



A14 *A7KR6EU1* 14/12/2018 #252
COMPANIES HOUSE

THE
PRIORITY
FEDERATION
OF ACADEMIES

(A Company Limited by Guarantee)

Annual Report and Financial Statements
Year ended 31st August 2018

Company Registration Number 06462935 (England and Wales)

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Contents

	Pages
Reference and Administrative Details	2 – 3
Trustees' Report	4 – 10
Governance Statement	11 – 15
Statement on Regularity, Propriety and Compliance	16
Statement of Trustees' Responsibilities	17
Independent Auditor's Report on the Financial Statements	18 – 20
Independent Reporting Accountant's Report on Regularity	21 – 22
Statement of Financial Activities	23
Balance Sheet	24
Statement of Cash Flows	25
Notes to the Financial Statements	26 – 67

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

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)
	a	I Jones
	b	F Knowles
	b	J Powell (resigned 31 st August 2018)
	b	P Houten
	b	R Partington
	b	L Gillanders (resigned 31 st August 2018)

Key	a	Trustee appointed by Members
	b	Trustee appointed by Sponsor

Chief Executive/Accounting Officer
Chief Financial Officer/Company Secretary
Clerk to the Trustees

I Jones
D Carchedi
M Mammatt

Executive Leadership Team:

Head, The Priory Academy LSST & Deputy CEO
Head, The Priory Witham Academy & Lincoln Secondary Representative
Head, The Priory Ruskin Academy & Grantham Secondary Representative
Primary Executive
Director of Teaching & Learning
Director of Welfare
Director of Human Resources

J Hopkinson
A Madge
R Wyles
J Marston
A Chisholm
R Reeve
J Wilson

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Reference and Administrative Details (continued)

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

Financial Statements for the Year Ended 31 August 2018

Trustees' Report

The Trustees present their annual report, together with the financial statements and auditor's report of the charitable company for the period 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a Trustees' report, and a directors' report under company law.

The Trust operates ten academies; five secondary, one all-through and four primary with a combined roll of 7,214 in the school census on 1 October 2018.

Two of the secondary and three of the primary academies were new joiners during the reporting period. One primary academy joined on 1 September 2018, outside the reporting period.

Structure, Governance and Management

Constitution

The Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the 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 operates as The Priory Federation of Academies.

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

Members' Liability

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

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

A minimum of two 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

Financial Statements for the Year Ended 31 August 2018

Trustees' Report (continued)

Organisational Structure

As at 31st August 2018, The Priory Federation of Academies consisted of five secondary academies (The Priory Academy LSST, The Priory City of Lincoln Academy, The Priory Ruskin Academy, The Priory Belvoir Academy and The Priory Pembroke Academy), one all-through academy (The Priory Witham Academy) and three primary academies (Ling Moor Primary Academy, Heighington Millfield Primary Academy and Huntingtower Community Primary Academy).

On 1st September 2018, Waddington Redwood Primary School converted to academy status and transferred to the Trust.

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 Trust 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.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
11	9

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1% - 50%	11
51% - 99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£2,560
Total pay bill	£29.5m
% spent on facility time	0.01%

Paid trade union activities

There was no expenditure on paid trade union activities

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Trustees' Report (continued)

Related Parties and other Connected Charities and Organisations

The Priory Fundraising Trust is the sponsor of The Priory Federation of Academies. Its 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 24 other academies throughout Lincolnshire.

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 academies offering a broad and balanced curriculum.

The 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 objectives are set out in the Trust's Statement of Strategic Intent, which is reviewed annually and used to inform the MAT's Development Plan:

1. To deliver successful hubs in Lincoln and Grantham
2. To incorporate a Maximising Performance framework that ensures Performance Management impacts positively on the quality of teaching
3. To provide expert central services
4. To have a clear and transparent governance structure
5. To be the first choice destination for staff and pupils
6. To use a Maximising Learning framework that monitors and improves teaching
7. To incorporate a Maximising Effectiveness framework that provides high quality CPD
8. To offer a broad and balanced curriculum through the Priory Baccalaureate
9. To deliver a values programme for all academies
10. To ensure that all pupils make progress

Public Benefit

In accordance with the guidance laid down by the ESFA in the 2017 to 2018 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

Financial Statements for the Year Ended 31 August 2018

Trustees' Report (continued)

Strategic Report

Achievements and Performance

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.'

The Trust's Statement of Strategic Intent, which is reviewed each year, provides an overarching framework for the direction of the Trust.

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

Key Performance Indicators

Secondary (Provisional 2018)

	Progress 8	Attainment 8	% Eng and mat L5+	Ebacc	% Staying in education or entering employment
Belvoir	0.14	47.3	41	4.49	97
Lincoln	-0.47	42.3	24	3.24	94
LSST	-0.09	56.7	67	5.52	98
Pembroke	-0.06	41.3	33	3.63	n/a
Ruskin	-0.16	44.4	36	3.68	95
Witham	-0.19	35.5	13	2.91	90

Primary (Provisional 2018)

%	Reading	Writing	Mathematics	GPAS	R, Wr, Ma
Ling Moor	77	86	93	80	76
Witham	57	58	51	49	39

	Reading	Writing	Mathematics
Ling Moor	-0.4	+0.7	+1.3
Witham	-2.61	-0.3	-1.9

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Trustees' Report (continued)

School Centred Initial Teacher Training

The Trust's SCITT has developed successful relationships with the University of Lincoln and a number of local teaching schools and Lead Schools.

A total of 84 students graduated in the 2017/18 cohort and 104 students were recruited to the 2018/19 cohort.

Lincolnshire Teaching School Alliance

Lincolnshire Teaching School Alliance continues to work closely with 24 secondary schools across Lincolnshire. It has developed strong working relationships with a network of regional teaching schools and contributes effectively to the school-led system.

Expansion

Ling Moor Primary Academy joined the Trust in September 2017.

A Primary Executive was appointed to the Federation Executive Team with responsibility for further expansion and development of the Primary Hubs in the Lincoln and Grantham areas. Since that appointment, Huntingtower, Heighington Millfield and Waddington Redwood have joined the Trust's Primary Hub.

Equal Opportunities Policy

The trustees recognise that equal opportunities is an integral part of good practice within the workplace. The Trust 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.

Going Concern

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

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Trustees' Report (continued)

Financial Review

The majority of the Trust's income is obtained from the Education and Skills Funding Agency (ESFA), an agent of the Department for Education (DfE), in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the period ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Trust 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.

Total income for the year was £60.0m and expenditure (including depreciation of £3.4m) amounted to £43.8m which resulted in a net inflow of funds of £16.2m. Total income includes the transfer of new academies, totalling £22.1m. Excluding this, the net outflow of funds for the year is £6.1m.

Total funds at 31 August 2018 are in surplus by £115.4m, made up of a surplus of £113.0m restricted funds and £2.4m unrestricted funds. The restricted funds comprise £113.4m for the restricted fixed asset fund, £4.8m restricted operating funds, £0.5m endowment funds and a pension reserve fund deficit of £5.7m.

Membership of the Local Government Pensions Scheme is offered to all support staff as per the terms of the Funding Agreement. As at 31 August 2018, the government-backed scheme was in overall deficit, with £5.7m attributable to the Trust. This is an increase of £0.7m, comprised of transferred deficits from new academies of £2.8m and a reduction of £2.1m due to improved returns and changes in actuarial assumptions. Predicted changes in employer contribution rates to reduce the deficit are factored in to the Trust's financial plans.

The Trust maintains live financial plans for each academy that aim to predict the forecast position at the end of the year. These plans are extended over a rolling five-year period to ensure that academies are able to maintain a viable long term financial position whilst continuing to raise educational standards.

Reserves Policy

The Trust has established a policy that monitors and sets the level of reserves required over its combined five-year plans to ensure sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies. Academies look to maintain a targeted level of reserves to meet these demands proportionately. There is also a centrally held contingency which is managed to support those academies within the Trust with financial challenges and ensure the overall reserves of the Trust are maintained at the desired level.

As at 31 August 2018, these combined reserves comprise restricted operating reserves, restricted endowment funds and unrestricted reserves, totalling £7.7m.

Investment Policy

The Trust holds and monitors its cash balances centrally. Amounts not deemed to be required immediately are invested in zero-risk fixed-term deposits with UK high street banks.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Trustees' Report (continued)

Principal Risks and Uncertainties

Trustees' are of the opinion that during the year, the Trust was operating an effective set of controls to manage risk and implemented mitigation activities where appropriate. The formal process around risk was regularly reviewed by the Audit Committee and the outcomes presented to Trustees.

Significant increases to nationally agreed salary levels, pension contributions and uncertainty over future ESFA funding has caused pressure on schools to set conservative budgets and ensure adequate reserves are maintained across the Trust.

Fundraising

The Trust's fundraising activities are limited to the letting of premises and facilities for community use when not utilised for the Trust's educational purposes and from voluntary contributions for educational visits.

Plans for Future periods

The future plans for the Trust are set out in the Statement of Strategic Intent.

Auditor

In so far as the Trustees are aware:

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

A tendering process will begin to appoint a new auditor ahead of the 2018/19 year end.

Trustees' report, incorporating a strategic report, approved by order of the Board of Trustees, as the company directors, on 10 December 2018 and signed on the Board's behalf by:



H Gee
Chair of Trustees

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Governance Statement

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 five 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)	5	5
S Richardson	5	5
I Jones	5	5
F Knowles	4	5
J Powell	5	5
P Houten	4	5
L Gillanders	3	5
R Partington*	2	5

* 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 Board.

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

Trustee	Meetings attended	Out of a possible
L Gillanders (Chair)	5	5
H Gee	5	5
F Knowles	5	5
I Jones	5	5

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Governance Statement (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 strategy and standards across the academies.

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	1	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 risks; 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	4
H Gee	3	4
I Jones	4	4

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

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

Trustee	Meetings attended	Out of a possible
J Powell (Chair)	4	4
P Houten	4	4
D Finch (co-opted non-Trustee) (end of term 31-12-17)	2	2
J Kirkham (co-opted non-Trustee)	2	4

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.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Governance Statement (continued)

Review of Value for Money

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

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

Improving educational outcomes

- The 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.
- The Trust's Teaching School Alliance of 24 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 programme demonstrates that it is attempting to address, in part, the skills shortage in the education sector.
- The Trust's Education & Standards Committee met formally three times during 2017-18 and also held regular clinics with the Trust's Headteachers, providing support and challenge in pursuit of higher standards and monitoring the effectiveness of the academies in terms of the key performance indicators that relate to students.

Financial governance and oversight

- The Trust's Finance Committee and Audit Committee met a total of nine times during 2017-18, 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 IT Security; Business Continuity Planning; Budgetary Control and Financial Reporting; Payroll & HR; Capital Projects; and Funding Data Returns, with assurance given that adequate and effective systems were in place.
- Updates to the Trust's Scheme of Delegated Authority – to regularise Board-level reporting of live financial positions – were prepared ahead of its next annual review.

Purchasing

- Contracts and services were regularly reviewed – particularly at any annual review or full-term renewal – to ensure that the Trust obtained optimum value for money. Price rises in utilities were minimised through early, strategic negotiations and prompt decisions.
- Economies of scale and multi-site discounts were achieved through a collaborative cross-academies approach by the Federation's Estates and Facilities team.
- The Trust entered into framework arrangements for certain levels of procurement so that, where applicable, best value scrutiny was carried out by independent third parties.
- 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.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Governance Statement (continued)

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 Partners to review individual academy budgets. The Federation's Management Team received regular budget reports from the Chief Financial Officer to help assess current and forecast (up to five 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 academies may experience.

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.
- The Trust continued 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 assuming that there will be national shortages of teachers in the future. The Trust continued to "grow its own" and, in addition to its SCITT recruitment, was identified as one of the leading MATs in the country for the promotion of middle leaders into senior leadership posts (source: Ambition School Leadership and the Education Policy Institute).
- The Trust received independent assurance from the Association of School and College Leaders (ASCL) that an effective central services function was in operation; and that "finances across the MAT are managed effectively, directed at the benefit of its pupils and in line with overall core values".
- 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 on-going process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has continued in place in the Trust throughout the period 1 September 2017 to 31 August 2018 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 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 Trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 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

Financial Statements for the Year Ended 31 August 2018

Governance Statement (continued)

The Risk and Control Framework

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

- 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 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
- the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee 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 board of trustees on 10 December 2018 and signed on its behalf by:



H Gee
Chairman



I Jones
Accounting Officer

The Priory Federation of Academies

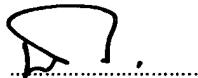
Financial Statements for the Year Ended 31 August 2018

Statement of Regularity, Propriety and Compliance

As accounting officer of The Priory Federation of Academies I have considered my responsibility to notify the Trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, 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 2018.

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 2018.

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
10 December 2018



The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Statement of Trustees' Responsibilities

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

Company law requires the trustees to prepare 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 2017 to 2018
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 10 December 2018 and signed on its behalf by:



H Gee
Chairman

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

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 (the 'Multi-Academy Trust') for the year ended 31 August 2018 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Academy 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 Academy'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 Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Independent Auditor's Report on the Financial Statements to the Members of The Priory Federation of Academies (continued)

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.

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 the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report and the Strategic report have been prepared in accordance with applicable legal requirements.

Matters On Which We Are Required To Report By Exception

In the light of our knowledge and understanding of the Academy 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' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities Of Trustees

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the Academy 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 Academy'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 Academy or to cease operations, or have no realistic alternative but to do so.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Independent Auditor's Report on the Financial Statements to the Members of The Priory Federation of Academies (continued)

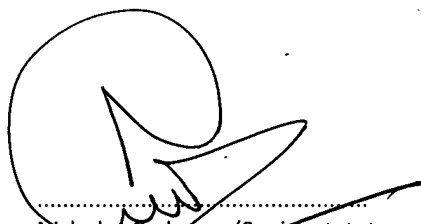
Auditors' Responsibilities For The Audit Of The Financial Statements

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 Auditors' 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. This description forms part of our Auditors' report.

Use Of Our Audit Report

This report is made solely to the Academy's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Nicholas Cudmore (Senior statutory auditor)
for and on behalf of
Duncan and Toplis Limited
Chartered Accountants and Statutory Auditors
15 Chequergate
Louth
Lincolnshire
LN11 0LJ

Date:

10th December 2018

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

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

In accordance with the terms of our engagement letter dated 25 September 2015 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Priory Federation of Academies during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Priory Federation of Academies and 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 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 ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Priory Federation of Academies' accounting officer and the reporting accountant

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 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure.

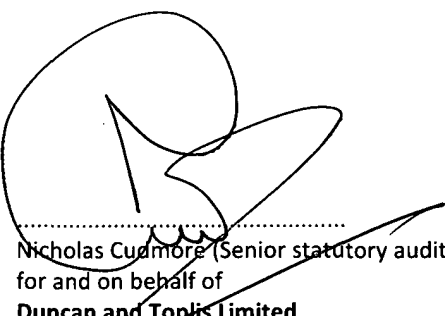
The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Independent Reporting Accountant's Assurance Report on Regularity to The Priory Federation of Academies and the Education & 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 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not confirm to the authorities which govern them.



Nicholas Cudmore (Senior statutory auditor)
for and on behalf of
Duncan and Toplis Limited
Chartered Accountants and Statutory Auditors
15 Chequergate
Louth
Lincolnshire
LN11 0LJ

Date: 10th December 2018

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Statement of Financial Activities

for the year ended 31 August 2018 (including Income and Expenditure Account)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Endowment Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Income and endowments from:							
Donations and capital grants	3	47	(2,994)	-	25,107	22,160	14
Charitable activities:							
Funding for the Trust's educational operations	4	-	34,917	-	-	34,917	28,186
Provision of boarding activities	20	-	478	-	-	478	551
Teaching school	37	-	1,003	-	-	1,003	1,151
Other trading activities	5	360	1,034	-	-	1,394	1,142
Investments	6	37	-	-	-	37	50
Total		444	34,438	-	25,107	59,989	31,094
Expenditure on:							
Raising funds	7	142	953	-	-	1,095	1,021
Charitable activities:							
Trust's educational operations	7	-	38,005	-	3,352	41,357	32,854
Provision of boarding activities	20	-	455	-	3	458	437
Teaching school	37	-	932	-	-	932	985
Total		142	40,345	-	3,355	43,842	35,297
Net income/(expenditure)		302	(5,907)	-	21,752	16,147	(4,203)
Transfers between funds	18	-	(1,548)	-	1,548	-	-
Other recognised gains/(losses)							
Actuarial (losses)/gains on defined benefit pension schemes	38	-	3,656	-	-	3,656	2,731
Net movement in funds		302	(3,799)	-	23,300	19,803	(1,472)
Reconciliation of funds							
Total funds brought forward		2,124	2,862	500	90,094	95,580	97,052
Total funds carried forward		2,426	(937)	500	113,394	115,383	95,580

The Priory Federation of Academies

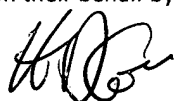
Financial Statements for the Year Ended 31 August 2018

Balance Sheet as at 31 August 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	11	25	35
Tangible assets	12	113,196	89,427
Current assets			
Investments	13	2,997	5,501
Stock	14	21	15
Debtors	15	1,775	1,328
Cash at bank and in hand	30	7,771	7,301
		<u>12,564</u>	<u>14,145</u>
Liabilities			
Creditors - amounts falling due within one year	16	(4,556)	(2,982)
Net current assets		<u>8,008</u>	<u>11,163</u>
Total assets less current liabilities		<u>121,229</u>	<u>100,625</u>
Creditors: Amounts falling due after more than one year	17	(127)	-
Net assets excluding pension liability		<u>121,102</u>	<u>100,625</u>
Defined benefit pension scheme liability	38	(5,719)	(5,045)
Total net assets		<u>115,383</u>	<u>95,580</u>
Funds of the Academy Trust:			
Restricted funds			
Restricted fixed asset funds	18	113,394	90,094
Restricted general funds	18	4,782	7,907
Endowment funds	18	500	500
Pension reserve	18	(5,719)	(5,045)
Total restricted funds		<u>112,957</u>	<u>93,456</u>
Unrestricted income funds	18	<u>2,426</u>	<u>2,124</u>
Total funds		<u>115,383</u>	<u>95,580</u>

The financial statements on pages 23 to 67 were approved by the Trustees and authorised for issue on 10 December 2018 and signed on their behalf by:

.....
H Gee
Chairman



The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Statement of Cash Flows for the year ended 31 August 2018

		2018 £000	2017 £000
	Note		
Cash flows from operating activities			
Net cash provided by (used in) operations	27	133	361
Cash flows from investing activities	28	2,544	(5,448)
Cash flows from financing activities	29	(2,207)	(1,046)
Change in cash and cash equivalents in the reporting period	30	470	(6,133)
Cash and cash equivalents at 1 September 2017		7,301	13,434
Cash and cash equivalents at 31 August 2018		7,771	7,301

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements

1 Accounting Policies

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

Basis of Preparation

The financial statements of the Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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 Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

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

- **Grants**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of 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 Trust is not subject to a limited GAG carried forward amount.

- **Sponsorship income**

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

- **Donations**

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

- **Other income**

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the 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.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

- **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'.

- **Transfer on conversion**

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

- **Transfer of existing academies into the Trust**

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

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

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

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 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 Trust's educational operations, including support costs and costs relating to the governance of the Trust apportioned to charitable activities.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (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 Trust was established are included in the accounts at cost, net of depreciation and any provision for impairment.

Assets costing £2,500 or more are capitalised as tangible fixed assets are carried at cost, net of depreciation and any provision for impairment.

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

Within the 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 Trust retains all operational use, risk and reward associated, although the legal title remains with the Priory Fundraising Trust.

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

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

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

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

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

Liabilities

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

Provisions

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

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

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 Trust's accounting policy regarding tangible fixed assets.

Leased Assets

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

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 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.

Stocks

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

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

Taxation

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

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

As of 1 April 2011 the Trust 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 Benefits

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

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

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

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Fund Accounting

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

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

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

Critical accounting estimates and areas of judgement

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

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

The 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 38, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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 academy trust does not have control over the charitable application of the funds. The academy 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 34.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

2 General Annual Grant

The Trust does not have a limit on the amount of GAG that can be carried forward from year-to-year, as per the Academies' Financial Handbook 2018.

3 Donations And Capital Grants

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Interest received on endowment funds	3	-	-	3	3
Donations received	8	-	-	8	11
Transfers on conversion	-	(764)	8,397	7,633	-
Transfers of existing academies	36	(2,230)	16,710	14,516	-
	47	(2,994)	25,107	22,160	14
2017 total	14	-	-	14	

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

4 Funding for the Trust's educational operations

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
DfE / ESFA grants					
General Annual Grant (GAG)	-	29,627	-	29,627	24,423
Start-up grants	-	52	-	52	15
Capital formula grants	-	162	-	162	148
Pupil Premium grant	-	1,396	-	1,396	1,168
Rates Relief Funding	-	255	-	255	201
16-19 Bursary	-	3	-	3	4
Other grants	-	499	-	499	72
	-	31,994	-	31,994	26,031
Other Government grants					
Special educational needs	-	586	-	586	519
Other grants	-	1,005	-	1,005	336
	-	1,591	-	1,591	855
Other educational bodies					
Other educational income	-	112	-	112	28
	-	112	-	112	28
Other income					
Other grant income	-	-	-	-	59
Minibus income	-	21	-	21	12
Nursery income	-	40	-	40	129
Staff on secondment	-	35	-	35	273
Trip income	-	567	-	567	572
Sundry income	-	557	-	557	227
	-	1,220	-	1,220	1,272
Funding for the Trust's educational operations	-	34,917	-	34,917	28,186
2017 total	-	28,186	-	28,186	

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

5 Other trading activities

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Lettings and hire of facilities	198	-	-	198	153
Catering income	-	914	-	914	756
Music tuition	-	10	-	10	13
Sports Centre	162	-	-	162	161
Apprenticeships	-	110	-	110	59
	360	1,034	-	1,394	1,142
2017 Total	314	828	-	1,142	

6 Investment Income

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Interest from short-term deposits	24	-	-	24	4
Interest from cash in bank	13	-	-	13	46
	37	-	-	37	50
2017 Total	50	-	-	50	

7 Expenditure

	Staff Costs £000	Premises £000	Other £000	Total 2018 £000	Total 2017 £000
Expenditure on raising funds:	276	15	804	1,095	1,021
Educational operations:					
Direct costs	26,139	-	-	26,139	20,515
Depreciation	-	-	3,342	3,342	3,188
Amortisation of Intangible assets	-	-	10	10	15
Books, materials and supplies	-	-	1,247	1,247	1,032
Other	-	-	1,337	1,337	1,143
Allocated support costs	4,590	-	-	4,590	3,437
Cleaning	-	824	-	824	679
Light and Heat	-	719	-	719	558
Rent, rates and water	-	416	-	416	303
Insurances	-	194	-	194	134
Other	-	1,149	1,021	2,170	1,850
Boarding activities:					
- Direct costs	-	-	67	67	73
- Allocated support costs	262	15	114	391	364
Teaching school	423	-	509	932	985
	31,690	3,332	8,451	43,473	35,297

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

7 Expenditure (continued)

	2018 £000	2017 £000
Net income/(expenditure) for the period includes:		
Operating leases	165	163
Amortisation of intangible assets	10	15
Depreciation of tangible fixed assets	3,345	3,215
Auditors' remuneration	38	31
- payable to external auditors - statutory audit		
- payable to external auditors - other services	10	1
- payable to internal auditors - internal audit	10	9
Profit/(loss) on disposal of fixed assets	-	-

Included within expenditure are the following transactions:

	2018 £	2017 £
Gifts made by the Trust	11,832	2,430
Fixed asset losses	421	-
Unrecoverable debts	6,120	2,929

8 Charitable Activities

	Total 2018 £000	Total 2017 £000
Direct costs - educational operations	32,074	25,930
Direct costs - boarding	67	73
Support costs - educational operations	8,914	6,961
Support costs - boarding	391	364
	41,446	33,328

Analysis of support costs

	Boarding £000	Educational operations £000	Total 2018 £000	Total 2017 £000
Support staff costs	262	4,590	4,852	3,691
Premises costs	15	3,303	3,318	2,492
Other support costs	114	1,021	1,135	881
Governance costs	-	369	369	261
Total support costs	391	9,283	9,674	7,325

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

9 Staff

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

Headcount	2018 No.	2017 No.
Teachers	660	462
Administration and support	283	182
Management	56	38
Total	999	682

Full Time Equivalents	2018 No.	2017 No.
Teachers	545	402
Administration and support	195	148
Management	54	34
Total	794	584

Staff costs

Staff costs during the period were:

	2018 £000	2017 £000
Wages and salaries	23,544	18,750
Social security costs	2,283	1,789
Pension costs	5,342	3,914
Other staff related costs	69	65
	31,238	24,518
Agency staff costs	235	136
Staff restructuring costs	217	225
	31,690	24,879

Staff restructuring costs comprise:

Redundancy payments	51	127
Severance payments	166	98
Other restructuring costs	-	-
	217	225

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

9 Staff (continued)

Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £166,474 (2017: £98,244). Individually the payments were:

o £27,798	o £20,000	o £18,230	o £16,853
o £15,139	o £15,000	o £14,410	o £10,744
o £10,000	o £10,000	o £5,300	o £3,000

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 & Skills Funding Agency.

Higher paid staff

The number of employees whose emoluments exceeded £60,000 (including taxable benefits but excluding employer pension contributions) in the year was 26 (2017: 21). The total emoluments of these employees were in the following ranges:

	2018 No.	2017 No.
£60,001 - £70,000	16	13
£70,001 - £80,000	5	2
£80,001 - £90,000	-	4
£90,001 - £100,000	4	1
£140,001 - £150,000	1	1
	<hr/> 26	<hr/> 21

Of the above, 25 employees (2017: 19) participated in the Teachers' Pension Scheme. During the year ended 31 August 2018, employer's pension contributions for these staff amounted to £280,222 (2017: £234,057).

Of the above employees, 1 employee (2017: 1) participated in the Local Government Pension Scheme. During the year ended 31 August 2018, employer's pension contributions for this member of staff amounted to £13,120 (2017: £12,442).

Key management personnel

The key management personnel of the 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 Trust was £948,817 (2017: £993,033).

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

10 Related Party Transactions – Trustee 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:

	2018 £000	2017 £000
Mr I Jones – CEO and Trustee		
Remuneration	145-150	145-150
Employer pension contributions	20-25	20-25

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 (2017: £24,720).

During the year ended 31 August 2018, the following payments were made to Trustees:

	2018 £	2017 £
Trustees' expenses		
Travel & subsistence within the UK	1,360	685
Other expenses (claimed by reason of employment)	-	200
Total	1,360	885
Number of Trustees claiming expenses	2	3

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

11 Intangible Fixed Assets

	Computer Software £000	Development Costs £000	Total £000
Cost or valuation			
At 1 September 2017	53	-	53
Additions	-	-	-
At 31 August 2018	53	-	53
Accumulated amortisation and impairment provisions			
At 1 September 2017	18	-	18
Charged in period	10	-	10
At 31 August 2018	28	-	28
Net book values			
At 31 August 2017	35	-	35
At 31 August 2018	25	-	25

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 2017	5,743	83,309	830	93
Additions	303	178	1,238	25
Transfers	-	1,970	(1,970)	-
Disposals	-	(22)	-	-
Transfer of existing academy	7,834	8,468	-	-
Transfer on conversion	8,224	-	-	-
At 31 August 2018	22,104	93,903	98	118
Accumulated depreciation and impairment provisions				
At 1 September 2017	618	8,381	-	46
Charged in period	354	1,439	-	16
Disposals	-	-	-	-
At 31 August 2018	972	9,820	-	62
Net book values				
At 31 August 2017	5,125	74,928	830	47
At 31 August 2018	21,132	84,083	98	56

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

12 Tangible Fixed Assets (continued)

	Computer Hardware £000	Furniture and Equipment £000	Total £000
Cost or valuation			
At 1 September 2017	5,053	17,782	112,810
Additions	132	353	2,229
Transfers	-	-	-
Disposals	-	-	(22)
Transfer of existing academy	28	353	16,683
Transfer on conversion	-	-	8,224
At 31 August 2018	5,213	18,488	139,924
Accumulated depreciation and impairment provisions			
At 1 September 2017	4,164	10,174	23,383
Charged in period	288	1,248	3,345
At 31 August 2018	4,452	11,422	26,728
Net book values			
At 31 August 2017	889	7,608	89,427
At 31 August 2018	761	7,066	113,196

The Trust's transactions in the period relating to Land & Buildings included:

- the acquisition of the freeholds on The Priory Pembroke Academy and The Priory Belvoir Academy which were transferred for £nil consideration to the Trust at a total value of £16,058,000.
- the taking up of leasehold on Ling Moor Primary Academy, Heighington Millfield Primary Academy and Huntingtower Community Primary Academy for £nil rental at a total value of £8,468,000 over 125 years.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

13 Current Asset Investments

	2018 £000	2017 £000
Value at 1 September 2017	5,501	-
Additions	2,997	5,501
Disposals	(5,501)	-
Value at 31 August 2018	2,997	5,501

The Trust held investments of £2,997,000 relating to sterling deposits (exceeding 3 months maturity from the balance sheet date).

14 Stock

	2018 £000	2017 £000
General books and stationery	21	15
	21	15

15 Debtors

	2018 £000	2017 £000
Trade debtors	233	175
Prepayments and accrued income	1,271	933
Other taxes - VAT	-	206
Other debtors - due under 1 year	271	13
Other debtors	-	1
	1,775	1,328

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

16 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	784	718
Accruals and deferred income	2,136	1,413
Other creditors	844	415
Other creditors - VAT	221	-
Other taxation and social security	571	436
	<u>4,556</u>	<u>2,982</u>

	2018 £000	2017 £000
Deferred income		
Deferred income at 1 September	1,005	775
Resources deferred in the year	1,455	1,005
Amount released from previous year	(1,005)	(775)
Deferred income at 31 August	<u>1,455</u>	<u>1,005</u>

	2018 £000	2017 £000
Deferred income at 31 August comprises:		
Boarding fees paid in advance for dates outside reporting period	211	181
ESFA grants re bursary and other grants applicable to future periods	639	235
Local Authority & other educational grants applicable to future periods	44	8
DFE grants re school improvement applicable to future periods	-	205
Teaching School Alliance – membership dates outside reporting period	27	66
Income for trips rec'd in advance where visit date falls within future periods	410	209
Charitable funds raised to be donated	14	16
Portion of SGO Grant that falls outside the reporting period	42	28
CCF and DoE income that falls outside of reporting period	28	43
Other	40	14
	<u>1,455</u>	<u>1,005</u>

17 Creditors: amounts falling due greater than one year

	2018 £000	2017 £000
Loans	<u>127</u>	<u>-</u>
	<u>127</u>	<u>-</u>

Loans comprise:

- £100,000 from the ESFA, which represent the deficit inherited from predecessor Trusts for schools joining the Trust. The amounts and timings of any repayments for these loans are not agreed.
- £27,444 for LED lighting and Solar Panels at The Priory Pembroke Academy, transferred on conversion.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

18 Funds

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains, Losses and Transfers £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	5,120	29,373	(31,339)	2	3,156
Start Up grants	1,620	52	(52)	(1,178)	442
Other DfE/ ESFA grants	125	2,374	(2,186)	(178)	135
Local Government grants	85	1,599	(1,597)	-	87
Other educational bodies	17	115	(112)	-	20
Teaching Alliance	114	1,003	(932)	-	185
Sports Partnership	55	-	-	-	55
Provision for Boarding	738	478	(455)	-	761
Other income	241	2,155	(1,950)	(194)	252
Apprenticeships	(208)	110	(213)	-	(311)
Pension reserve	(5,045)	(2,821)	2,147	-	(5,719)
	2,862	34,438	(36,689)	(1,548)	(937)
Restricted fixed asset funds					
DfE/ESFA capital grants	7,192	24	(210)	77	7,083
Faraday Centre funding	430	-	(40)	-	390
Other educational bodies	44	-	(2)	193	235
School carry forwards	626	24,907	(403)	(1)	25,129
Priory Fundraising Trust	568	-	(6)	-	562
Sports England	112	-	(11)	-	101
Partnership for Schools	79,267	-	(2,639)	1,282	77,910
Football Foundation	193	-	(12)	-	181
Lottery Sports Grant	-	3	-	(3)	-
3G Pitch Replacement funds	-	173	-	-	173
Sale of property proceeds	1,662	-	(32)	-	1,630
	90,094	25,107	(3,355)	1,548	113,394
Restricted endowment funds					
Sponsorship	500	-	-	-	500
Total restricted funds	93,456	59,545	(40,044)	-	112,957
Unrestricted general funds					
General funds	2,124	444	(142)	-	2,426
Total unrestricted funds	2,124	444	(142)	-	2,426
Total funds	95,580	59,989	(40,186)	-	115,383

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

18 Funds (continued)

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

	Balance at 1 September 2016 £000	Income £000	Expenditure £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 grants	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
Apprenticeships	-	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
Lottery Sports Grant	-	-	-	-	-
3G Pitch Replacement funds	-	-	-	-	-
Sale of property proceeds	1,685	-	(23)	-	1,662
	92,351	-	(3,230)	973	90,094
Restricted endowment funds					
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

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

18 Funds (continued)

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, Losses and Transfers £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	5,655	53,796	(56,299)	4	3,156
Start Up grants	2,466	67	(52)	(2,039)	442
Other DfE/ ESFA grants	99	4,004	(3,678)	(290)	135
Local Government grants	77	2,454	(2,444)	-	87
Other educational bodies	16	202	(198)	-	20
Teaching Alliance	(51)	2,154	(1,918)	-	185
Sports Partnership	55	-	-	-	55
Provision for Boarding	621	1,029	(889)	-	761
Other income	243	2,382	(2,177)	(196)	252
Apprenticeships	-	169	(480)	-	(311)
Pension reserve	(6,856)	(2,821)	2,147	1,811	(5,719)
	2,325	63,436	(65,988)	(710)	(937)
Restricted fixed asset funds					
DfE/ESFA capital grants	7,289	24	(419)	189	7,083
Faraday Centre funding	468	-	(78)	-	390
Other educational bodies	45	-	(3)	193	235
School carry forwards	638	24,907	(415)	(1)	25,129
Priory Fundraising Trust	574	-	(12)	-	562
Sports England	123	-	(22)	-	101
Partnership for Schools	81,324	-	(5,557)	2,143	77,910
Football Foundation	205	-	(24)	-	181
Lottery Sports Grant	-	3	-	(3)	-
3G Pitch Replacement funds	-	173	-	-	173
Sale of property proceeds	1,685	-	(55)	-	1,630
	92,351	25,107	(6,585)	2,521	113,394
Restricted endowment funds					
Sponsorship	500	-	-	-	500
Total restricted funds	95,176	88,543	(72,573)	1,811	112,957
Unrestricted general funds					
General funds	1,876	822	(272)	-	2,426
Total unrestricted funds	1,876	822	(272)	-	2,426
Total funds	97,052	89,365	(72,845)	1,811	115,383

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

18 Funds (continued)

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

Restricted General Funds

General Annual Grant (GAG)

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

Start Up grants

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.

Other DFE / ESFA grants

These are a variety of designated funds for the provision of education and teaching activities and will be expended in accordance with their individual terms.

Local Government grants

These funds are designated for the provision of various designated education and teaching activities in accordance with the terms of the relevant Local Authority grant. This will largely relate to funding for Special Educational Needs.

Other educational bodies

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.

Teaching Alliance

These funds are designated for the activities of the Teaching Alliance.

Sports Partnership

These funds are designated for the activities of the Sports Partnership.

Provision for Boarding

These funds will be expended on the cost of providing boarding facilities for students.

Other income

This will be expended on the provision of education and teaching activities, including the cost of educational trips for students.

Apprenticeships

These funds are generated from draw down of the Apprenticeship Levy and expended on delivery of apprenticeships.

Pension reserve

In accordance with the latest ESFA Accounts Direction this reserve is required in respect of the Local Government Pension Scheme calculated in accordance with FRS102.

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

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

18 Funds (continued)

Restricted Fixed Assets Funds

DfE / ESFA capital grants

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 Centre funding

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

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

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.

Priory Fundraising Trust

These funds are carried forward to cover the future depreciation charges that will be required on the previously gifted assets from the Priory Fundraising Trust.

Sports England

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

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.

Football Foundation

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

3G Pitch Replacement funds

These funds are held for future capital expenditure in replacement of the 3G pitch at The Priory Pembroke Academy.

Sale of property proceeds

These funds are carried forward to cover the future depreciation charges that will be required on the fixed assets acquired from sale of property proceeds in 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.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

18 Funds (continued)

Restricted Endowment Funds

Sponsorship

This is a permanent reserve that is held as sponsorship for the Trust. 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 Trust as unrestricted funds.

Unrestricted general funds

General funds

These funds have been generated through other trading activities and may be used towards meeting any of the charitable objects of the Trust at the discretion of the Trustees.

Analysis of academies by cost

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (Excluding Dep'n) £000	Total 2018 £000	Total 2017 £000
The Priory Academy LSST	6,642	980	461	754	8,837	9,126
The Priory Lincoln Academy	3,796	766	330	544	5,436	5,124
The Priory Witham Academy	4,801	976	227	354	6,358	6,609
The Priory Ruskin Academy	5,517	759	287	511	7,074	6,828
The Priory Belvoir Academy	2,075	428	207	130	2,840	-
The Priory Pembroke	1,458	396	66	203	2,123	-
Ling Moor Primary Academy	1,034	202	98	84	1,418	-
Heighington Millfield	466	106	27	85	684	-
Huntingtower Academy	350	78	18	15	461	-
Other	526	334	57	683	1,600	1,686
Total	26,665	5,025	1,778	3,363	36,831	29,373

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

18 Funds (continued)

Analysis of academies by fund balance:

	2018 £000	2017 £000
The Priory Academy LSST	2,690	2,966
The Priory City of Lincoln Academy	(608)	163
The Priory Witham Academy	1,562	1,956
The Priory Ruskin Academy	(87)	1,115
The Priory Belvoir Academy	(394)	-
The Priory Pembroke Academy	55	-
Ling Moor Primary Academy	56	-
Heighington Millfield Primary Academy	(170)	-
Huntingtower Community Primary Academy	72	-
Vocational	(246)	(246)
Apprenticeships	(225)	(105)
Teaching School	(66)	(64)
Central contingency	4,872	4,971
Boarding	370	407
Total before fixed assets and pension reserve	7,881	11,163
Restricted fixed asset fund (excludes unspent funds)	113,221	89,462
Pension reserve	(5,719)	(5,045)
Total	115,383	95,580

Deficits:

The Priory City of Lincoln Academy: Pupil numbers are increasing and are predicted to return the academy to an in-year balanced budget by FY21. Cost saving activities have been being carried out and the academy is supported by central contingency reserves.

The Priory Ruskin Academy: The academy has invested reserves in approved capital expenditure. A balanced budget is set for FY19 onwards.

The Priory Belvoir Academy: The cumulative deficit has been inherited from a predecessor Trust on transfer. The academy will return to an in-year balanced budget by FY21.

Heighington Millfield Primary Academy: The cumulative deficit has been inherited from a predecessor Trust on transfer. A balanced budget is set for FY19 onwards.

Vocational: The deficit represents set up costs invested in the facilities.

Apprenticeships: The deficit represents the initial investment in the Apprenticeships infrastructure in order to establish a high quality external delivery model for future years.

Teaching School: a grant of £100,000 from the Local Authority intended to support the set-up of the Teaching School was distributed to local schools involved in Initial Teacher Training.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

19 Analysis of net assets between funds

Fund balances at 31 August 2018 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	-	-	-	25	25
Tangible fixed assets	-	-	-	113,196	113,196
Current assets	2,426	9,461	500	173	12,560
Current liabilities	-	(4,679)	-	-	(4,679)
Pension scheme liability	-	(5,719)	-	-	(5,719)
Total net assets	2,426	(937)	500	113,394	115,383

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

	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

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

20 Academy boarding trading account

	2018 £000	2017 £000
Income		
Fee income	478	551
	<u>478</u>	<u>551</u>
Expenditure		
Direct costs		
Catering costs	67	73
Total direct costs	<u>67</u>	<u>73</u>
Indirect costs		
Teaching staff costs	102	96
Support staff costs	160	146
Education costs	12	22
Occupancy costs	60	61
Buildings maintenance and loose equipment	15	7
Depreciation	3	3
Auditors' remuneration	-	-
Other indirect costs	39	29
Total indirect costs	<u>391</u>	<u>364</u>
Total operating costs	<u>458</u>	<u>437</u>
Surplus/(Deficit) on Boarding	20	114
Surplus/(Deficit) brought forward at 1 September	741	627
Surplus/(Deficit) carried forward at 31 August	<u>761</u>	<u>741</u>

This trading account excludes internal recharges which are eliminated on consolidation of the accounts. The true surplus/(deficit) carried forward at 31 August which includes these amounts is detailed in note 18 and shows a surplus carried forward of £369,830.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

21 Central Services

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

Strategic Trust Improvement	<ul style="list-style-type: none">• Standards support including intervention• Alternative curriculum co-ordination• Student welfare support
Financial Services	<ul style="list-style-type: none">• Strategic financial support• Statutory accounts preparation• Budget and forecast preparation• Monthly management reporting• Invoicing• Payroll and expenses processing• Internal & external audit
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• Data management
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• Health & safety• Compliance
Communication and Marketing Services	<ul style="list-style-type: none">• Press releases and media co-ordination• Freedom of information requests handling

Others as arising

The Trust's policy for apportioning the cost of the central services is based on an allocation method using appropriate drivers that represent the demand for the central services at each academy.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

21 Central Services (continued)

The actual amounts contributed during the year were as follows:

	2018 £000	2017 £000
The Priory Academy LSST	864	825
The Priory Witham Academy	600	552
The Priory City of Lincoln Academy	515	476
The Priory Ruskin Academy	683	618
The Priory Belvoir Academy	229	-
The Priory Pembroke Academy	131	-
Ling Moor Primary Academy	58	-
Heighington Millfield Primary Academy	26	-
Huntingtower Community Primary Academy	19	-
Boarding	35	34
Apprenticeships	13	-
Teaching School Alliance	61	67
	<u>3,234</u>	<u>2,572</u>

22 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.

No related party transactions took place in the period of account, other than certain trustees' remuneration and expenses already disclosed in note 10.

23 Trustees' and officers' insurance

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

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

24 Contingent liabilities

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 Trust 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 Trust serving notice, the Trust shall repay to the Secretary of State sums determined by reference to:

- the value at that time of the Trust's site and premises and other assets held for the purpose of the Trust: and
- the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

The Trust became involved in one legal case relating to a contractual dispute with a former employee during the year.

25 Capital Commitments

	2018 £000	2017 £000
Contracted for, but not provided in the financial statements	134	1,156
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 2018.

26 Commitments under operating leases

At 31 August 2018 the total of the Trust's future minimum lease payments under non-cancellable operating leases was:

	2018 £000	2017 £000
Amounts due:		
Land and buildings		
Within one year	16	10
Within two to five years	40	40
After five years	69	79
	<hr/> 125	<hr/> 129
Other		
Within one year	149	153
Within two to five years	176	318
After five years	-	-
	<hr/> 325	<hr/> 471
	<hr/> 450	<hr/> 600

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

27 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2018 £000	2017 £000
Net income/(expenditure) for the reporting period	16,147	(4,203)
Depreciation of tangible and intangible fixed assets	3,355	3,230
(Profit)/loss on sale and disposal of assets	-	-
Capital grants from DfE and other capital income	(25,107)	-
Interest receivable	(40)	(53)
Reserves from transfers and conversions (excl. Capital & Pension)	137	-
Net current asset movement from transfers and conversions	63	-
Defined benefit pension scheme cost less contributions payable	1,509	920
Defined benefit pension scheme obligation inherited	2,821	-
Decrease/(increase) in stock	(6)	3
Decrease/(increase) in debtors	(447)	(299)
Increase/(decrease) in creditors	1,701	763
Net cash inflow/(outflow) from operating activities	133	361

28 Cash flows from investing activities

	2018 £000	2017 £000
Interest received from investments	40	53
Cash transferred to investments	(2,997)	(5,501)
Cash transferred from investments	5,501	-
Net cash inflow/(outflow) from investing activities	2,544	(5,448)

29 Cash flows from financing activities

	2018 £000	2017 £000
Purchase of tangible fixed assets	(2,229)	(1,046)
Disposal of tangible fixed assets	22	-
Net cash provided by (used in) financing activities	(2,207)	(1,046)

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

30 Analysis of cash and cash equivalents

	2018 £000	2017 £000
Cash in hand and at bank	4,758	7,301
Notice deposits (less than 3 months)	3,013	-
Total cash and cash equivalents	7,771	7,301

31 Major Non Cash Transactions

There were no major non cash transactions in the year apart from the transfer of existing academies and conversions in to the Trust described in notes 35 and 36.

32 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.

33 Post balance sheet events

On 1 September 2018 the Waddington Redwood Primary School converted to academy status and transferred to the Trust as the Waddington Redwood Primary Academy.

34 Agency arrangements

The Trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2018 the trust received £78,536 and disbursed £31,800 from the fund. The trust redeemed a 5% administration element in line with the ESFA regulations, of £3,927. An amount of £197,696 is included in deferred income relating to recycled funds that will be distributed to students in future years.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

35 Transfer of existing academies into the Trust

Ling Moor Primary Academy at 1 September 2017	Value reported by transferring trust £000	Fair value adjustments £000	Transfer in recognised £000
Tangible fixed assets			
Leasehold land and buildings	3,635	-	3,635
Computer equipment	12	-	12
Furniture and equipment	14	-	14
Current assets			
Stock	3	-	3
Debtors due in less than one year	61	-	61
Cash in bank and in hand	199	-	199
Liabilities			
Creditors due in less than one year	(139)	-	(139)
Pensions			
Pension scheme deficit	(530)	-	(530)
Net assets / (liabilities)	3,255	-	3,255

Priory Belvoir Academy (was Belvoir High School) at 1 October 2017	Value reported by transferring trust £000	Fair value adjustments £000	Transfer in recognised £000
Tangible fixed assets			
Freehold land and buildings	7,834	-	7,834
Furniture and equipment	259	-	259
Current assets			
Stock	3	-	3
Debtors due in less than one year	167	-	167
Liabilities			
Creditors due in less than one year	(361)	-	(361)
Pensions			
Pension scheme deficit	(746)	-	(746)
Net assets / (liabilities)	7,156	-	7,156

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

35 Transfer of existing academies into the Trust (continued)

Heighington Millfield Primary Academy at 1 March 2018	Value reported by transferring trust £000	Fair value adjustments £000	Transfer in recognised £000
Tangible fixed assets			
Leasehold land and buildings	1,729	-	1,729
Furniture and equipment	39	-	39
Computer equipment	4	-	4
Current assets			
Debtors due in less than one year	155	-	155
Liabilities			
Creditors due in less than one year	(151)	-	(151)
Creditors due in more than one year	(100)	-	(100)
Pensions			
Pension scheme deficit	(403)	-	(403)
Net assets / (liabilities)	<u>1,273</u>	<u>-</u>	<u>1,273</u>

Huntingtower Community Primary Academy at 1 June 2018	Value reported by transferring trust £000	Fair value adjustments £000	Transfer in recognised £000
Tangible fixed assets			
Leasehold land and buildings	3,062	-	3,062
Leasehold improvements	56	-	56
Furniture and equipment	16	-	16
Computer equipment	13	-	13
Assets under construction	10	-	10
Current assets			
Debtors due in less than one year	112	-	99
Cash in bank and in hand	139	-	139
Liabilities			
Creditors due in less than one year	(143)	-	(130)
Pensions			
Pensions – pension scheme deficit	(433)	-	(433)
Net assets / (liabilities)	<u>2,832</u>	<u>-</u>	<u>2,832</u>

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

36 Conversion to the Trust

On 1 September 2017, the Cherry Willingham Community School converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to the Trust from the Lincolnshire County Council Local Authority for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as "Donations – transfer from local authority".

The fair value of the freehold land and buildings was based on a formal valuation produced for the Lincolnshire County Council at 1 April 2014, adjusted to depreciated replacement value to the transfer date.

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

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total £000
Tangible fixed assets				
Freehold land and buildings	-	-	8,224	8,224
Current assets				
Cash/loan – representing budget surplus/(deficit) on other school funds	-	-	173	173
Liabilities				
Creditors due in more than one year	-	(55)	-	(55)
Pensions				
LGPS pension surplus/(deficit)	-	(709)	-	(709)
Net assets / (liabilities)	-	(764)	8,397	7,633

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

37 Teaching school trading account

	2018 £000	2017 £000
Income		
Direct income	1,003	1,151
Total Income	<u>1,003</u>	<u>1,151</u>
Expenditure		
Direct costs		
Teaching staff costs	328	324
Other direct costs	489	555
Total direct costs	<u>817</u>	<u>879</u>
Other costs		
Support staff costs	93	80
Other costs	20	27
Education costs	-	-
Occupancy costs	-	-
Auditors' remuneration	2	-
Total other costs	<u>115</u>	<u>107</u>
Total Expenditure	<u>932</u>	<u>986</u>
Surplus/(Deficit) from all sources	71	165
Surplus/(Deficit) brought forward at 1 September	114	(51)
Surplus/(Deficit) carried forward at 31 August	<u>185</u>	<u>114</u>

This trading account excludes internal recharges which are eliminated on consolidation of the accounts. The true surplus/(deficit) carried forward at 31 August which includes these amounts is detailed in note 18 and shows a deficit carried forward of £65,980.

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

38 Pension and similar obligations

The 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 multi-employer defined-benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 18 September 2017.

Contributions amounting to £487,278 (2017: £366,676) were payable to the schemes at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £2,569,751 (2017: £2,085,110).

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

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

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

38 Pension and similar obligations (continued)

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 2018 was £1,637,415 (2017 £1,193,915), of which employer's contributions totalled £1,254,223 (2017 £907,871) and employees' contributions totalled £383,182 (2017 £286,044).

Note 36 highlights the LGPS obligation for the Priory Pembroke Academy. This relates to the employees of the Trust who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Trust at the balance sheet date.

The agreed contribution rates for future years for employers vary across academies and according to gross salaries for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Lincolnshire Pension Fund

(The Priory Academy LSST, The Priory City of Lincoln Academy, The Priory Ruskin Academy, The Priory Witham Academy, The Priory Pembroke Academy, Ling Moor Primary Academy, Heighington Millfield Primary Academy and Huntingtower Community Primary Academy)

Principal actuarial assumptions

	At 31 August 2018 % per annum	At 31 August 2017 % per annum
Pension Increase Rate	2.3%	2.4%
Salary Increase Rate	2.7%	2.8%
Discount Rate	2.8%	2.5%

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 2018 No. Years	At 31 August 2017 No. Years
Retiring today		
Males	22.1	22.1
Females	24.4	24.4
Retiring in 20 years		
Males	24.1	24.1
Females	26.6	26.6

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

38 Pension and similar obligations (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 August 2018	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	14%	3,708
0.5% increase in the Salary Increase Rate	2%	435
0.5% increase in the Pension Increase Rate	12%	3,242

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

	Fair Value at 31 August 2018 £000	Fair Value at 31 August 2017 £000
Equities	15,958	12,364
Bonds	3,279	1,902
Property	2,405	1,427
Cash	218	158
Total assets	21,860	15,851
Present value of scheme liabilities		
- Funded	(26,867)	(20,896)
- Unfunded	-	-
Deficit in the scheme	(5,007)	(5,045)

The actual return on the scheme assets in the year was £1,546,000 (2017: £1,722,000).

Amounts recognised in the Statement of Financial Activities	2018 £000	2017 £000
Current service cost (net of employee contributions)	(2,801)	(1,847)
Past service costs	-	(5)
Losses / (gains) on curtailments and settlements	-	-
Interest income	490	285
Interest cost	(688)	(439)
Total amount recognised in the SOFA	(2,999)	(2,006)

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

38 Pension and similar obligations (continued)

Changes in the present value of defined benefit obligations were as follows:	2018 £000	2017 £000
At 1 September	20,896	19,918
Conversion of academies	1,122	-
Transferred in on existing academies joining the Trust	4,051	-
Current service cost	2,801	1,847
Past service cost	-	5
Interest cost	688	439
Contributions by scheme participants	391	288
Actuarial (gains)/losses	(2,878)	(1,448)
Losses on Curtailments	-	-
Estimated benefits paid	(204)	(153)
At 31 August	26,867	20,896

Changes in the fair value of Trust's share of scheme assets:	2018 £000	2017 £000
At 1 September	15,851	13,062
Conversion of academies	413	-
Transferred in on existing academies joining the Trust	2,597	-
Expected return on scheme assets	490	1,437
Actuarial gains/(losses)	1,056	285
Contributions by employer	1,266	932
Contributions by scheme participants	391	288
Benefits paid	(204)	(153)
At 31 August	21,860	15,851

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

38 Pension and similar obligations (continued)

Leicestershire County Council Pension Fund
(The Priory Belvoir Academy)

Principal actuarial assumptions

	At 31 August 2018 % per annum	At 31 August 2017 % per annum
Pension Increase Rate	2.3%	2.4%
Salary Increase Rate	3.3%	3.4%
Discount Rate	2.8%	2.8%

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

	At 31 August 2018 No. Years	At 31 August 2017 No. Years
Retiring today		
Males	22.1	-
Females	24.3	-
Retiring in 20 years		
Males	23.8	-
Females	26.2	-

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 August 2018	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	13%	260
0.5% increase in the Salary Increase Rate	2%	33
0.5% increase in the Pension Increase Rate	11%	224

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

38 Pension and similar obligations (continued)

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

	Fair Value at 31 August 2018 £000	Fair Value at 31 August 2017 £000
Equities	797	-
Bonds	347	-
Property	116	-
Cash	26	-
	<hr/>	
Total assets	1,286	-
Present value of scheme liabilities		
- Funded	(1,998)	-
- Unfunded	-	-
	<hr/>	
Deficit in the scheme	(712)	-
	<hr/>	

The actual return on the scheme assets in the year was £85,000.

Amounts recognised in the Statement of Financial Activities	2018 £000	2017 £000
Current service cost (net of employee contributions)	(145)	-
Past service costs	-	-
Losses / (gains) on curtailments and settlements	-	-
Interest income	29	-
Interest cost	(49)	-
	<hr/>	
Total amount recognised in the SOFA	(165)	-
	<hr/>	

The Priory Federation of Academies

Financial Statements for the Year Ended 31 August 2018

Notes to the Financial Statements (continued)

38 Pension and similar obligations (continued)

Changes in the present value of defined benefit obligations were as follows:	2018 £000	2017 £000
At 1 September	-	-
Conversion of academies	-	-
Transferred in on existing academies joining the Trust	1,831	-
Current service cost	145	-
Past service cost	-	-
Interest cost	49	-
Contributions by scheme participants	23	-
Actuarial (gains)/losses	(50)	-
Losses on Curtailments	-	-
Estimated benefits paid	-	-
At 31 August	1,998	-

Changes in the fair value of Trust's share of scheme assets:	2018 £000	2017 £000
At 1 September	-	-
Conversion of academies	-	-
Transferred in on existing academies joining the Trust	1,085	-
Expected return on scheme assets	29	-
Actuarial gains/(losses)	56	-
Contributions by employer	93	-
Contributions by scheme participants	23	-
Benefits paid	-	-
At 31 August	1,286	-