

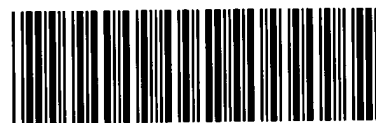


(A company limited by guarantee)

Financial Statements for the year ended 31st August 2017

Company registered number 06462935 in England and Wales

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The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Contents

	Pages
Reference and administrative information	2 – 3
Report of the Trustees	4 – 10
Governance Statement	11 – 16
Statement on Regularity, Propriety and Compliance	17
Statement of Trustees' Responsibilities	18
Independent Auditors Report	19 – 20
Independent Auditors Report on Regularity	21 – 22
Statement of Financial Activities	23
Balance Sheet	24
Cash Flow Statement	25
Notes to the Financial Statements	26 – 64

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Reference and Administrative Details

Members The Priory Fundraising Trust (sponsor)
 H D Gee
 D Harry

Trustees **a** H D Gee (Chair)
 b S Richardson (Vice-Chair)
 I Jones (ex-officio)
 b F Knowles
 a S Milner (resigned 31 August 17)
 b J Powell
 b P Houten
 b R Partington
 b L Gillanders (appointed 01 September 17)

Key **a** Trustee appointed by Members
 b Trustee appointed by Sponsor

Chief Executive/Accounting Officer I Jones
Chief Financial Officer/Company Secretary D Carchedi (appointed 24 August 17)
 L Gregory (from 08 June 17 until 23 August 17)
 A Olsson (resigned 07 June 17)
Clerk to the Trustees M Mammatt

Senior Management Team:
Head, The Priory Academy LSST J Hopkinson
Head, The Priory Witham Academy A Madge
Head, The Priory City of Lincoln Academy R Trow
Head, The Priory Ruskin Academy R Wyles
Primary Head, The Priory Witham Academy A Tallentire
Director of Standards A Chisholm
Director of Student Welfare R Reeve

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

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 2017

The Trustees' Report for the Year Ended 31 August 2017

The trustees present their annual report, together with the financial statements and auditor's reports, of the charitable company for the period 1 September 2016 to 31 August 2017. 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 4,399 in the school census on 1 May 2017.

A secondary and a primary academy were transferred to the trust on 1 September 2017 and a further secondary academy was transferred on 1 October 2017.

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 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 2.

Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, 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 2017

The Trustees' Report for the Year Ended 31 August 2017 (continued)

Organisational Structure

As at 31st August 2017, The Priory Federation of Academies consists of The Priory Academy LSST, The Priory Witham Academy, The Priory City of Lincoln Academy and The Priory Ruskin Academy.

On 1st September 2017 Ling Moor Primary Academy transferred to the trust, and on the same date, Cherry Willingham Community School transferred to the trust as The Priory Pembroke Academy. On 1st October 2017, Belvoir High School transferred to the trust as The Priory Belvoir Academy.

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

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 become a Trustee. A Chairs' Committee, chaired by the Chief Executive Officer (CEO) of the trust, provides a link between the Trust Board and the individual Academies.

The accounting officer is the CEO 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 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 28 other academies throughout Lincolnshire.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

The Trustees' Report for the Year Ended 31 August 2017 (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

In accordance with the guidance laid down by the ESFA in the 2016 to 2017 Accounts Direction, the trustees have complied with their duty to have regard to the guidance on public benefit published by the Charity Commission.

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.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

The Trustees' Report for the Year Ended 31 August 2017 (continued)

STRATEGIC REPORT

There is a clear strategic direction for the Priory framed within the Mission: To improve life chances and the Motto: 'By the good deeds you do, you will be remembered in the stars for eternity.'

This direction is detailed within a Trust Development Plan that is monitored throughout the year by members of the senior team and by trustees.

Educational Outcomes

This is an area of strength.

The Trust value for Progress 8 is +0.21, which places the trust as 9th out of the 56 trusts with four or more academies. Two Priory academies appear in the top 10 academies in Lincolnshire and, due to the large size of these two schools, represent almost 1/3rd of the pupils in this category.

The P8 scores are:

	Progress 8	Attainment 8	% Eng and mat	Ebacc
Lincoln	-0.48	39.1	18	0
LSST	+0.34	62.39	71	60
Ruskin	+0.51	44.4	35	6
Witham	+0.00	39.7	28	6
National	-0.03	44.2	39.1	19.5

The Priory has been working with Belvoir High School for the past three years including seconding a Headteacher for this academic year. The BHS P8 score was 0.42, which was the third highest score in Leicestershire. Lincoln Academy's P8 score was as expected. There are three factors that have had a significant impact on the score, which have been addressed in large part for future years.

Witham Primary results at KS2 were above Floor.

Witham Primary's KS2 Results for 2017

%	Reading	Writing	Mathematics	GPAS	R, Wr, Ma
Witham	42	62	49	55	31
National	71	76	75	77	61

Witham Primary's KS2 Progress Scores for 2017

	Reading	Writing	Mathematics
Witham	-2.61	-0.25	-1.95
National	0.0	0.0	0.0

Overall, the academic outcomes across the trust are developing well.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

The Trustees' Report for the Year Ended 31 August 2017 (continued)

School Centred Initial Teacher Training

The second cohort of students graduated this year. The numbers rose from 24 to 86 as the Primary trainees are now part of the programme. Retention rates and employment rates are such that the School Centred Initial Teacher Training can be considered as at least a good provider. Ofsted returns for the second part of its inspection in the Autumn of 2017.

Lincolnshire Teaching School Alliance

Lincolnshire Teaching School Alliance continues to work closely with 28 secondary schools across Lincolnshire.

Expansion

The partnership work undertaken with Belvoir High School has now been formalised and Belvoir High School joined the Trust as The Priory Belvoir Academy (1 October 2017).

The Priory was approached to sponsor Cherry Willingham Community School, which has been placed in Special Measures. After a period of due diligence, the Trust agreed to become the sponsor and Cherry Willingham Community School joined the Trust as The Priory Pembroke Academy (1 September 2017).

The Trust has begun expansion into the Primary sector and Ling Moor Primary Academy joined The Priory in Sep 2017. Ling Moor Primary Academy joins Witham Primary in the Lincoln Primary Hub. A Primary Executive has been appointed to the Federation Executive Team with responsibility for further expansion and development of the Primary Hubs in the Lincoln and Grantham areas.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

The Trustees' Report for the Year Ended 31 August 2017 (continued)

FINANCIAL REVIEW

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 2017 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 2017, total income was £31,094,000.

Net book value of fixed assets was £89,462,000.

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 minimum level of reserves should be approximately 10% of income. 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 £2,124,000 with a further £7,907,000 of restricted reserves.

During September 2017, the DfE Published details of the National Funding Formula. This gives a level of clarity of income for the next two years, and will allow the trust to make capital investment plans which have been held back due to the previous uncertainty of future funding levels.

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 currently 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 2017

The Trustees' Report for the Year Ended 31 August 2017 (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 2017/18 year end.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 11 December 2017 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 2017

Governance Statement for the Year Ended 31 August 2017

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 six 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)	6	6
S Richardson	6	6
I Jones	6	6
F Knowles	5	6
S Milner	4	6
J Powell	4	6
P Houten	5	6
D Harry (end of term 09-09-16)	0	0
R Partington*	2	6

* R Partington (Higher Education Trustee) has significant employment commitments at the University of Cambridge which clash with the Trust's calendar. Apologies are accepted on such occasions and he continues to play an active role outside of formal meetings.

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	1	1
(Chair; end of term 09-09-16)		
H Gee (Interim Chair)	4	4
F Knowles	3	4
I Jones	4	4
L Gregory (co-opted non-Trustee)	3	3
(end of term 31-05-17)		

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Governance Statement for the Year Ended 31 August 2017 (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
H Gee	2	3
S Richardson	2	3
I Jones	3	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	3	3
H Gee	3	3
I Jones	3	3

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	3	4
D Finch (co-opted non-Trustee)	4	4
J Kirkham (co-opted non-Trustee)	3	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	1	3
S Richardson	3	3
D Knowles	1	2
(Academy governor, by invitation)		

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Governance Statement for the Year Ended 31 August 2017 (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 Teaching School Alliance of 28 partners improves the potential for recruiting and retaining high quality new entrants to the profession and develops collaboration in the county.
- The Trust's SCITT demonstrates 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 2017

Governance Statement for the Year Ended 31 August 2017 (continued)

Financial governance and oversight

- The Trust's Finance Committee and Audit Committee met a total of 8 times during 2016-17, 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 Chief Financial Officer 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 2017

Governance Statement for the Year Ended 31 August 2017 (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 2016 to 31 August 2017 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 2016 to 31 August 2017 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 2017

Governance Statement for the Year Ended 31 August 2017 (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 11 December 2017 and signed on its behalf by:



H Gee
Chairman



I Jones
Accounting Officer

The Priory Federation of Academies

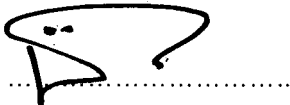
(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Statement on Regularity, Propriety and Compliance **for the Year Ended 31 August 2017**

As accounting officer of The Priory Federation of Academies Trust I have considered my responsibility to notify The Trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between The Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and The Trust board of trustees are able to identify any material irregular or improper use of all funds by The Trust, or material non-compliance with the terms and conditions of funding under The Trust's funding agreement and the Academies Financial Handbook 2016.

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



I Jones
Accounting Officer
11 December 2017

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Statement of Trustees' Responsibilities for the Year Ended 31 August 2017

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 and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017
- 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 ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the board of trustees on 11 December 2017 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 2017

Independent Auditor's Report on the Financial Statements to the members of The Priory Federation of Academies

OPINION

We have audited the financial statements of The Priory Federation of Academies for the year ended 31 August 2017 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

This report is made solely to the 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 Trust's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 August 2017 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, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report including the Strategic report for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report including the Strategic report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remunerations specified by law not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF TRUSTEES

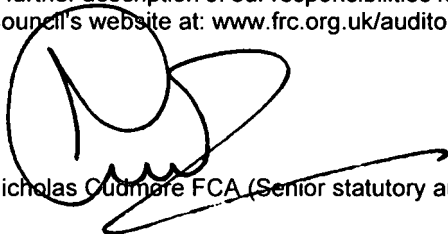
As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal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

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.



Nicholas Cudmore FCA (Senior statutory auditor)

for and on behalf of

Duncan & Toplis Limited

Chartered Accountants and Statutory Auditors

15 Chequergate
Louth
Lincolnshire
LN11 0LJ

Date:

11th December 2017

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

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

In accordance with the terms of our engagement letter dated 25 September 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, 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 2016 to 31 August 2017 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 ESFA 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 ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Priory Federation of Academies and the ESFA, 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 2016, 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 2016 to 2017. 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 2016 to 31 August 2017 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 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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 2017

Independent Reporting Auditors' Assurance Report on Regularity to The Priory Federation of Academies and the Education and Skills 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 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not confirm to the authorities which govern them.



Nicholas Cudmore FCA (Senior statutory auditor)

Duncan & Toplis Ltd

Chartered Accountants and Statutory Auditors

15 Chequergate
Louth
Lincolnshire
LN11 0LJ

Date: 11th December 2017

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Statement of Financial Activities (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses) for the year ended 31 August 2017

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Endowment Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Total 2016 £000
Income and endowments from:							
Donations and capital grants	3	14	-	-	-	14	4
Charitable activities:							
Funding for the Federation's educational operations	4	-	28,186	-	-	28,186	27,762
Provision of boarding activities	19	-	551	-	-	551	560
Teaching school		-	1,151	-	-	1,151	563
Other trading activities	5	314	828	-	-	1,142	1,039
Investments	6	50	-	-	-	50	98
Total		378	30,716	-	-	31,094	30,026
Expenditure on:							
Raising funds	7	130	1,852	-	24	2,006	1,335
Charitable activities:							
Academy's educational operations	7	-	28,666	-	3,203	31,869	31,784
Provision of boarding activities	19	-	434	-	3	437	455
Teaching school	7	-	985	-	-	985	611
Total		130	31,937	-	3,230	35,297	34,185
Net income (expenditure)		248	(1,221)	-	(3,230)	(4,203)	(4,159)
Transfers between funds	17	-	(973)	-	973	-	-
Other recognised gains and losses							
Actuarial (losses)/gains on defined benefit pension schemes	24	-	2,731	-	-	2,731	(3,546)
Net movement in funds		248	537	-	(2,257)	(1,472)	(7,705)
Reconciliation of funds							
Total funds brought forward		1,876	2,325	500	92,351	97,052	104,757
Total funds carried forward		2,124	2,862	500	90,094	95,580	97,052

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 2017

Balance Sheet as at 31 August 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	11	35	50
Tangible assets	12	89,427	91,596
Current assets			
Investments	13	5,501	-
Stock	14	15	18
Debtors	15	1,328	1,029
Cash at bank and in hand		7,301	13,434
		<u>14,145</u>	<u>14,481</u>
Liabilities			
Creditors - amounts falling due within one year	16	<u>(2,982)</u>	<u>(2,219)</u>
Net current assets		<u>11,163</u>	<u>12,262</u>
Net assets excluding pension liability		100,625	103,908
Defined benefit pension scheme liability	24	<u>(5,045)</u>	<u>(6,856)</u>
Net assets including pension liability		<u>95,580</u>	<u>97,052</u>
Funds of the Academy Trust:			
Restricted funds			
Restricted fixed asset funds	18	90,094	92,351
Restricted general funds	18	7,907	9,181
Endowment funds	18	500	500
Pension reserve	18	<u>(5,045)</u>	<u>(6,856)</u>
Total restricted funds		93,456	95,176
Unrestricted income funds	18	2,124	1,876
Total funds		<u>95,580</u>	<u>97,052</u>

The financial statements on pages 23 to 64 were approved by the Board of Trustees, and authorised for issue on 11th December 2017 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 2017

Statement of Cash Flows for the year ended 31 August 2017

		2017 £000	2016 £000
	Note		
Cash flows from operating activities			
Net cash provided by (used in) operations	28	361	(1,000)
Cash flows from investing activities	29	(5,448)	107
Cash flows from financing activities	30	(1,046)	(1,037)
Change in cash and cash equivalents in the reporting period	31	(6,133)	(1,930)
Cash and cash equivalents at beginning of year		13,434	15,364
Cash and cash equivalents at end of year		7,301	13,434

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017

Statement of Accounting Policies

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

Basis of Preparation

The financial statements of The Priory Federation of Academies Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

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.

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.

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.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

Statement of Accounting Policies (continued)

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.

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.

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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

Statement of 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%

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 buildings	2%
Long leasehold buildings	2-15%
Computer hardware	30%
Motor vehicles	25%
Fixtures, fittings and equipment	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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

Statement of 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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

Statement of 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 Trust's investments are currently in the form of interest-bearing zero-risk deposits in UK High Street bank accounts.

Financial Instruments

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 16. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

Statement of Accounting Policies (continued)

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. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. 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.

Agency Arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 2.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

1 General Annual Grant

A new funding agreement in place with the ESFA has seen the removal of any carry forward limits, which is in accordance with the Academies' Financial Handbook 2016-17.

2 Agency Arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2017 the trust received £41,298 and disbursed £37,350. The trust redeemed a 5% administration element in line with the ESFA regulations, of £3,948. An amount of £154,887 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 2017 £000	Total 2016 £000
Interest received on endowment funds	3	-	3	4
Donations received	11	-	11	-
	14	-	14	4
2016 Total	4	-	4	

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

4 Funding For The Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Total 2016 £000
General Annual Grant (GAG) (note 1)					
- The Priory Academy LSST	-	8,334	-	8,334	8,606
- The Priory City of Lincoln Academy	-	4,252	-	4,252	4,279
- The Priory Witham Academy	-	5,376	-	5,376	5,330
- The Priory Ruskin Academy	-	6,461	-	6,461	6,128
Start-up grants					
- The Priory Ruskin Academy	-	15	-	15	15
Capital formula grants					
- The Priory Academy LSST	-	81	-	81	-
- The Priory City of Lincoln Academy	-	18	-	18	15
- The Priory Ruskin Academy	-	31	-	31	23
- The Priory Witham Academy	-	18	-	18	-
Summer School funds					
- The Priory Witham Academy	-	-	-	-	7
Pupil Premium grant					
- The Priory Academy LSST	-	181	-	181	160
- The Priory City of Lincoln Academy	-	226	-	226	225
- The Priory Witham Academy	-	480	-	480	476
- The Priory Ruskin Academy	-	281	-	281	257
Rates Relief Funding					
- The Priory Academy LSST	-	54	-	54	53
- The Priory City of Lincoln Academy	-	50	-	50	47
- The Priory Witham Academy	-	48	-	48	49
- The Priory Ruskin Academy	-	49	-	49	69
Other grants					
- 16-19 Bursary	-	4	-	4	4
- Other grants	-	72	-	72	144
DfE/ ESFA funding (carried forward)	-	26,031	-	26,031	25,887

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

4 Funding For The Academy's Educational Operations (continued)

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Total 2016 £000
DfE/ ESFA funding (brought forward)	-	26,031	-	26,031	25,887
Other Government grants					
Special education needs					
- The Priory Academy LSST	-	75	-	75	90
- The Priory City of Lincoln Academy	-	69	-	69	71
- The Priory Witham Academy	-	150	-	150	83
- The Priory Ruskin Academy	-	225	-	225	127
Other grants					
- The Priory Academy LSST	-	11	-	11	8
- The Priory City of Lincoln Academy	-	6	-	6	17
- The Priory Witham Academy	-	308	-	308	459
- The Priory Ruskin Academy	-	11	-	11	10
	-	855	-	855	865
Other educational bodies					
Other educational income					
- The Priory Academy LSST	-	20	-	20	6
- The Priory City of Lincoln Academy	-	2	-	2	24
- The Priory Witham Academy	-	2	-	2	19
- The Priory Ruskin Academy	-	4	-	4	26
	-	28	-	28	75
Funding sub-total (carried forward)	-	26,914	-	26,914	26,827

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

4 Funding For The Academy's Educational Operations (continued)

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Total 2016 £000
Funding sub-total (brought forward)					
Other income	-	26,914	-	26,914	26,827
Other grant income					
- The Priory Academy LSST	-	4	-	4	-
- The Priory City of Lincoln Academy	-	30	-	30	-
- The Priory Ruskin Academy	-	25	-	25	-
Minibus income					
- The Priory Academy LSST	-	11	-	11	16
- The Priory Ruskin Academy	-	1	-	1	2
Nursery income					
- The Priory Witham Academy	-	129	-	129	219
Staff on secondment					
- The Priory Academy LSST	-	57	-	57	-
- The Priory City of Lincoln Academy	-	48	-	48	2
- The Priory Witham Academy	-	123	-	123	6
- The Priory Ruskin Academy	-	45	-	45	1
Residential Centre Trip income					
- The Priory Academy LSST	-	379	-	379	63
- The Priory City of Lincoln Academy	-	45	-	45	24
- The Priory Witham Academy	-	58	-	58	9
- The Priory Ruskin Academy	-	90	-	90	33
School Fund income					
- The Priory Academy LSST	-	-	-	-	249
- The Priory City of Lincoln Academy	-	-	-	-	12
- The Priory Witham Academy	-	-	-	-	25
- The Priory Ruskin Academy	-	-	-	-	59
Sundry income					
- The Priory Academy LSST	-	74	-	74	102
- The Priory City of Lincoln Academy	-	14	-	14	14
- The Priory Witham Academy	-	44	-	44	9
- The Priory Ruskin Academy	-	95	-	95	90
	-	1,272	-	1,272	935
Funding for the Academy Trust's educational operations	-	28,186	-	28,186	27,762
2016 Total	-	27,762	-	27,762	

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

5 Other Trading Activities

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Total 2016 £000
Lettings and hire of facilities	153	-	-	153	145
Catering income	-	756	-	756	707
Music tuition	-	13	-	13	10
Sports Partnerships	-	-	-	-	2
Priory Lincoln Academy Sports Centre	161	-	-	161	172
Equestrian Centre	-	-	-	-	3
Vocational Centre	-	59	-	59	-
	314	828	-	1,142	1,039
2016 Total	320	719	-	1,039	

6 Investment Income

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Total 2016 £000
Interest from short-term deposits	4	-	-	4	-
Interest from cash in bank	46	-	-	46	98
	50	-	-	50	98
2016 Total	98	-	-	98	

7 Expenditure

	Staff Costs £000	Premises £000	Other £000	Total 2017 £000	Total 2016 £000
Expenditure on raising funds	269	19	733	1,021	724
Educational operations:					
- Direct costs	20,515	-	-	20,515	18,922
Depreciation	-	-	3,188	3,188	3,556
Amortisation of Intangible asset	-	-	15	15	3
Books, materials and supplies	-	-	1,032	1,032	1,142
Other	-	-	1,143	1,143	1,198
- Allocated support costs	3,437	-	-	3,437	4,046
Cleaning	-	679	-	679	627
Light and Heat	-	558	-	558	586
Rent, rates and water	-	303	-	303	254
Insurances	-	134	-	134	157
Other	-	811	1,039	1,850	1,904
Boarding activities:					
- Direct costs	-	-	73	73	79
- Allocated support costs	254	7	103	364	376
Teaching school	404	-	581	985	611
	24,879	2,511	7,907	35,297	34,185

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

Incoming/(outgoing) resources for the year include:	2017 £000	2016 £000
Operating leases	163	190
Amortisation of intangible assets	15	3
Depreciation of tangible fixed assets	3,215	3,540
Auditors' remuneration	31	50
- Payable to External Auditors - statutory audit		
- Payable to External Auditors - other services	1	1
- Payable to Internal Auditors - internal audit	9	11
Profit/(Loss) on disposal of fixed assets	-	(25)

Included within resources expended are the following transactions:

No individual transactions on these items exceed £5,000.

Nature of payment/expenditure:	2017 £	2016 £
Gifts made by the Trust	2,430	799
Fixed asset losses	-	25,480
Unrecoverable debts	2,929	2,330

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

8 Charitable Activities

	Total 2017 £000	Total 2016 £000
Direct costs - educational operations	25,930	24,838
Direct costs - boarding	73	79
Support costs - educational operations	6,961	7,574
Support costs - boarding	364	376
	<hr/>	<hr/>
	33,328	32,867

Analysis of support costs

	Boarding £000	Educational operations £000	Total 2017 £000	Total 2016 £000
Support staff costs	254	3,437	3,691	4,279
Premises costs	7	2,485	2,492	881
Other support costs	103	778	881	2,541
Governance costs	-	261	261	249
	<hr/>	<hr/>	<hr/>	<hr/>
Total support costs	364	6,961	7,325	7,950

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

9 Staff Costs

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

Charitable Activities	2017 No.	2016 No.
Average Headcount		
Teachers	462	451
Administration	182	174
Management	38	31
Total Headcount	682	656
Average Full Time Equivalent		
Teachers	402	404
Administration	148	141
Management	34	31
Total FTE	584	576

Staff costs comprise:	2017 £000	2016 £000
Wages and salaries	18,750	18,471
Social security costs	1,756	1,491
Operating costs of defined benefit pension schemes	2,993	2,901
Apprenticeship levy	33	-
	23,532	22,863
Supply staff costs	136	231
Staff restructuring costs	225	191
	23,893	23,305

Staff restructuring costs comprise:

Redundancy payments	127	51
Severance payments	98	131
Other restructuring costs	-	-
	225	191

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

9 Staff Costs (continued)

Staff severance payments

Included in staff restructuring costs are non-statutory /non-contractual severance payments totalling £98,244 (2016: £138,108). Individually the payments were:

o £18,123	o £17,500	o £10,000	o £3,000
o £18,871	o £11,250	o £2,500	o £17,000

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 and Skills 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 21 (2016: 19). The total emoluments of these employees were in the following ranges:

	2017 No.	2016 No.
£60,001 - £70,000	13	11
£70,001 - £80,000	2	5
£80,001 - £90,000	4	2
£90,001 - £100,000	1	0
£140,001 - £150,000	1	0
£150,001 - £160,000	0	1
	21	19

Of the above, 19 employees (2016: 17) participated in the Teachers' Pension Scheme. During the year ended 31 August 2017, employer's pension contributions for these staff amounted to £234,057 (2016: £206,348).

Of the above employees, 1 employee (2016: 1) participated in the Local Government Pension Scheme. During the year ended 31 August 2017, employer's pension contributions for this member of staff amounted to £12,442 (2016: £14,884).

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 £993,033 (2016: £917,932).

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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:

	2017 £000	2016 £000
Mr I Jones – CEO and Trustee		
Remuneration	145-150	150-155
Employer pension contributions	20-25	25-30
Mr P Murphy – Staff Governor and Trustee		
Remuneration	-	45-50
Employer pension contributions	-	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 £24,720 (2016: £25,111):

During the year ended 31 August 2017, the following payments were made to Trustees:

	2017 £	2016 £
Trustees' expenses		
Travel & subsistence within the UK	685	794
Other expenses*	200	674
Disclosed as Trustees' expenses	885	1,468

*Claimed by reason of employment

Number of Trustees claiming expenses	3	3
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The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

11 Intangible Fixed Assets

	Computer software £000	Development costs £000	Total £000
Cost or valuation			
At 1 September 2016	53	-	53
Additions	-	-	-
At 31 August 2017	53	-	53
Accumulated depreciation and impairment provisions			
At 1 September 2016	3	-	3
Charged in period	15	-	15
At 31 August 2017	18	-	18
Net book values			
At 31 August 2016	50	-	50
At 31 August 2017	35	-	35

12 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Assets under Construction £000	Motor Vehicles £000
Cost or valuation				
At 1 September 2016	5,718	83,201	-	73
Additions	25	108	830	20
At 31 August 2017	5,743	83,309	830	93
Accumulated depreciation and impairment provisions				
At 1 September 2016	529	6,994	-	32
Charged in period	89	1,387	-	14
At 31 August 2017	618	8,381	-	46
Net book values				
At 31 August 2016	5,189	76,207	-	41
At 31 August 2017	5,125	74,928	830	47

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

12 Tangible Fixed Assets (continued)

	Computer Hardware £000	Furniture and Equipment £000	Total £000
Cost or valuation			
At 1 September 2016	5,031	17,741	111,764
Additions	22	41	1,046
At 31 August 2017	5,053	17,782	112,810
Accumulated depreciation and impairment provisions			
At 1 September 2016	3,785	8,828	20,168
Charged in period	379	1,346	3,215
At 31 August 2017	4,164	10,174	23,383
Net book values			
At 31 August 2016	1,246	8,913	91,596
At 31 August 2017	889	7,608	89,427

Type of agreement	Classification	Site	2017 NBV £000	2016 NBV £000
Long term lease	Leasehold	Lincoln	17,372	17,700
Development lease	Leasehold	Witham	15,964	16,234
Development lease	Leasehold	Ruskin	8,309	8,450
Development lease	Leasehold	LSST	33,283	33,822
			74,928	76,207

There have been no acquisition or disposal of freehold or leasehold property during the accounting year ended 31 August 2017.

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

13 Current Asset Investments

	2017 £000	2016 £
Value at 1 September	-	1
Additions	5,501	-
Written off	-	(1)
Value at 31 August	5,501	-

The Trust held investments of £5,501,000 relating to sterling deposits (exceeding 3 months maturity from the balance sheet date). The prior year movement relates to the Laughton Livery Centre Ltd that was dissolved 19 January 2016.

14 Stock

	2017 £000	2016 £000
General books and stationery	15	18

15 Debtors

	2017 £000	2016 £000
Trade debtors	175	121
Prepayments and accrued income	933	825
Other taxes - VAT	206	82
Other debtors - due under 1 year	13	-
Other debtors	1	1
	1,328	1,029

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

16 Creditors: Amounts Falling Due Within One Year

	2017 £000	2016 £000
Trade creditors	718	469
Accruals and deferred income	1,413	937
Other creditors	415	375
Other taxation and social security	436	438
	<u>2,982</u>	<u>2,219</u>

	2017 £000	2016 £000
Deferred income		
Deferred income at 1 September	775	651
Resources deferred in the year	1,005	775
Amount released from previous year	(775)	(651)
Deferred income at 31 August	<u>1,005</u>	<u>775</u>

Deferred income at 31 August comprises:	2017 £000	2016 £000
Boarding fees paid in advance for dates outside reporting period	181	221
ESFA grants re bursary and other grants applicable to future periods	235	205
Lincolnshire County Council and other educational grants applicable to future periods	8	30
DFE grants re school improvement applicable to future periods	205	-
National College – Teaching School Alliance Membership - dates outside reporting period	66	93
Income for trips received in advance where the visit date falls within future periods	209	171
Charitable funds raised to be donated	16	22
Portion of School Games Organiser Grant that falls outside the reporting period	28	33
Combined Cadet Force and Duke of Edinburgh income that falls outside of reporting period	43	-
Other	14	-
	<u>1,005</u>	<u>775</u>

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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 2016 £000	Incoming Resources £000	Resources Expended £000	Gains, (Losses) and Transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	5,655	24,423	(24,960)	2	5,120
Start Up Grant	2,466	15	-	(861)	1,620
Other DfE/ ESFA grants	99	1,630	(1,492)	(112)	125
Local government grants	77	855	(847)	-	85
Other educational bodies	16	87	(86)	-	17
Teaching Alliance	(51)	1,151	(986)	-	114
Sports Partnership	55	-	-	-	55
Provision for boarding	621	551	(434)	-	738
Other income	243	227	(227)	(2)	241
Vocational	-	59	(267)	-	(208)
Pension reserve	(6,856)	-	-	1,811	(5,045)
	2,325	28,998	(29,299)	838	2,862
Restricted fixed asset funds					
DfE/ESFA capital grants	7,289	-	(209)	112	7,192
Faraday Centre funding	468	-	(38)	-	430
Other educational bodies	45	-	(1)	-	44
School carry forwards	638	-	(12)	-	626
Priory Fundraising Trust	574	-	(6)	-	568
Sports England	123	-	(11)	-	112
Partnership for Schools	81,324	-	(2,918)	861	79,267
Football Foundation	205	-	(12)	-	193
Laughton Manor Proceeds	1,685	-	(23)	-	1,662
	92,351	-	(3,230)	973	90,094
Restricted endowment					
Sponsorship	500	-	-	-	500
Total restricted funds	95,176	28,998	(32,529)	1,811	93,456
Unrestricted general funds					
General funds	1,876	378	(130)	-	2,124
Total unrestricted funds	1,876	378	(130)	-	2,124
Total funds	97,052	29,376	(32,659)	1,811	95,580

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

17 Funds (continued)

Analysis of Academies by fund balance

Fund balances at 31 August 2017 were allocated as follows:

	2017 £000	2016 £000
The Priory Academy LSST	2,965	2,885
The Priory City of Lincoln Academy	163	466
The Priory Witham Academy	1,956	1,912
The Priory Ruskin Academy	1,115	1,563
Vocational	(351)	-
Teaching School	(63)	-
Central services	4,339	4,377
Boarding	407	354
Total before fixed assets and pension reserve	10,531	11,557
Restricted fixed asset fund	90,094	92,351
Pension reserve	(5,045)	(6,856)
Total	95,580	97,052

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

17 Funds (continued)

Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (Excluding Dep'n) £000	Total 2017 £000	Total 2016 £000
The Priory Academy LSST	6,799	981	595	751	9,126	10,761
The Priory City of Lincoln Academy	3,537	776	302	509	5,124	6,148
The Priory Witham Academy	4,946	1,000	262	401	6,609	8,085
The Priory Ruskin Academy	5,234	764	348	482	6,828	7,995
Central Services	529	313	107	737	1,686	1,191
Total	21,045	3,834	1,614	2,880	29,373	34,180

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

17 Funds (continued)

Educational Income and Grants

General Annual Grant (GAG)

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

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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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 ESFA 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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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 2017 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	-	-	-	35	35
Tangible fixed assets	-	-	-	89,427	89,427
Current assets	2,124	10,889	500	632	14,145
Current liabilities	-	(2,982)	-	-	(2,982)
Pension scheme liability	-	(5,045)	-	-	(5,045)
Total net assets	2,124	2,862	500	90,094	95,580

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

19 Academy Boarding Trading Account for the year ended 31 August 2017

	2017 £000	2016 £000
Income		
Fee income	551	554
Other income	-	6
	<u>551</u>	<u>560</u>
Expenditure		
Direct costs		
Catering costs	73	79
Doubtful debt provision	-	(1)
Total direct costs	<u>73</u>	<u>78</u>
Indirect costs		
Teaching staff costs	96	88
Support staff costs	146	145
Education costs	22	18
Occupancy costs	61	71
Buildings maintenance and loose equipment	7	16
Depreciation	3	12
Auditors' remuneration	-	7
Other indirect costs	29	20
Total indirect costs	<u>364</u>	<u>377</u>
Total operating costs	<u>437</u>	<u>455</u>
Surplus/(Deficit) on Boarding	114	105
Surplus/(Deficit) brought forward at 1 September	627	522
Surplus/(Deficit) carried forward at 31 August	<u>741</u>	<u>627</u>

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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"> Standards support including intervention Alternative curriculum co-ordination Student welfare support Residential curriculum centre costs
Financial Services	<ul style="list-style-type: none"> Strategic capital expenditure Statutory accounts preparation Budget preparation Monthly management reporting Invoicing Payroll and expenses processing
Human Resources Services	<ul style="list-style-type: none"> Co-ordination of recruitment Heads' performance appraisals Disciplinary and grievance support Legal support
Information Technology Services	<ul style="list-style-type: none"> Provision and purchase of hardware, software and network services Support of the above IT strategy
Contract & Procurement Services	<ul style="list-style-type: none"> Contract negotiation for shared services Project management for capital projects Facilities and estates co-ordination Insurances
Communication and Marketing Services	<ul style="list-style-type: none"> Press releases and media co-ordination Freedom of information requests handling

In 2016 the method used for the contribution of the Academies to the Central Services was in line with the Local Authority method of a 7.5% of the ESFA's school budget share income together with any Start-up and Insurance grants. In 2017 the Trust reviewed this allocation and changed the method to allocating the cost through service level agreements. The service level agreements cover all the central service costs to enable the above delivery. In addition to this, the central service still administers the 16-19 Bursary Funds.

The actual amounts contributed during the year were as follows:

	2017 £000	2016 £000
The Priory Academy LSST	825	888
The Priory Witham Academy	552	553
The Priory City of Lincoln Academy	463	497
The Priory Ruskin Academy	618	661
Boarding	34	-
Vocational	13	-
Teaching School Alliance	67	30
	<u>2,572</u>	<u>2,629</u>

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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 2016/17 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.

In 2016/17 there were no related movements. Prior year movements are disclosed below.

	2017 £000	2016 £000
Opening debtor	-	1
Sales Ledger Banked by Federation	-	-
Bank transfer	-	(1)
Closing debtor	-	-

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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 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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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 18 September 2017.

Contributions amounting to £366,676 (2016: £358,121) were payable to the LGPS and TPS at 31 August 2017 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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (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 16.48%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015 with an administration charge of 0.08%, 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 £2,085,110 (2016: £2,029,416).

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 2017 was £1,193,915 (2016 £1,147,782), of which employer's contributions totalled £907,871 (2016 £874,722) and employees' contributions totalled £286,044 (2016 £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 18.2% for employer's contributions from 1 April 2017. Prior to this the employer's contributions was 19.0% plus an additional lump sum contributions of £6,000 per annum (£500 per month). The additional lump sum was to partly address the deficit in the scheme agreement. The current agreement is for the employer rate to remain at 18.2% for three years to March 2020 (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 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

24 Pension Commitments (continued)

Local Government Pension Scheme (continued)

The major assumptions used by the actuary were:

	At 31 August 2017 % per annum	At 31 August 2016 % per annum
Pension increase rate	2.4%	2.1%
Salary increases	2.8%	3.6%
Expected return on Assets	2.5%	2.1%
Rate of discount	2.5%	2.1%

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 2017 No. Years	At 31 August 2016 No. Years
Longevity at age 65 for current pensioners		
Males	22.1	22.2
Females	24.4	24.4
Longevity at age 65 for future pensioners		
Males	24.1	24.5
Females	26.6	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%	2,846
1 year increase in life expectancy	3%	598
0.5% increase in the Salary Increase Rate	2%	329
0.5% increase in the Pension Increase Rate	12%	2,482

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

24 Pension Commitments (continued)

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

	Fair Value at 31 August 2017 £000	Fair Value at 31 August 2016 £000
Equities	12,364	10,058
Bonds	1,902	1,698
Property	1,427	1,306
Cash	158	-
Total assets	15,851	13,062
Present value of scheme liabilities		
- Funded	(20,896)	(19,918)
- Unfunded	-	-
Deficit in the scheme	(5,045)	(6,856)

The actual return on the scheme assets in the year was £2,189,000 (2016: £2,079,000).

Amounts recognised in the Statement of Financial Activities

	2017 £000	2016 £000
Current service cost (net of employee contributions)	1,847	1,220
Past service costs	5	-
Losses / (gains) on curtailments and settlements	-	-
Total operating charge	1,852	1,220

Analysis of pension finance (income)/costs

Interest on pension liabilities	439	516
Expected return on pension scheme assets	(285)	(397)
Pension finance (income)/costs	154	119

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

24 Pension Commitments (continued)

Net (loss)/gain recognised in the current year

	2017 £000	2016 £000
Actuarial gains/(losses) on pension scheme assets	1,009	(5,625)
Actuarial gains/(losses) on scheme liabilities	1,722	2,079
Total amount	2,731	(3,546)

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

	2017 £000	2016 £000
Scheme liabilities at 1 September	19,918	12,893
Current service cost	1,847	1,220
Past service cost	5	-
Interest cost	439	516
Contributions by scheme participants	288	273
Actuarial gains/(losses)	(1,448)	5,109
Losses on Curtailments	-	-
Estimated benefits paid	(153)	(93)
Scheme liabilities at 31 August	20,896	19,918

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

	2017 £000	2016 £000
Fair value of scheme assets at 1 September	13,062	9,928
Expected return on scheme assets	1,437	1,682
Actuarial gains/(losses)	285	397
Contributions by employer	932	875
Contributions by scheme participants	288	273
Benefits paid	(153)	(93)
Fair value of scheme assets at 31 August	15,851	13,062

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

25 Controlling Party

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

26 Capital Commitments

	2017 £000	2016 £000
Contracted for, but not provided in the financial statements	1,156	17
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 2017.

27 Lease Commitments

At 31 August 2017 the Priory Federation of Academies had total future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Amounts due:		
Land and buildings		
Within one year	10	9
Within two to five years	40	37
After five years	79	83
	<hr/> 129	<hr/> 129
Other		
Within one year	153	162
Within two to five years	318	184
After five years	-	-
	<hr/> 471	<hr/> 346
	<hr/> 600	<hr/> 475

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

28 Reconciliation Of Net Income To Net Cash Inflow/(Outflow) From Operating Activities

	2017 £000	2016 £000
Net (outgoings)/ incoming resources for the year	(4,203)	(4,159)
Depreciation of tangible and intangible fixed assets	3,230	3,543
(Profit)/loss on sale and disposal of assets	-	26
Capital grants from DfE and other capital income	-	-
Interest receivable	(53)	(107)
Defined benefit scheme finance cost	920	345
Decrease/(increase) in stock	3	4
Decrease/(increase) in debtors	(299)	110
Increase/(decrease) in creditors	763	(762)
Net cash inflow/(outflow) from operating activities	361	(1,000)

29 Cash flow from Investing Activities

	2017 £000	2016 £000
Interest received from investments	53	107
Cash transferred to investments	(5,501)	-
Net cash inflow from investing activities	(5,448)	107

30 Cash flows from Financing Activities

	2017 £000	2016 £000
Purchase of tangible fixed assets	(1,046)	(1,037)
Net cash provided by (used in) financing activities	(1,046)	(1,037)

The Priory Federation of Academies

(Registered number 06462935) Financial Statements for the Year Ended 31 August 2017

Notes to the Financial Statements for the year ended 31 August 2017 (continued)

31 Analysis of cash and cash equivalents

	At 31 August 2016 £000	Cash flows £000	At 31 August 2017 £000
Cash in hand and at bank	13,434	(6,133)	7,301

32 Major Non Cash Transactions

There were no major non cash transactions 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

On 1 September 2017 Ling Moor Primary Academy transferred to the trust, and on the same date, Cherry Willingham Community School transferred to the trust as The Priory Pembroke Academy. On 1 October 2017, Belvoir High School transferred to the trust as The Priory Belvoir Academy. Through the due diligence carried out by The Trust it is confident that the new Academies are financially viable going forward.

35 Contingent Liability – Legal Dispute

The Priory Federation of Academies Trust is engaged in a legal dispute with a former member of staff. The directors are of the opinion that any claim, if formally commenced, can be successfully resisted by the company.