

**The Pegasus Academy
Trust**

**Annual Report and
Financial Statements**

Year ended 31 August 2018

Company Limited by Guarantee
Registration Number 07542114
(England and Wales)

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Reference and administrative information

Members	Richard Hill Patricia Salami Kevin Smith Geraldine Vassell David Wood
Directors	Kevin Smith (Chair) Richard Hill Shelley Davies Fiona Fearon Gary Griffin Richard Hill Sylvia McNamara (appointed 17 July 2018) Ian Patterson Nina Pogossova Muhummad Umar Quaraishi (resigned 17 July 2018) Jolyon Roberts Lynne Sampson
Company Secretary	Josephine Ridge
Senior Leadership Team	
Executive Principal	Jolyon Roberts
Executive Principal	Lynne Sampson
Head of School – Whitehorse Manor Junior School	Nina Achenbach
Head of School – Beulah Infants	Deborah Butler
Head of School – Ecclesbourne Primary School	Paul Robins
Head of School – Whitehorse Manor Infants	Sharon Russell
Head of School – Cypress Primary (Upper)	Georgia Buchan
Head of School – Cypress Primary (Lower)	Anna Hart
Chief Financial Officer	Josephine Ridge
Registered office	Whitehorse Manor – Brigstock Site 129-133 Brigstock Road Croydon CR7 7JN
Company registration number	07542114

Reference and administrative information

Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
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Bankers	Royal Bank of Scotland 747 Attercliffe Road Sheffield S9 3RF
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Directors' report (including the strategic report) Year ended 31 August 2018

The Directors of The Pegasus Academy Trust (the 'Academy Trust') present their statutory report together with the financial statements of the charitable company for the year ended 31 August 2018.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and it is also the report of the directors for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out on pages 27 to 32 of the attached financial statements and comply with the Academy Trust's Memorandum and Articles of Association, applicable laws and 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 United Kingdom and Republic of Ireland (FRS 102).

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Pegasus Academy Trust was incorporated as a company limited by guarantee with no share capital (Company Registration No. 07542114) on 24 February 2011. As at 1 August 2011, The Pegasus Academy Trust became an exempt charity for the purpose of the Charities Act 2011. At this date, the principal regulator of the charitable company changed from the Charity Commission to the Department for Education ('DfE'). The Education and Skills Funding Agency ('ESFA') (an executive agency of the DfE) carries out the role of principal regulator on behalf of the DfE.

The charitable company's Memorandum and Articles of Association are the primary governing documents of The Pegasus Academy Trust.

Details of the Directors who served throughout the period and were in office at the date of approval of the financial statements, except as noted, are included in the reference and administrative information on page 1.

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 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.

Directors' report (including the strategic report) Year ended 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Principal activities

The Academy Trust's primary object, as set out in the Articles of Association is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum. It achieves this by running five schools within the Academy Trust; Whitehorse Manor Junior School, Whitehorse Manor Infant School, Ecclesbourne Primary School, Beulah Infant and Nursery School and Cypress Primary School. The Academy Trust also runs Thornton Heath Nursery School under a service level agreement on behalf of Croydon Council. In total the Academy Trust is responsible for over 2,100 pupils between the ages of two and eleven and has approximately 348 members of staff to support them.

In addition, as part of the Trust's educational mission and in order to ensure that the Trust's facilities are available to the wider community the Academy Trust runs Breakfast and After School Clubs at each of its sites at very competitive rates.

Members

On the advice of the Department for Education ('DfE') the number of members was changed in the year ended 31 August 2017 - increasing the number from three to five. Members who are not also Directors are now in the majority which is a requirement for expanding Multi-Academy Trusts.

Method of recruitment and appointment of Directors

In accordance with the articles, the Board of Directors comprises as a minimum: one Local Authority Director, seven Co-opted Directors, the CEO and the Executive Principal.

The articles allow for Academy Directors but these are now optional and the Trust does not have any representatives in this category. Similarly the appointment of Community Directors is optional and the Trust currently has no Directors in this category.

Policies and procedures adopted for the induction and training of Directors

All new Directors receive a full induction pack on appointment. Regular training for Directors is provided as appropriate, for example, on safeguarding and on their role as directors of a charitable company.

Organisational structure

For the period covered by these financial statements, the Board of Directors was responsible for overseeing the Academy Councils (local advisory bodies) at each of the five schools.

During the accounting period the Board of Directors has been responsible for: setting the general policies by which the Academy Trust will operate; providing overall strategic direction; making decisions on key employees; making decisions on major items of expenditure; monitoring the overall financial position during 2017/18; and setting the 2018/19 budget.

Directors' report (including the strategic report) Year ended 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure (continued)

The Executive Principals have overall responsibility for the strategic and operational direction of the Academy Trust. They also have overall responsibilities for the schools within the Academy Trust. As Accounting Officer Jolyon Roberts is responsible to Central Government in terms of the Trust's operational and educational attainment as well as standards and services for the schools within the Academy Trust. The Executive Principals provide the strategic and operational vision for the Academy Trust in terms of guidance, accountability, external and internal assurance.

The Senior Leadership Team, comprising the Executive Principals, Heads of School and the Chief Financial Officer provide the operational leadership and control for the Academy Trust's activities. They meet weekly as a group and focus on educational attainment, operational efficiency and effectiveness.

Arrangements for setting pay and remuneration of key management personnel

The key management personnel of the Academy Trust responsible for directing and controlling the Academy Trust comprise the Directors together with the Senior Leadership Team (listed on page 1). Directors are not remunerated for their services as directors of the Academy Trust. However, certain Directors (Staff Governors) are remunerated in their capacity as employees of the Academy Trust.

Salary ranges for the Executive Principals and Heads of School are set in accordance with the provisions of the School Teachers' Pay and Conditions Document. Progression through the pay range depends on an annual review of performance using the Academy Trust's performance management process. This takes into account performance objectives, pupil progress, leadership and management, and other evidence as appropriate. Decisions on progression rest ultimately with the Remuneration Committee.

In relation to the Chief Financial Officer, the Remuneration Committee has set a pay range, and annual progression within that range is subject to satisfactory annual assessment under the Academy Trust's appraisal scheme.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
1	0.3

Percentage of time spent on facility time

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

Directors' report (including the strategic report) Year ended 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Trade union facility time (continued)

Percentage of pay bill spent on facility time

Total cost of facility time	£6,818.91
Total pay bill	£9,312,000
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.00007%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	100%
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(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100

OBJECTIVES AND ACTIVITIES

The principal object and activity of the Academy Trust is to advance for the public benefit education in the United Kingdom, by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

The Academy Trust has adopted an admissions policy approved by the Secretary of State for Education and financial policies and procedures based on those recommended for academy trusts by the DfE. These policies specify, amongst other things, the basis for admitting pupils to the four schools and the curriculum that is provided.

Public benefit

The Directors confirm that they have complied with their duties under the Charities Act 2011. They have considered the public benefit guidance published by the Charity Commission and believe that they have followed its guidance in this area. The Directors' report gives a description of the activities undertaken by the Academy Trust during the period in furtherance of its charitable purposes, and the Directors are satisfied that such activities provide public benefit.

Equal opportunities

The Directors recognise that equal opportunities should be an integral part of good practice in the workplace. The Academy Trust aims to maintain equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all pupils and employees are fully valued. The commitment to equality of opportunity of all potential employees is specifically considered at the interview stage.

Directors' report (including the strategic report) Year ended 31 August 2018

OBJECTIVES AND ACTIVITIES (continued)

Disabled persons

The Academy Trust takes all reasonable steps to ensure that there is appropriate access for all persons to all main areas of the Academy Trust's schools. The Academy Trust supports the recruitment and retention of staff and students that have disabilities and will, wherever possible ensure that any necessary support is provided.

STRATEGIC REPORT

Achievements and performance

In September 2017, Cypress Primary School joined the Academy Trust and this is reflected in the financial statements. The Trust is in a good overall position in terms of all the KPIs included below although funding from central government is now a major issue as costs continue to rise but funding per pupil is relatively static. The Trust continues to be very popular with high numbers of applications for all its schools relative to the places available.

As part of its commitment to maximising the use of its facilities by the local community and meeting the needs of our working parents, the Academy Trust continues to provide wraparound care facilities through its breakfast and after-school clubs. Currently up to 200 children per day benefit from this programme.

Key performance indicators

	National 2017	Beulah Infants	Cypress Primary	Ecclesbourne Primary	Whitehorse Manor Infant School	Whitehorse Manor Junior School
A Ofsted						
A1 Judgement		Good (July 2017)	Requires Improvement (February 2016)	Good (January 2018)	Outstanding (March 2007)	Good (February 2017)
B Pupil outcomes						
B1 EYFS GLD	70.7	75	68	74	72	
B2 Year 1 phonics	81	91	78	88	90	
B3 KS1 Reading	76	73	83	76	76	
B4 KS1 Writing	68	66	55	63	67	
B5 KS1 Maths	75	76	79	78	77	
B6 KS2 Combined	62		57	64		55
C Financial						
C1 Pupil numbers for funding calculations		230	635	412	351	402
C2 Total ESFA income		£1,051,968.44	£2,510,844.23	£1,730,971.25	£1,594,154.96	£1,644,000.45
C3 GAG per pupil	£6,318*	£4,573.77	£3,954.08	£4,201.38	£4,541.75	£4,089.55
C4 PPG pupils as % of total	24.9%	29% (71 pupils)	24% (154 pupils)	43% (173 pupils)	27% (96 pupils)	39% (144 pupils)
C5 PPG grant	£1320 per pupil	£93,720	£203,280	£228,360	£126,720	£190,080
C6 Staff cost as a % of GAG	79.5%	66%	67%	73%	75%	70%
C7 CAPEX and building projects spend YTD	No national available	£62,824	£86,793	£24,743	£35,840	£9,879
D Staffing						
D1 Pupil/teacher ratio (FTE)	20.3-20.6*	20.2	23.6	20.8	19.6	Not available
E Welfare						
E1 Current EAL %	20.3%	69%	31%	55%	55%	62%
E2 Current SEN %	11.6%	13%	10%	12%	12%	8%
E3 Attendance YTD	95.3%	95.5%	95.5%	95.3%	96.6%	95.3%

Cypress Primary has been the focus of the Academy Trust's school improvement work over the year as this school has had three 'Requires improvement' Ofsted ratings stretching back to October 2013. In the first year as a member of the Academy Trust, the school made some significant improvements, particularly in the Key Stage 2 assessments as detailed in the table above. Good relationships have been built with parents and carers at the school who are closely involved with changes being made and supportive of the general direction of travel.

Directors' report (including the strategic report) Year ended 31 August 2018

STRATEGIC REPORT (continued)

Key performance indicators (continued)

The Senior Leadership Team of the Academy Trust spent a great deal of time in the academic year 2017/18 involved in trying to bring a local secondary school into the Trust but despite all their best efforts this project failed at a very late stage in the process, leaving the Trust with some unforeseen financial costs and frustrating a promising 'all through' educational arrangement for local families.

Schools in the Academy Trust remain extremely popular with local families with one, Whitehorse Infants, once again being the most oversubscribed primary school in the borough.

Going concern

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

Financial review

Financial report for the year

The Academy Trust's total income for the year ended 31 August 2018 amounted to £19,596,000 (2017 – £8,746,000), although £7,946,000 of this relates to the transfer into the Trust of the net assets of Cypress Primary School (see note 21) resulting in recurring income of £11,650,000 which has increased since the prior year due to there being a fifth school in the Trust for the first time.

The bulk of the Academy Trust's income was obtained from the ESFA, an agency of the DfE, the use of which is restricted to particular educational purposes. The grants received from the ESFA in the year ended 31 August 2018 and the associated expenditure are shown as restricted in the statement of financial activities.

During the year ended 31 August 2018 total expenditure amounted to £12,909,000 (2017 – £9,016,000). 74% (2017 – 73%) of the Academy Trust's expenditure relates to staff costs which totalled £9,576,000 for the year ended 31 August 2018 (2017 – £6,568,000). One-off irrecoverable expenditure of approximately £29,000 was also incurred during the year in respect of a local secondary school which was due to join the Academy Trust in September 2018 but then withdrew from the process.

The surplus for the year (before actuarial gains on the Local Government Pension Scheme) was £6,687,000 (2017 – deficit of £270,000). Excluding the pension adjustments in respect of the Local Government Pension Scheme, the movements on the fixed assets fund and net assets inherited upon the conversion of Cypress Primary School, the operational deficit for the year was £385,000 (2017 – surplus of £274,000).

Directors' report (including the strategic report) Year ended 31 August 2018

STRATEGIC REPORT (continued)

Financial position

The Academy Trust held fund balances at 31 August 2018 of £31,267,000 (2017 – £23,705,000) comprising £34,151,000 (2017 – £25,619,000) in the restricted fixed assets fund, a deficit of £3,616,000 (2017 – £2,645,000) on the pension reserve and unrestricted general funds of £732,000 (2017 – £731,000).

The movements in the pension scheme reserve are shown in note 19.

Reserves policy

The review of reserves encompasses the nature of income and expenditure streams and the need to match income with commitments.

The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. At 31 August 2018, the Academy Trust's free reserves, equating to the unrestricted general fund balance, amounted to £732,000 (2017 – £731,000).

During the year ended 31 August 2018 the Trust reviewed its reserves policy. The key factors taken into account were:

- ♦ Potential changes to funding formulae that impact on the Trust;
- ♦ Assumptions regarding inflation;
- ♦ Each individual school's condition survey and capital projects;
- ♦ The Trust's track record in budget management;
- ♦ The prospects for absorbing other schools into the Trust; and
- ♦ An assessment of external risks.

After this review the Board maintained a policy of reserves being 4% to 8% of annual income (excluding income transferred in on conversion and income within the fixed asset fund) over the long term. At 31 August 2018, the Academy Trust held reserves of 6.8% which is in line with the policy agreed.

The fund balances at the year end are adequate to fulfil the obligations of the Academy Trust and provide a balance against most unforeseen future events. Whilst general restricted funds were in deficit by £3,616,000 (2017 – £2,645,000) at 31 August 2018, this is entirely because of the Local Government Pension Scheme liability.

As the Local Government Pension Scheme is a funded scheme, employers' pension contributions will increase in line with the deficit over a period of years. The Academy Trust is liable for pension deficit contributions each year but is able to meet this from revenue and reserves. The triennial evaluation of the Croydon LGPS scheme has resulted in a slightly smaller contribution rate for the Academy Trust for the next three years. In addition, 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. Accordingly, there is no direct impact on the Academy Trust's free reserves in recognising the deficit on the pension scheme.

Directors' report (including the strategic report) Year ended 31 August 2018

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Academy Trust has undertaken a review of the main areas of risk which it faces and where appropriate, procedures, and written policies covering these areas are being developed and agreed by the Board of Directors.

The Academy Trust regularly reviews its risk management process to assess business risks and to implement risk management strategies (as considered appropriate by the Board). This process will involve identifying the types of risk the Academy Trust faces, scoring and prioritising the risks in terms of their potential operational and financial impact, assessing the likelihood of occurrence and identifying means of mitigating the risks.

The main areas of risk and uncertainty which the Academy Trust faces are:

- ◆ There might be insufficient staff to deliver services to the appropriate level. This is a risk many schools face, particularly in London, although recruitment pressures have eased somewhat this year.
- ◆ Our pupils' academic achievement falls below acceptable levels. Mitigating actions include regular internal assessment of pupils' progress and external moderation.
- ◆ Financial resources being stretched, particularly by the real terms decline in funding levels over a period of the last eight years. Mitigating actions include a cautious reserves policy, and tight budgetary controls, especially on staffing levels where a careful consideration of need for staff at each site is regularly undertaken by the Executive Principals.

Future plans

As is indicated in the KPIs above the Trust is in a strong position at present. The strategic work undertaken around 'growing' our own leaders means that the Senior Leadership Team is stable and experienced. The Trust meets regularly with the Regional Schools Commissioner (RSC) and is open to future expansion of the Trust as long as that expansion takes place within the geographical area close to where the Trust's schools are currently situated.

In the medium term the Academy Trust remains committed to establishing a secondary school.

Fundraising

The only fundraising undertaken by the Trust at present is for charitable purposes and is limited in scope – e.g. red nose day collections from families. All of this work is organised 'in house' and the Trust does not work with any commercial participators or professional fundraisers.

Directors' report (including the strategic report) Year ended 31 August 2018

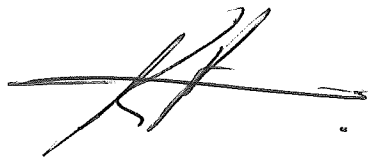
STRATEGIC REPORT (continued)

Auditors

Insofar as the Directors are aware:

- ♦ there is no relevant audit information of which the Trust's auditor is unaware; and
- ♦ the Directors 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.

Approved by the Board of Directors and signed on its behalf by:



Kevin Smith
Chair of the Board of Directors

Approved by the Directors on: 14/12/18

Governance statement 31 August 2018

Scope of responsibility

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

The Board of Directors has delegated the day-to-day responsibility to the Executive Principals, 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 Academy Trust and the Secretary of State for Education. The Executive Principals were also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control. Until November 2016, both Executive Principals were also the Accounting Officers of the Academy Trust but further to recommendations made by the Regional Schools' Commissioner, the structure was modified so that the role of Accounting Officer resides with just one individual, Jolyon Roberts.

Governance

The information on governance included here supplements that described in the Directors' report and in the statement of Directors' responsibilities. The Board of Directors have formally met four times during the year. Attendance during the year at meetings of the Directors was as follows:

Director	Role	Number of meetings attended	Out of a possible
Shelley Davies	LA Director	2	4
Fiona Fearon	Academy Director	3	4
Gary Griffin	Co-opted Director	4	4
Richard Hill	Academy Director	3	4
Sylvia McNamara	Co-opted Director	2	4
Ian Patterson	Co-opted Director	4	4
Nina Pogossova	Co-opted Director	3	4
Muhammad Umar Quraishi	Community Director	2	4
Jolyon Roberts	Executive Principal	4	4
Josephine Ridge	Company Secretary	4	4
Lynne Sampson	Executive Principal	3	4
Kevin Smith	Academy Director (Chair)	4	4

Governance statement 31 August 2018

Governance (continued)

The Finance Committee is a sub-committee of the main Board of Directors. The purpose of the Finance Committee is to assist the decision making of the Board of Directors, by enabling more detailed consideration to be given to the best means of fulfilling the Board of Directors' responsibility to ensure sound management of the Trust's finances and resources, including proper planning, monitoring and probity. The Finance Committee is required to make appropriate comments and recommendations on such matters to the Board of Directors on a regular basis. Major issues identified by the Committee are referred to the Board of Directors for ratification. Membership is made up of seven Directors (including the Executive Principals) with the Chief Financial Officer also in regular attendance.

Current membership comprises Richard Hill (Academy Director), Kevin Smith (Academy Director), Gary Griffin (Co-opted Director), Ian Patterson (Co-opted Director), Nina Pogossova (Co-opted Director) and the two Executive Principals.

Attendance at meetings in the year was as follows:

Committee Member	Number of meetings attended	Out of a possible
Gary Griffin	4	5
Richard Hill	5	5
Ian Patterson	5	5
Nina Pogossova	3	5
Jolyon Roberts	5	5
Lynne Sampson	5	5
Kevin Smith	5	5

Review of value for money

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

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

Actions which the Academy Trust undertook during the year to bring improved value for money included:

- ♦ the contracts of all fixed term teaching and support staff were not renewed for the new academic year starting from September 2018;
- ♦ most non-class based qualified teachers have been asked to take sole responsibility for a class from September 2018;
- ♦ pupil intervention programmes have been reduced;
- ♦ some classes in the Trust no longer have a full time teaching assistant;

Governance statement 31 August 2018

Review of value for money (continued)

- ◆ teaching support staff who have left the Trust have not been replaced;
- ◆ no new teaching assistants have been recruited for the 2018/19 academic year.

The Academy Trust is also reducing staff numbers each year as funding from central government is static although costs have risen.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Trust's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Trust for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board of Directors has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is an ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year ended 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 Directors.

The risk and control framework

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

- ◆ budgeting and monitoring systems, upgraded in summer 2018 by the purchase of 'Orovia' BPS software, with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Directors;
- ◆ 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; and
- ◆ identification and management of risks.

Governance statement 31 August 2018

The risk and control framework (continued)

The Board of Directors has considered the need for a specific internal audit function and has decided to appoint Jane Cousins of JCA School Support Services Ltd 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. The internal auditor visited the Trust in March 2018 and June 2018 (as planned) and carried out a series of comprehensive checks on the internal control system in the Trust.

March 2018	June 2018
Register of Pecuniary interests	Roles and responsibilities of leadership and Governance team
Whistle blowing policy	Financial Reporting
Staff Structure	Financial Procedures
HR Records	Financial/accounting records and systems
Purchasing Controls	GDPR
Self-employed suppliers	Income
Cash Control	Cash Control
Credit cards	Fixed Assets
Payroll	Year End procedures

The internal audit reports are presented to the Board of Directors, through the Finance Committee, highlighting the operation of the systems of control along with any recommendations and action points arising, which have been reviewed over the accounting period.

Review of effectiveness

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

- ♦ the work of the internal auditor;
- ♦ the work of the external auditor;
- ♦ the work of the Chief Financial Officer within the Trust who has responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of his review of the system of internal control by the Finance Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the Board of Directors and signed on its behalf by:

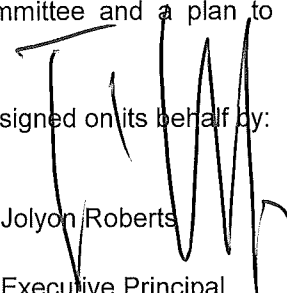
Kevin Smith

Chair of the
Board of Directors



Jolyon Roberts

Executive Principal
and Accounting Officer



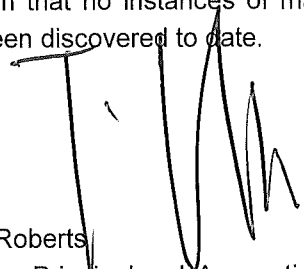
Approved on: 14/12/18

Statement on regularity, propriety and compliance 31 August 2018

As Accounting Officer of The Pegasus Academy Trust (the 'Academy Trust'), I have considered my responsibility to notify the Board of Directors and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the Academy Trust's Board of Directors are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2017.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.



Jolyon Roberts
Executive Principal and Accounting Officer

Date:

14/12/18

Statement of Directors' responsibilities 31 August 2018

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under company law, the Directors 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 Academy Trust and of its income and expenditure, for that period. In preparing these financial statements, the Directors 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 estimates that are reasonable and prudent;
- ♦ state whether applicable United Kingdom Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Academy Trust will continue in operation.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Academy Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Academy Trust 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 Academy Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that in its conduct and operation the Academy Trust applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA have been applied for the purposes intended.

The Directors are responsible for the maintenance and integrity of the charity and financial information included on the Academy Trust'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 Board of Directors and signed on its behalf by:


Kevin Smith
Chair of the Board of Directors

Date: 14/12/18

Independent auditor's report on the financial statements Year ended 31 August 2018

Independent auditor's report to the members of The Pegasus Academy Trust

Opinion

We have audited the financial statements of The Pegasus Academy Trust (the 'charitable company') for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), 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) (the Charities SORP 2015) and the Academies Accounts Direction 2017 to 2018.

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006; and
- ◆ have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2017 to 2018.

Basis for opinion

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

Independent auditor's report on the financial statements Year ended 31 August 2018

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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company'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 Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Directors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Directors' report including the strategic report has been prepared in accordance with applicable legal requirements.

Independent auditor's report on the financial statements Year ended 31 August 2018

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' 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 Directors' remuneration specified by law are not made; or
- ♦ we have not received all the information and explanations we require for our audit; or
- ♦ the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors 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 Directors 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 Directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report on the financial statements Year ended 31 August 2018

Auditor's responsibilities for the audit of the financial statements (continued)

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 auditor's report.

Use of our report

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



Katharine Patel (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

19 December 2018

Independent reporting accountant's report on regularity Year ended 31 August 2018

Independent reporting accountant's assurance report on regularity to The Pegasus Academy Trust and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 8 September 2017 and further to the requirements of the Education and 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 Pegasus Academy Trust during the period from 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.

Respective responsibilities of The Pegasus Academy Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of The Pegasus Academy Trust's funding agreement with the Secretary of State for Education dated 31 March 2011 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 from 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 the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

Independent reporting accountant's report on regularity Year ended 31 August 2018

Approach (continued)

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the Academy Trust's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

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



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

19 December 2018

Statement of financial activities Year ended 31 August 2018

(including an income and expenditure account)

			Restricted funds			
	Notes	Unrestricted funds £'000	General funds £'000	Fixed assets funds £'000	Year to 31 August 2018 £'000	Year to 31 August 2017 £'000
Income from:						
Donations and capital grants	1	2	—	44	46	273
Donations - transfer from Local Authority on conversion	21	—	(901)	8,850	7,949	—
Charitable activities						
. Funding for the Academy Trust's educational operations	2	66	10,628	—	10,694	7,880
Other trading activities	3	904	—	—	904	587
Investments	4	3	—	—	3	6
Total income		975	9,727	8,894	19,596	8,746
Expenditure						
Charitable activities:						
. Academy Trust's educational operations	6	—	12,400	509	12,909	9,016
Total expenditure	5	—	12,400	509	12,909	9,016
Net income (expenditure) before transfers		975	(2,673)	8,385	6,687	(270)
Transfers between funds	15	(974)	827	147	—	—
Net income (expenditure) for the year		1	(1,846)	8,532	6,687	(270)
Other recognised gains and losses						
. Actuarial gains on defined benefit pension scheme	19	—	875	—	875	1,358
Net movement in funds		1	(971)	8,532	7,562	1,088
Fund balances brought forward at 1 September 2017		731	(2,645)	25,619	23,705	22,617
Fund balances carried forward at 31 August 2018		732	(3,616)	34,151	31,267	23,705

All of the Academy Trust's activities were derived from continuing operations during the above two financial periods.

All recognised gains and losses are included in the above statement of financial activities.

Balance sheet 31 August 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Tangible fixed assets	12		34,151		25,559
Current assets					
Debtors	13	564		514	
Cash at bank and in hand		1,215		1,280	
		<u>1,779</u>		<u>1,794</u>	
Liabilities					
Creditors: amounts falling due within one year	14	(1,047)		(1,003)	
Net current assets			<u>732</u>		<u>791</u>
Net assets excluding pension scheme liability			34,883		26,350
Pension scheme liability	19		(3,616)		(2,645)
Total net assets			<u>31,267</u>		<u>23,705</u>
<i>The funds of the Academy Trust:</i>					
Restricted funds	15				
. Fixed assets fund			34,151		25,619
. Pension reserve			(3,616)		(2,645)
Total restricted funds			<u>30,535</u>		<u>22,974</u>
Unrestricted funds					
. General fund			732		731
Total funds			<u>31,267</u>		<u>23,705</u>

Approved by the Board of Directors and signed on its behalf by:

Kevin Smith
Chair of the Board of Directors
Approved on: 14/12/18



Company registration number: 07542114 (England and Wales)

Statement of cash flows Year ended 31 August 2018

		2018 £'000	2017 £'000
Net cash flows from operating activities			
Net cash provided by operating activities	A	145	401
Cash flows from investing activities	B	(210)	(194)
Change in cash and cash equivalents in the year		(65)	207
Cash and cash equivalents at 1 September 2017		1,280	1,073
Cash and cash equivalents at 31 August 2018	C	1,215	1,280

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

	2018 £'000	2017 £'000
Net income (expenditure) for the year (as per the statement of financial activities)	6,687	(270)
Adjusted for:		
Inherited pension deficit (note 21)	1,187	—
Inherited tangible assets (note 21)	(8,850)	—
Depreciation (note 12)	509	497
Capital grants from DfE/ESFA	(44)	(273)
Interest receivable (note 4)	3	(6)
Defined benefit pension scheme cost less contributions payable (note 19)	569	244
Defined benefit pension scheme finance cost (note 19)	90	76
(Increase) in debtors	(50)	(168)
Increase in creditors	44	301
Net cash (used in) provided by operating activities	(145)	401

B Cash flows from investing activities

	2018 £'000	2017 £'000
Dividends, interest and rents from investments	(3)	6
Purchase of tangible fixed assets	(251)	(473)
Capital grants from DfE/ESFA	44	273
Net cash used in investing activities	(210)	(194)

C Analysis of cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	1,215	1,280
Total cash and cash equivalents	1,215	1,280

Principal accounting policies Year ended 31 August 2018

Statement of accounting policies

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

Basis of preparation

The financial statements of the Academy Trust has been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 2015), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

The financial statements are presented in sterling to the nearest thousand pound.

Going concern

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

Income

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

Grants

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

Principal accounting policies Year ended 31 August 2018

Income (continued)

Grants (continued)

The General Annual Grant is recognised in full in the statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

Donations

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

Other income

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

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.

Charitable activities

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

All expenditure is stated net of recoverable VAT.

Tangible fixed assets

All assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised.

Principal accounting policies Year ended 31 August 2018

Tangible fixed assets (continued)

Depreciation is provided on all tangible fixed assets in the year in which the assets is brought into use (other than leasehold land), at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

- ◆ Leasehold buildings – 2% per annum;
- ◆ Computer equipment – 33.3% per annum;
- ◆ Furniture and equipment – 20% per annum.

Where fixed assets have been acquired with the aid of specific grants or donated to the Academy Trust, they are included in the balance sheet at cost or an appropriate valuation and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Debtors

Debtors are recognised at their settlement amount less any provision for non-recoverability. Prepayments are valued at the amounts prepaid.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand.

Liabilities

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

Provisions

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

Principal accounting policies Year ended 31 August 2018

Provisions (continued)

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

Leased assets

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

Financial instruments

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments.

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 14. 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.

Taxation

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

Pensions benefits

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

Principal accounting policies Year ended 31 August 2018

Pensions benefits (continued)

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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 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 general funds represent monies which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the Directors.

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

Restricted general funds comprise all other restricted funds received and include grants from the Education and Skills Funding Agency and other funders.

Principal accounting policies Year ended 31 August 2018

Critical accounting estimates and areas of judgement

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

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

- ◆ The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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; and,
- ◆ The net book value of tangible fixed assets is based on the original cost/value of the asset net of provision for depreciation. The depreciation provision to date is based on the Directors' assessment of the estimated useful economic lives of such assets. The basis of the original valuation of the long leasehold properties (which from 1 September 2014, the date of transition to FRS 102, were deemed to be equal to its cost) is disclosed in note 12 to the financial statements.

Critical areas of judgement

Other than the estimates discussed above, the Directors do not consider that there are any key judgements made in the preparation of the financial statements.

Notes to the financial statements Year ended 31 August 2018

1 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed assets funds £'000	Year to 31 August 2018 £'000	Year to 31 August 2017 £'000
Capital grants	—	—	44	44	273
Other donations	2	—	—	2	—
	<u>2</u>	<u>—</u>	<u>44</u>	<u>46</u>	<u>273</u>

2 Funding for the Academy Trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2018 £'000	Year to 31 August 2017 £'000
DfE/ESFA revenue grants				
. General Annual Grant (GAG)	—	8,599	8,599	6,233
. Start Up Grants	—	—	—	70
. Other revenue grants	—	1,266	1,266	893
	<u>—</u>	<u>9,865</u>	<u>9,865</u>	<u>7,196</u>
Other Government grants				
. Local authority grants	—	763	763	684
. Other income from the Academy Trust's educational operations	66	—	66	—
	<u>66</u>	<u>763</u>	<u>829</u>	<u>684</u>
	<u>66</u>	<u>10,628</u>	<u>10,694</u>	<u>7,880</u>

3 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2018 £'000	Year to 31 August 2017 £'000
Hire of facilities	17	—	17	42
Trip income	49	—	49	38
Catering income	169	—	169	124
Self-generated income	161	—	161	259
Before and after school activity clubs	502	—	502	111
Miscellaneous income	6	—	6	13
	<u>904</u>	<u>—</u>	<u>904</u>	<u>587</u>

4 Investments

	Unrestricted funds £'000	Restricted funds £'000	Year to 31 August 2018 £'000	Year to 31 August 2017 £'000
Bank interest	3	—	3	6

Notes to the financial statements Year ended 31 August 2018

5 Expenditure

	Staff costs (note 8) £'000	Premises £'000	Other costs £'000	Year to 31 August 2018 £'000	Year to 31 August 2017 £'000
Academy Trust's educational operations					
. Direct costs (note 6)	8,006	509	495	9,010	6,557
. Support costs (note 6)	1,570	845	1,484	3,899	2,459
	<u>9,576</u>	<u>1,354</u>	<u>1,979</u>	<u>12,909</u>	<u>9,016</u>

Net income (expenditure) for the year is stated after charging:

	Year to 31 August 2018 £'000	Year to 31 August 2017 £'000
Operating lease charges	—	8
Depreciation	509	497
Auditor's remuneration		
. Statutory audit	17	16
. Other services	3	3

6 Charitable activities – Academy Trust's educational operations

	2018 Total funds £'000	2017 Total funds £'000
Direct costs	9,010	6,557
Support costs	3,899	2,459
	<u>12,909</u>	<u>9,016</u>

	2018 Total funds £'000	2017 Total funds £'000
Analysis of support costs		
Support staff costs	1,570	967
Technology costs	55	54
Premises costs	845	512
Professional fees	137	80
Other support costs	1,271	826
Audit and governance costs	21	20
Total support costs	<u>3,899</u>	<u>2,459</u>

Notes to the financial statements Year ended 31 August 2018

7 Comparative information

Analysis of income and expenditure in the year ended 31 August 2017 between restricted and unrestricted funds:

		Restricted funds		
	Unrestricted funds £'000	General funds £'000	Fixed assets funds £'000	Year to 31 August 2017 £'000
Income from:				
Donations and capital grants	—	—	273	273
Charitable activities				
. Funding for the Academy Trust's educational operations	—	7,880	—	7,880
Other trading activities	587	—	—	587
Investments	6	—	—	6
Total income	593	7,880	273	8,746
Expenditure				
Charitable activities:				
. Academy Trust's educational operations	328	8,191	497	9,016
Total expenditure	328	8,191	497	9,016
Net income (expenditure) before transfers	265	(311)	(224)	(270)
Transfers between funds	—	(260)	260	—
Net income (expenditure) for the year	265	(571)	36	(270)
Other recognised gains and losses				
. Actuarial gains on defined benefit pension scheme	—	1,358	—	1,358
Net movement in funds	265	787	36	1,088
Fund balances brought forward at 1 September 2016	466	(3,432)	25,583	22,617
Fund balances carried forward at 31 August 2017	731	(2,645)	25,619	23,705

Notes to the financial statements Year ended 31 August 2018

8 Staff

(a) Staff costs

Staff costs comprise:

	Year to 31 August 2018 £'000	Year to 31 August 2017 £'000
Wages and salaries	7,026	5,001
Social security costs	571	383
Other pension costs	1,715	1,023
	9,312	6,407
Agency costs	250	161
Staff severance payments (see below)	14	—
	9,576	6,568

(b) Staff severance payments

One PILON payment was made to one member of staff amounting to £14,679 in the year ended 31 August 2018 (2017 – none).

(c) Staff numbers

The average number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2018 was as follows:

	2018 Number	2017 Number
Teaching staff (including teaching assistants)	292	211
Administration and support	32	25
Management	8	6
	332	242

(d) Higher paid staff

The number of employees whose annualised emoluments fell within the following bands (including taxable benefits but excluding employer pension contributions), was:

	2018 Number	2017 Number
£60,001 - £70,000	4	3
£90,001 - £100,000	2	2

Employer pension contributions made by the Academy Trust on behalf of the above employees was £72,525 (2017 – £72,081).

(e) Key management personnel

The key management personnel of the Academy Trust comprise the Directors and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Academy Trust was £790,625 (2017 – £563,062).

Notes to the financial statements Year ended 31 August 2018

9 Directors' remuneration and expenses

Executive Principals and Staff Governors only receive remuneration in respect of services they provide in undertaking their role as employees of the Academy Trust and not in respect of their services as Directors. Directors did not receive any payments from the Academy Trust in respect of their role as Directors. The value of Directors' remuneration and other benefits was as follows:

	2018 £'000	2017 £'000
L Sampson (Executive Principal and Director)		
. Remuneration	90 – 95	90-95
. Employer's pension contributions	15 – 20	10-15
J Roberts (Executive Principal and Director)		
. Remuneration	90 – 95	90-95
. Employer's pension contributions	15 – 20	10-15
Roger Melody (Staff Governor)		
. Remuneration	—	35-40
. Employer's pension contributions	—	5-10
Cheryl Peters (Staff Governor)		
. Remuneration	—	15-20
. Employer's pension contributions	—	0-5
Josephine Ridge (Staff Governor)		
. Remuneration	45 – 50	10-15
. Employer's pension contributions	5 – 10	0-5

None of the Directors were reimbursed expenses during the year as directors (2017 – none).

10 Directors and officers insurance

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

11 Central services

The Academy Trust has provided the following services to its schools during the year.

- ♦ Strategic management;
- ♦ Human resources;
- ♦ Financial services;
- ♦ Legal services;
- ♦ Education support services;
- ♦ Catering; and
- ♦ Other services on an ad hoc basis.

The Academy Trust charges for these services based on the ratio of pupil numbers across the five schools (excluding nursery students).

Notes to the financial statements Year ended 31 August 2018

11 Central services (continued)

The amounts charged during the year were as follows:

	2018 £'000	2017 £'000
Ecclesbourne Primary School	187	173
Whitehorse Manor Infant School	163	149
Whitehorse Manor Junior School	186	170
Beulah Infant and Nursery School	113	97
Cypress Primary School	271	—
	920	589

12 Tangible fixed assets

	Long leasehold land and buildings £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 September 2017	26,956	624	476	28,056
Donated assets on acquisition (note 21)	8,850	—	—	8,850
Additions	152	12	87	251
At 31 August 2018	35,958	636	563	37,157
Depreciation				
At 1 September 2017	1,804	369	324	2,497
Charge for the year	314	91	104	509
At 31 August 2018	2,118	460	428	3,006
Net book value				
At 31 August 2018	33,840	176	135	34,151
At 31 August 2017	25,152	255	152	25,559

The Academy Trust buildings, acquired under a 125 year lease on a peppercorn basis from the London Borough of Croydon, have been capitalised under long leasehold land and buildings. All of the properties were donated to the Academy Trust by the London Borough of Croydon and the values attributed to the properties have been derived as follows:

- ♦ The Whitehorse Manor Infant and Junior School sites are included on the balance sheet based on a professional valuation dated 5 June 2014;
- ♦ The Ecclesbourne Primary School site is included on the balance sheet based on a professional valuation dated 1 September 2013;
- ♦ The Whitehorse Manor site at Brigstock Road is included on the balance sheet based on an insurance valuation as at 1 September 2015;
- ♦ The Beulah Infant and Nursery School site is included on the balance sheet based on a professional valuation dated 1 April 2012; and
- ♦ The Cypress Primary School site is included on the balance sheet based on a professional valuation dated 31 October 2018. The Directors are of the opinion that there is no material difference between the value at this date and the carrying value at 31 August 2018.

Notes to the financial statements Year ended 31 August 2018

12 Tangible fixed assets (continued)

As permitted by FRS 102, the Directors have adopted a policy of not revaluing tangible fixed assets and, under the transitional arrangements set out in FRS 102, with effect from 1 August 2014, the value assigned to the properties as noted above are now deemed to be its cost. Any subsequent additions to the properties have been capitalised at cost.

13 Debtors

	2018 £'000	2017 £'000
Trade debtors	80	37
VAT recoverable	138	105
Other debtors	—	14
Prepayments and accrued income	346	358
	564	514

14 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	364	396
Other tax and social security	165	107
Accruals	218	213
Deferred income (see below)	300	287
	1,047	1,003

Deferred income

	2018 £'000	2017 £'000
Deferred income at 1 September 2017	287	168
Amounts released from previous years	(287)	(168)
Resources deferred in the year	300	287
Deferred income a 31 August 2018	300	287

Deferred income includes funding from the Education and Skills Funding Agency received specifically for the 2018/19 academic year including Universal Infant Free School Meals of £146,762 (2017 – £128,606), devolved formula capital grant income of £25,682 (2017 – £18,988), rates relief of £40,312 (2017 – £20,699) and early years funding of £61,192 (2017 – £102,620).

Notes to the financial statements Year ended 31 August 2018

15 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)	—	8,599	(10,189)	1,590	—
. Pupil premium	—	855	(855)	—	—
. Donated current assets on conversion and acquisition	—	286	(286)	—	—
. Other DfE/EFA grants	—	411	(411)	—	—
. Local authority grants	—	763	—	(763)	—
. Pension reserve	(2,645)	(1,187)	(659)	875	(3,616)
Total restricted general funds	(2,645)	9,727	(12,400)	1,702	(3,616)
 Restricted fixed asset funds					
. Transfer on conversion	—	8,850	—	—	8,850
. DfE / ESFA and Local Authority capital grants	538	44	(231)	147	498
. Inherited from Local Authority	25,081	—	(278)	—	24,803
	25,619	8,894	(509)	147	34,151
 Total restricted funds	22,974	18,621	(12,909)	1,849	30,535
 Unrestricted general fund	731	975	—	(974)	732
 Total funds	23,705	19,596	(12,909)	875	31,267

Notes to the financial statements Year ended 31 August 2018

15 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)	251	6,233	(6,224)	(260)	—
. Start-up Grant	—	70	(70)	—	—
. Pupil premium	—	635	(635)	—	—
. Other DfE/ESFA grants	—	258	(258)	—	—
. Local authority grants	—	684	(684)	—	—
. Pension reserve	(3,683)	—	(320)	1,358	(2,645)
Total restricted general funds	(3,432)	7,882	(8,191)	1,098	(2,645)
Restricted fixed asset funds					
. DfE / ESFA and Local Authority capital grants	387	273	(182)	60	538
. Inherited from Local Authority	25,196	—	(315)	200	25,081
	25,583	273	(497)	260	25,619
Total restricted funds	22,151	8,153	(8,688)	1,358	22,974
Unrestricted general fund	466	593	(328)	—	731
Total funds	22,617	8,746	(9,016)	1,358	23,705

General Annual Grant

The General Annual Grant (GAG) has been provided by the ESFA in order to fund the normal running costs of the Academy Trust. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2018.

Start-up grant

Funding was received in the year ended 31 August 2017 from the ESFA to help with the costs of converting Cypress Primary School into an Academy and introducing it to the Academy Trust.

Pupil Premium

This relates to income received from the ESFA to support disadvantaged children from low-income families.

Other DfE/ESFA revenue grants

This primarily includes Universal Infant Free School Meal Programme income receivable from the ESFA to provide meals for children in reception, year 1 and year 2.

Pension reserve

The pension reserve relates to the deficit on the Academy Trust's share of the Local Government Pension Scheme as at 31 August 2018.

Notes to the financial statements Year ended 31 August 2018

15 Funds (continued)

Restricted fixed asset funds

These funds relate to the Academy Trust's holding of tangible fixed assets, predominantly the buildings held under a long lease with the London Borough of Croydon. Transfers to the restricted fixed assets fund from other restricted or unrestricted funds reflects the utilisation of such funds to cover the shortfall of any financing the Academy Trust's tangible fixed assets.

Other Local Authority grants

These are grants receivable from the London Borough of Croydon for specific purposes or projects.

Analysis of funds by school

All unrestricted general funds are retained centrally for the provision of education in line with the Academy Trust's charitable objectives to ensure financial stability for the schools and their pupils. It is therefore not possible to analyse the unrestricted general fund balance of £731,000 (2017 – £732,000) by school.

Expenditure incurred by each school during the year (excluding depreciation) was as follows:

	Teaching and educational support staff costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation) £'000	Total 2018 £'000
Ecclesbourne Primary School	1,498	122	70	325	2,015
Whitehorse Manor Infant School	1,259	177	72	315	1,823
Whitehorse Manor Junior School	1,338	208	69	365	1,980
Beulah Infant and Nursery School	791	116	51	205	1,163
Cypress Primary School	2,029	403	120	703	3,255
Central services	843	792	113	416	2,164
Total costs	7,758	1,818	495	2,329	12,400

16 Analysis of net assets between funds

	Unrestricted general funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	2018 Total funds £'000
Fund balances at 31 August 2018 are represented by:				
Tangible fixed assets	—	—	34,151	34,151
Current assets	732	1,047	—	1,779
Creditors: amounts falling due within one year	—	(1,047)	—	(1,047)
Pension scheme liability	—	(3,616)	—	(3,616)
Total net assets	732	(3,616)	34,151	31,267

Notes to the financial statements Year ended 31 August 2018

16 Analysis of net assets between funds (continued)

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

	Unrestricted general funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	2017 Total funds £'000
Fund balances at 31 August 2017 are represented by:				
Fixed assets	—	—	25,559	25,559
Current assets	731	1,003	60	1,794
Creditors: amounts falling due within one year	—	(1,003)	—	(1,003)
Pension scheme liability	—	(2,645)	—	(2,645)
Total net assets	731	(2,645)	25,619	23,705

17 Related party transactions

Owing to the nature of the Academy Trust's activities and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which the Academy Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

During the year ended 31 August 2018, the Academy Trust incurred charges totalling £120,189 (2017 – £88,441) for various contracted services (IT, governance, HR, and other school improvement services) from Octavo Partnership Limited. Mr J Roberts is a Director of The Pegasus Academy Trust and also a Director of the Octavo Partnership Limited. At 31 August 2018, the Academy Trust owed £nil (2017 – £720) in respect of unsettled invoices issued by Octavo Partnership and this balance is included within trade creditors.

The Directors confirm that the purchase was made at arm's length and they further confirm that they have observed and complied with the requirements set out in ESFA's Academies Financial Handbook. A statement of assurance has been obtained from Octavo Partnership Limited confirming this.

18 Commitments under operating leases

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

	2018 £'000	2017 £'000
Amounts due within one year	—	1
	—	1

Notes to the financial statements Year ended 31 August 2018

19 Pension and similar obligations

The Academy Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Borough of Croyden. 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 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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.

Notes to the financial statements Year ended 31 August 2018

19 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme (continued)

- ♦ 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 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. Initial indications are that the employer's contribution rate will increase to 23.6% from September 2019 and that government funding will be made available to cover the increased costs.

The employer's pension costs paid to TPS in the period amounted to £573,102 (2017 – £466,449).

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 a multi-employer pension scheme. The Academy Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy Trust has set out above the information available on the scheme.

Local Government Pension Scheme (LGPS)

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 £714,000 (2017 – £507,000), of which employer's contributions totalled £568,000 (2017 – £410,000) and employees' contributions totalled £146,000 (2017 – £97,000). The agreed contribution rates for 2018/19 are 19.6% for employers and between 5.5% and 12.5% for employees depending on salary band.

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

The following information is based upon an actuarial valuation of the funds at 31 August 2018 by a qualified independent actuary.

	At 31 August 2018	At 31 August 2017
Principal Actuarial Assumptions		
Rate of increase in salaries	2.9%	2.9%
Rate of increase for pensions in payment / inflation	2.4%	2.4%
Discount rate for scheme liabilities	2.8%	2.5%
Inflation assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sums (pre-April 2008 service)	50%	50%
Commutation of pensions to lump sums (post-April 2008 service)	75%	75%

Notes to the financial statements Year ended 31 August 2018

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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	At 31 August 2017
<i>Retiring today</i>		
Males	22.3	22.3
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	24.0	24.0
Females	26.2	26.2

	At 31 August 2018 £'000	At 31 August 2017 £'000
Sensitivity analysis – net increase in liability		
Discount rate -0.5%	1,100	781
Salary increase +0.5%	104	87
Pension increase +0.5%	987	685

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

	Fair value at 31 August 2018 £'000	Fair value at 31 August 2017 £'000
Equities	3,145	2,170
Corporate bonds	709	535
Property	532	346
Cash	44	94
Total market value of assets	4,430	3,145
Present value of scheme liabilities		
Funded	(8,046)	(5,790)
Deficit in the scheme	(3,616)	(2,645)

	2018 £'000	2017 £'000
Amounts recognised in statement of financial activities		
Current service cost	1,137	654
Interest income	(91)	(60)
Interest cost	181	136
Total amount recognised in the SOFA	1,227	730

Notes to the financial statements Year ended 31 August 2018

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Changes in the present value of defined benefit obligations were as follows:	2018 £'000	2017 £'000
At 1 September 2017	5,790	6,454
Inherited on conversion – Cypress Primary School	1,498	—
Current service cost	1,137	654
Interest cost	181	136
Employee contributions	146	97
Actuarial (gain)	(645)	(1,501)
Benefits paid	(61)	(50)
At 31 August 2018	8,046	5,790

Changes in the fair value of the Academy's share of scheme assets:	2018 £'000	2017 £'000
At 1 September 2017	3,145	2,771
Inherited assets – Cypress Primary School	311	—
Interest income	91	60
Actuarial gain/(loss)	230	(143)
Employer contributions	568	410
Employee contributions	146	97
Benefits paid	(61)	(50)
At 31 August 2018	4,430	3,145

20 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 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.

21 Transfer from local authority

On 1 September 2017 Cypress Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Pegasus Academy Trust from the London Borough of Croydon for £nil consideration.

The transfers 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 gain in the statement of financial activities (SOFA) as donations - transfer from local authority on conversion.

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

	£'000
Fixed assets – land and buildings	8,850
Budget surplus on LA funds	286
Defined benefit pension scheme deficit	(1,187)
Net assets	7,949