets capitalised in the year less the depreciation charge on fixed assets is funded by a transfer from GAG.

### 18 Analysis Of Net Assets Between Funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted Funds £000	Restricted General Funds Public £000	Restricted Endowment Funds Private £000	Restricted Fixed asset Funds £000	Total £000
Intangible fixed assets	-	-	-	50	50
Tangible fixed assets	-	-	-	91,596	91,596
Current assets	1,876	11,400	500	705	14,481
Current liabilities	-	(2,219)	-	-	(2,219)
Pension scheme liability	-	(6,856)	-	-	(6,856)
<b>Total net assets</b>	<b>1,876</b>	<b>2,325</b>	<b>500</b>	<b>92,351</b>	<b>97,052</b>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 19 ACADEMY BOARDING TRADING ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2016

	2016 £000	2015 £000
<b>Income</b>		
Fee income	554	623
Other income	6	4
	<u>560</u>	<u>627</u>
<b>Expenditure</b>		
<b>Direct costs</b>		
Catering costs	79	90
Other direct costs	-	-
Doubtful debt provision	(1)	-
Total direct costs	<u>78</u>	<u>90</u>
<b>Indirect costs</b>		
Teaching staff costs	88	85
Support staff costs	145	141
Education costs	18	9
Occupancy costs	71	93
Buildings maintenance and loose equipment	16	15
Depreciation	12	5
Auditors' remuneration	7	6
Other indirect costs	20	26
Total indirect costs	<u>377</u>	<u>380</u>
<b>Surplus/(Deficit) on Boarding</b>	105	157
Surplus/(Deficit) brought forward at 1 September	522	365
<b>Surplus/(Deficit) carried forward at 31 August</b>	<u>627</u>	<u>522</u>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 20 Central Services

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

Educational Support Services	<ul style="list-style-type: none"> <li>Standards support including intervention</li> <li>Alternative curriculum co-ordination</li> <li>Student welfare support</li> <li>Residential curriculum centre costs</li> </ul>
Financial Services	<ul style="list-style-type: none"> <li>Strategic Capital Expenditure</li> <li>Statutory accounts preparation</li> <li>Budget preparation</li> <li>Monthly management reporting</li> <li>Invoicing</li> <li>Payroll and Expenses processing</li> </ul>
Human Resources Services	<ul style="list-style-type: none"> <li>Co-ordination of recruitment</li> <li>Heads' performance appraisals</li> <li>Disciplinary and grievance support</li> <li>Legal support</li> </ul>
Information Technology Services	<ul style="list-style-type: none"> <li>Provision and purchase of hardware, software and network services</li> <li>Support of the above</li> <li>IT Strategy</li> </ul>
Contract & Procurement Services	<ul style="list-style-type: none"> <li>Contract negotiation for shared services</li> <li>Project management for capital projects</li> <li>Facilities and estates co-ordination</li> <li>Insurances</li> </ul>
Communication and Marketing Services	<ul style="list-style-type: none"> <li>Press releases and media co-ordination</li> <li>Freedom of information requests handling</li> </ul>

As the trust is providing at least all of the services that could have been provided from the Local Authority in the predecessor schools, the basis of contribution is 7.5% of the EFA's school budget share income together with any Start-up and Insurance grants. In addition, an amount for IT replacement and licensing costs is charged based on a mixture of flat-rate and Academy pupil numbers. Residential curriculum visits are charged in proportion to usage. The Trust has reviewed this allocation and intends to allocate the cost through service level agreements in future years.

The actual amounts contributed during the year were as follows:

	2016 £000	2015 £000
The Priory Academy LSST	888	929
The Priory Witham Academy	553	546
The Priory City of Lincoln Academy	497	497
The Priory Ruskin Academy	661	665
Teaching School Alliance	30	40
	<u>2,629</u>	<u>2,677</u>



# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 21 Related Party Transactions

#### Interests in transactions

Declarations of business interests have been received from all Trustees, members of school committees, members of all Senior Management Teams and finance staff.

Wherever interests were declared and a connection to a transaction was established, we have kept all documentation showing that a number of quotes were obtained and the best value achieved in each case.

#### Transactions with the Priory Fundraising Trust

During 2015/16 H Gee and I Jones were Trustees of The Priory Fundraising Trust, a company which supplied The Priory Federation of Academies with various goods and services.

These were charged to an inter-company account, the movements on which are set out below:

	2016 £000	2015 £000
Opening debtor	1	-
Sales Ledger Banked by Federation	-	1
Bank transfer	(1)	-
Closing debtor	-	1

#### Transactions with the Priory Fundraising Trust

In addition to the items charged through the inter-company account listed above during 2015/16 The Priory Fundraising Trust transferred £Nil (2015: £1,000) to The Priory Federation of Academies. This comprised:

	2016 £000	2015 £000
Pastoral Fund	-	1
	-	1

#### Transactions with Langleys Solicitors LLP

Mrs K Hindmarch, who is a Partner in the above, was a member of The Priory Fundraising Trust (which is a relevant legal entity for significant control purposes) until her resignation on 9<sup>th</sup> November 2016.

Langleys provide legal and HR services to the Federation. The cost of legal services provided during the year by Langleys amounted to £94,124 (2015 £73,704). Transactions were conducted at arm's length.

Creditors at 31<sup>st</sup> August 2016 include Nil (2015 Nil) payable to Langleys Solicitors.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 22 Trustees' And Officers' Insurance

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

### 23 Contingent Liabilities – Funding

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, The Priory Federation of Academies is required either to re-invest the proceeds or to repay to the Secretary of State for Education and Skills the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or The Priory Federation of Academies serving notice, The Priory Federation of Academies shall repay to the Secretary of State sums determined by reference to:

- a) the value at that time of The Priory Federation of Academies' site and premises and other assets held for the purpose of the Federation: and
- b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 24 Pension Commitments

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 15<sup>th</sup> September 2016.

Contributions amounting to £358,121 (2015: £331,141) were payable to the LGPS and TPS at 31 August 2016 and are included within creditors. These comprise the normal monthly arrears of contributions.

#### Teachers' Pension Scheme

##### Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

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

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 24 Pension Commitments (Continued)

- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation, where upon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension contributions paid to TPS in the period amounted to £2,029,416 (2015: £1,711,612).

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

The TPS is a multi-employer pension scheme.

The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme and has set out above the information available on the scheme.

### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £1,147,782, of which employer's contributions totalled £874,722 and employees' contributions totalled £273,060.

For future years the agreed contribution rates are between 5.5% and 12.5% (depending on levels of pensionable pay) for employees' and 19.0% for employer's contributions. To partly address the deficit in the scheme agreement has been made to make additional lump sum contributions of £6,000 per annum (£500 per month) commencing from April 2014. Current agreement is for these payments to continue for three years to March 2017 (i.e. to the next actuarial valuation date).

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of Academy Trust 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 Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 24 Pension Commitments (Continued)

#### Local Government Pension Scheme (continued)

The major assumptions used by the actuary were:

	At 31 August 2016 % per annum	At 31 August 2015 % per annum
Pension increase rate	2.1%	2.7%
Salary increases	3.6%	4.1%
Expected return on Assets	2.1%	3.8%
Rate of discount	2.1%	3.8%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	At 31 August 2016 No. Years	At 31 August 2015 No. Years
Longevity at age 65 for current pensioners		
Males	22.2	22.2
Females	24.4	24.4
Longevity at age 65 for future pensioners		
Males	24.5	24.5
Females	26.8	26.8

The sensitivities regarding the principal assumptions used in the actuarial valuation are as follows:

Change in assumptions	Approximate % increase to employer liability	Approximate monetary amount £000
0.5% decrease in discount rate	14%	2,868
1 year increase in life expectancy	3%	598
0.5% increase in the Salary Increase Rate	4%	895
0.5% increase in the Pension Increase Rate	10%	1,892

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 24 Pension Commitments (Continued)

The Academy Trust's share of the assets and liabilities of the scheme were:

	Fair Value at 31 August 2016 £000	Fair Value at 31 August 2015 £000
Equities	10,058	7,446
Bonds	1,698	1,291
Property	1,306	1,191
Cash	-	-
<b>Total assets</b>	<b>13,062</b>	<b>9,928</b>
<b>Present value of scheme liabilities</b>		
- Funded	(19,918)	(12,893)
- Unfunded	-	-
<b>Deficit in the scheme</b>	<b>(6,856)</b>	<b>(2,965)</b>

The actual return on the scheme assets in the year was £2,079,000 (2015: £222,000).

### Amounts recognised in the Statement of Financial Activities

	2016 £000	2015 £000
Current service cost (net of employee contributions)	1,220	1,201
Past service costs	-	-
Losses / (gains) on curtailments and settlements	-	10
Total operating charge	<b>1,220</b>	<b>1,211</b>
<b>Analysis of pension finance (income)/costs</b>		
Interest on pension liabilities	516	444
Expected return on pension scheme assets	(397)	(529)
Pension finance (income)/costs	<b>119</b>	<b>(85)</b>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 24 Pension Commitments (Continued)

#### Net (loss)/gain recognised in the current year

	2016 £000	2015 £000
Actuarial gains/(losses) on pension scheme assets	(5,625)	267
Actuarial gains/(losses) on scheme liabilities	2,079	(307)
<b>Total amount</b>	<b>(3,546)</b>	<b>(40)</b>

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

	2016 £000	2015 £000
Scheme liabilities at 1 September	12,893	11,314
Current service cost	1,220	1,201
Past service cost	-	-
Interest cost	516	444
Contributions by scheme participants	273	260
Actuarial losses	5,109	(267)
Losses on Curtailments	-	10
Estimated benefits paid	(93)	(69)
<b>Scheme liabilities at 31 August</b>	<b>19,918</b>	<b>12,893</b>

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

	2016 £000	2015 £000
Fair value of scheme assets at 1 September	9,928	8,671
Expected return on scheme assets	1,682	529
Actuarial gains/(losses)	397	(307)
Contributions by employer	875	844
Contributions by scheme participants	273	260
Benefits paid	(93)	(69)
<b>Fair value of scheme assets at 31 August</b>	<b>13,062</b>	<b>9,928</b>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 25 Controlling Party

The Priory Fundraising Trust have the power to appoint the majority of Board of Directors of the Federation.

### 26 Capital Commitments

	2016 £000	2015 £000
Contracted for, but not provided in the financial statements	17	644
Authorised by Trustees, but not yet contracted	-	-
The above capital commitments will be met by the carry forward reserves present as at the 31 August 2016.		

### 27 Lease Commitments

At 31 August 2016 the Priory Federation of Academies had total future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Amounts due:		
<b>Land and buildings</b>		
Within one year	9	9
Within two to five years	37	37
After five years	83	92
	<hr/> 129	<hr/> 138
<b>Other</b>		
Within one year	162	131
Within two to five years	184	74
After five years	-	1
	<hr/> 346	<hr/> 206
	<hr/> 475	<hr/> 344



# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

28	<b>Reconciliation Of Net Income To Net Cash Inflow/(Outflow) From Operating Activities</b>	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
	Net (outgoings)/ incoming resources for the year	(4,159)	(2,864)
	Depreciation of tangible and intangible fixed assets	3,543	3,972
	(Profit)/loss on sale and disposal of assets	26	(213)
	Capital grants from DfE and other capital income	-	-
	Interest receivable	(107)	(104)
	Defined benefit scheme finance cost	345	282
	Decrease/(increase) in stock	4	(1)
	Decrease/(increase) in debtors	110	(103)
	Increase/(decrease) in creditors	(762)	(297)
	<b>Net cash inflow/(outflow) from operating activities</b>	<b>(1,000)</b>	<b>672</b>
29	<b>Cash flow from Investing Activities</b>	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
	Interest received	107	104
	<b>Net cash inflow from returns on servicing of finance</b>	<b>107</b>	<b>104</b>
30	<b>Cash Flows from Financing Activities</b>	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
	Purchase of tangible fixed assets	(1,037)	(792)
	Capital grants from DfE/EFA	-	-
	Capital funding received from sponsors and others	-	-
	Receipts from sale of tangible fixed assets	-	1,822
	<b>Net cash inflow (outflow) from investing activities</b>	<b>(1,037)</b>	<b>1,030</b>

# The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2016

## Notes to the Financial Statements for the year ended 31 August 2016 (continued)

### 31 Analysis of cash and cash equivalents

	At 31 August 2015 £000	Cash flows £000	At 31 August 2016 £000
Cash in hand and at bank	15,364	(1,930)	13,434

### 32 Major Non Cash Transactions

There were no major non cash transaction in the year.

### 33 Members' Liability

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

### 34 Post Balance Sheet Events

There have been no significant post balance sheet events.

### 35 Contingent Liability – Legal Dispute

Litigation has been threatened against the Priory Federation of Academies Trust relating to a dispute with Mr R T Gilliland the previous Chief Executive Officer who resigned on 28<sup>th</sup> March 2012. The information usually required by FRS102, Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice the interests of the company. The directors are of the opinion that the claim if commenced can be successfully resisted by the company.