

Diverse Academies Trust
(A Company Limited by Guarantee)

Annual Report and Financial Statements

For the Year Ended 31 August 2017

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

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DIVERSE ACADEMIES TRUST
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Reference and Administrative Details
For the Year Ended 31 August 2017

Members	JR Rolph M Blore IC Wiggins
Trustees	JR Rolph, Chair CB Pickering, Chief Executive Officer (CEO) & Accounting Officer (resigned 5 June 2017) M Blore D Clinton, Acting Chief Executive Officer (ACEO) & Accounting Officer (appointed 5 June 2017) M Quigley (appointed 17 October 2016) S Hall (appointed 1 September 2016) S Jones (appointed 13 November 2017) E Warhurst (appointed 13 November 2017)
Company registration number	7664012
Company name	Diverse Academies Trust
Principal and registered office	c/o Tuxford Academy Marnham Road Tuxford Newark Nottinghamshire NG22 0JH
Company secretary	A Elway
Senior management team	CB Pickering, Chief Executive Officer (CEO) D Clinton, Acting Chief Executive Officer (ACEO) D Cotton, Executive Principal L Davidson, Executive Principal N Holmes, Executive Principal K Hardy, Academy Principal C Saxelby, Academy Principal G Corban, Chief Operating Officer J Fearon, Chief Financial Officer (resigned 22 September 2016) L Mosley, Chief Financial Officer (appointed 31 October 2016)
Independent auditors	Smith Cooper 2 Lace Market Square Nottingham NG1 1PB
Bankers	Lloyds Bank 37 Castlegate Newark NG24 1BD

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Reference and Administrative Details of the Trust, its Trustees and Advisers
For the Year Ended 31 August 2017

Advisers (continued)

Solicitors

Browne Jacobson
Mowbray House
Castle Meadow Road
Nottingham
NG2 1BJ

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Chairman's Statement
For the Year Ended 31 August 2017

The Diverse Academies Trust ('DAT') is the legal vehicle which owns the Academies within the DALP Partnership, apart from The National Church of England Academy in Hucknall which is owned by The National Church of England Trust ('NCEAT') at the insistence of The Diocese of Nottingham & Southwell. The Partnership Board is made up of Trustees from both Trusts.

In April 2017 The Trust was approached by the Regional Schools Commissioner for agreement to second the CEO, Chris Pickering, to another MAT which was experiencing serious difficulties. The Trustees agreed to second the CEO for approximately 13 months and to promote the DCEO, Debbie Clinton, to Acting CEO in his absence. For the period of his secondment the CEO resigned as a Trustee and as Accounting Officer. The Acting CEO was appointed a Trustee and as Accounting Officer in his place.

2016/17 saw excellent progress in all the DALP academies. There were discussions with the RSC regarding the sponsorship of 2 more academies, Samuel Barlow Primary Academy in Clipstone and Redgate Primary Academy, a special school in Mansfield. In addition 3 more academies agreed to join the Group; Bracken Lane Primary Academy and Thrumpton Primary Academy both based in Retford and Yeoman Park Academy, another special school based in Mansfield. Long delays in agreeing all the paperwork meant that all 5 academies only joined us at the beginning of the new academic year.

As mentioned last year, DALP is benefitting from the dissemination of best practice across its academies and this is made possible by the support of a first class Education and Corporate Services structure. This structure has been designed specifically to cater for the likely expansion of DALP in the next few years. Evidence of its effectiveness was demonstrated by the praise received following Section 8 visits to Wainwright Primary Academy and Queen Elizabeth's Academy, both of which joined DALP in September 2016, for the rapid improvements being achieved. Queen Elizabeth's was also able to assist the Regional Schools Commissioner by taking more than 30 students displaced by the closure of the nearby Vision Studio School. Significant investment in this structure and delays in expansion referred to above has resulted in a surplus of £3.9M in the year.

Cost savings have been identified across the academies but the slower than anticipated expansion, together with the problem of lagged funding, which is where additional pupil numbers in existing academies are not funded by the ESFA until the following academic year, has severely depleted reserves. The ESFA are supportive but without adequate funding it is increasingly difficult to meet the challenges of providing high quality education for all pupils in view of increased employment and occupation costs, especially in academies built under the Private Finance Initiative ('PFI').

The much talked about 'National Funding Formula' will eventually offer some help and, hopefully, the Government will look at increases in funding to at least cover the effects of inflation on academies. Otherwise I can only repeat that the likelihood of deficit budgets, with the consequent need to reduce staffing costs, is in no-one's interest; especially the pupils.

Finally, despite the problems of funding, DALP's continuing success is down to the quality, dedication and sheer hard work of the teaching staff and the support staff, who go out of their way to ensure the best education for every pupil. This is borne out by the excellent results achieved across the academies and the improvements made by the schools that have recently joined the group. I would like to thank each and every one of them for their efforts. I would also like to thank all the governors who serve on the Local Academy Boards, and my fellow Trustees for all their assistance.


John Rolph
Chair of DAT & DALP

Date: 15/12/2017

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Chief Executive Statement
For the Year Ended 31 August 2017

2016/2017 has been another challenging year.

Key pressures have included:

1. Financial pressures resulting from additional costs which have had to be absorbed by Academy budgets without increases in overall funding e.g. national insurance and pension payments, cost of living pay increases
2. Continuing to improve student outcomes in academies
3. Recruitment of high quality teachers and other key operational staff
4. Balancing growth of the Trust with creating capacity within the Education and Operations Directorates to meet the demands of additional academies
5. Responding to the rapidly evolving education system and managing the impact of political changes
6. Recruitment of quality governors and governance restructuring
7. Managing the continued changes in the measures used to judge schools' outcomes in terms of exam performance (e.g. Progress 8, primary and MAT accountability)
8. Building the Multi Academy Trust infrastructure
9. Planning for future growth

The Trust has embraced all these challenges and is in a very strong position to move forward towards its ambition of 30 academies across a number of regional clusters within its agreed geographical parameters.

The Trust is financially secure and is fully aware of savings that will need to be made over the next two years to prevent in year deficits and to enable reserves to be re-built to an appropriate level.

The Trust has a clear growth plan for 2017/2018 and a framework for medium and longer term growth.

The backroom services of the Trust remain lean and cost effective. This has resulted in the Trust being able to pass 96.1% of budget share to academies. Much of this cost is offset by resultant savings being made by academies.

Outcomes for students across the group have, again, improved significantly with success stories in all academies, none more so than the academies that have improved from particularly low points on joining the Trust.

Plans for further growth have been agreed with the Regional Schools' Commissioner and the Board and the Trust has built sufficient capacity to successfully manage this growth.

The academies are well placed to respond to further changes in performance measures.

All academies are fully staffed and the Trust has a robust succession planning and recruitment strategy in place. The Trust is well placed to respond to the changing political climate.

Only a very few governor vacancies now remain at local Academy board level.

2016/2017 was an exceptional year for the Trust which is well placed to meet the new challenges it will face in 2017/2018.



D Clinton
Acting Chief Executive Officer

Date: 18/12/17

DIVERSE ACADEMIES TRUST
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Trustees' Report
For the Year Ended 31 August 2017

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2016 to 31 August 2017. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' report under company law.

The Trust operates six secondary schools and two primary schools in Nottinghamshire and Lincolnshire for the age range 2 to 19. The Academies have a combined pupil capacity of 6,500 and had a roll of 5,300 in the schools census at October 2016. Post year end the Trust took over the operations of 5 further academies in Nottinghamshire. Tuxford Academy leads the Trent Valley Teaching School Alliance which provides continuing professional development to teachers and support staff in approximately 30 schools. Tuxford and Holgate academies also provide delivery of alternative provision as part of the Trust's charitable objectives. There is also a wider provision of early years education, before and after school activity and community use of facilities.

Structure, governance and management

a. Constitution

The Academy Trust is a company limited by guarantee (registration number 7664012) and an exempt charity. The charitable company's memorandum and articles of association is the primary governing document of the Academy Trust.

The Trustees of Diverse Academies Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as Diverse Academies Trust.

Details of the Trustees who served during the year are included in the Reference and administrative details on page 1.

b. Members' liability

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

c. Trustees' indemnities

A Trustee may benefit from any indemnity insurance purchases at the academy Trust's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of Trust or breach of duty of which they may be guilty in relation to the Academy Trust, provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of Trust or breach of duty or which was committed by the Trustees in reckless disregard to whether it was a breach of Trust or breach of duty and provided also that any such insurance shall not extend to the costs of any unsuccessful defence of a criminal prosecution brought against the Trustees in their capacity as directors of the Academy Trust.

d. Method of recruitment and appointment or election of Trustees

New Articles of Association were adopted with effect from 1st May 2016. The adopted changes were to move to the DfE model Articles of Association. The Trust must have two elected Parent Trustees which was agreed to be done at a local level. Trustees are appointed by nomination and approved by the members. This change facilitated segregation of duties between LABs and the main Board.

The Trust can appoint an additional 3 co-optees if they feel this is appropriate. Current Trustees are shown on page 1. The Trust has been seeking to recruit additional Trustees with a broad spectrum of experience so it is better able to understand and challenge senior management decision making. 2 new Trustees were appointed after the year end as shown on page 1. External advice is sought as and when necessary.

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

e. Policies and procedures adopted for the induction and training of Trustees

The training and induction provided for each new Trustee will depend on their existing experience. The Academy Trust purchases support services which provide individual and full Academy Board training through an annual training programme which is reviewed each year to reflect any changes in practice and legislation. The Academy Trust will perform an annual skills audit of governors and should any gaps be identified, training courses are offered to address these issues.

f. Organisational structure

The Executive Group consisting of CEO, COO, CFO, Deputy CEO, Executive Principals and Principals named the Senior Strategy Team (SST) are responsible for creating the vision, mission and key strategies. In May 2017 the CEO was seconded to another Trust at the request of the Regional Schools Commissioner; since then the Deputy CEO has been the Acting CEO. These reports are refined annually and presented to the DALP Board for approval. Monitoring the execution of the key strategies is then achieved through a series of Board meetings and Audit and Risk committee meetings. The educational monitoring is achieved through a series of meetings called Challenge Support Intervention (CSI) meetings (6 times per annum) and Full Academy Reviews (FAR) which are completed once a year. Both processes monitor progress, This has included financial monitoring which will be done separately in 16/17.

The Diverse Academies Trust is the main decision making body but has delegated authority as below:

The Trust has pooled a number of key education and business support functions with National Church of England Academy Trust (NCEAT) through the Diverse Academies Learning Partnership (DALP). This has a joint Board of DAT and NCEAT Trustees. This manages shared staffing and services which is part of the 3.9% management charge. Additionally, it manages a number of shared support services in Marketing, Property, IT, MIS, Finance and HR. These costs are around a further 5% of spend and are recharged directly to academies.

Each local Academy Board is free to spend their budget and recruit in the framework of the annual budget, which is expected to at least break even. All budgets are approved by the main board, any Academy in deficit must have its budget approved by the Board.

Each local Academy Board operates a pay and performance committee to review annual incremental increases and other additional awards for staff including the Academy principal. The DALP Board operate a senior staff pay and performance committee to review senior executive and corporate staff salaries.

The Trust also has a 'Chairs of Governors' group, and a representative which will be a nonvoting Trustee. This group is consulted concerning major strategic decisions and acts as a means of feeding local Academy board views into the main board.

g. Arrangements for setting pay and remuneration of key management personnel

The DALP and Academy Boards operate pay and staffing committees which review the senior, executive and corporate staff salaries. Salaries are reviewed and aligned with nationally agreed terms and conditions as well as comparing to norms within the sector. Support staff salaries are reviewed in the context of national job evaluation framework.

h. Connected organisations, including related party relationships

Whilst the Trust is a Multi Academy Trust (MAT) responsible for its own affairs, it has entered into a partnership arrangement with The National Church of England Academy Trust Limited (NCEAT) with whom it has had a long standing collaboration agreement since 2007. The Academy Trust shares a CEO, ACEO, Chief Financial Officer, Chief Operating Officer and Company Secretary with NCEAT as it seeks to make on-going improvements to the efficiencies of its operations across both academic and support functions.

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

The relationship is detailed within a formal partnership agreement, the 'Diverse Academies Learning Partnership' and this outlines the way that the 2 Trusts will work together. This involves the contribution to agreed central services including the staff highlighted above and the creation of a partnership board to oversee a variety of partnership activities covering both academic and support functions. Further information on transactions with related parties can be found in note 25.

Objectives and Activities

a. Principal activities

The Academy Trust's principal activities are the provision of education of pupils between the ages of 2 and 19, currently across the following academies:

- Tuxford Academy
- Retford Oaks Academy
- East Leake Academy
- Tuxford Primary Academy
- Holgate Academy
- Walton Girls High School and Sixth Form
- Queen Elizabeth Academy
- Wainwright Primary Academy

Additionally the Academy Trust supports the development of teaching and learning through leading Trent Valley Teaching School Alliance, supports to other schools on improvement initiatives, shares working with other schools in delivering alternative education.

b. Objects and aims

The Academy Trust's primary objective is the delivery of high quality teaching and learning to every child that attends one of its Academies. This is articulated through the objective for every Academy to be rated as "Good" or better within three years after its next inspection.

The Trust is committed to achieving this through the dissemination of best practice wherever that might be found within the Academies and the Teaching School Alliance.

The Trust seeks to collaborate with others where this improves the provision and resources available to our pupils.

c. Objectives, strategies and activities

The Academy Trust's objectives, strategies and activities are set as follows:

The CEO recommends the key objectives for the forthcoming 3 years which are revised annually, from which comes the Annual Delivery Plan (ADP) to meet the milestones in the overall 3 year plan. This sets the overall position for the Academy Trust and the wider DALP partnership. The overall strategy and ADP are agreed by both the Trust and DALP boards. The 2 boards then monitor and evaluate progress against the plan as the year progresses.

The individual Academies set out their own individual priorities within this overall framework which are agreed and monitored by their own individual delegated governing bodies.

Some of the key strategies and outcomes from the Trust were as follows:

To grow the Trust and impact the lives of more children

Wainwright Primary Academy and Queen Elizabeth's Academy transferred from Schools Partnership Trust (now Delta Academy Trust) on the 1st September 2016. DALP has development plans to grow to 30 schools in the next two years.

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

Ensure all Academies have academic progress tracking processes that are fit for purpose
Secure systems are in place for all Academies.

To raise the profile Of DALP locally, regionally and nationally

All staff, governors, pupils and parents understand the DALP model, the CEO and the ACEO continue to work closely with the Regional Schools Commissioner and the Executive works closely with the DfE on a national stage.

To ensure all Corporate Leadership and Management Structures were fit for purpose

This has been successful, as the Trust has managed to incorporate two new schools in the year and a further five since the year end. It is still being developed for its next phase of growth.

Raise standards in maths across the Trust

Successful outcomes in 2016 and 2017, see KPIs, this is achieved through an effective challenge, support and intervention methodology and Full Academy Reviews. This focuses on key data which is outcome based and completion of the strategic actions.

Ensure all Academies provision for disadvantaged pupils is high quality and effective

The improvement gap closure has improved in all academies.

d. Public benefit

The Trustees have complied with the duty in Part 3 of the Charities Act 2011, to have due regard to public benefit guidance published by the Charity Commission in exercising their powers or duties. In particular, the Governors consider how planned activities will contribute to the aims and objectives they have set. The Academy Trust has provided a fully comprehensive education to all pupils in its care. It fully complies with all statutory guidance and seeks to support its wider educational objectives via a strong community role. Where the Trust has full control of its facilities it seeks to ensure a broad community use is made of the school facilities outside of the school day and within the school day where this is practical.

In setting our objectives and planning our activities the governors have given careful consideration to the Charity Commission's general guidance on public benefit.

Strategic report

Achievements and performance

a. Achievements and performance

During the 2016/2017 financial year, DAT Academies performed exceptionally well.

On current DfE 2017 MAT performance data (unvalidated), we rank as significantly above the national average with regard to our secondary and primary performance. As ever, overall general improvements mask some disappointments and some spectacular successes.

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

b. Financial review

This set of accounts shows the financial performance of the Academy Trust for the year ended 31 August 2017. The statement of financial activities shows the Academy Trust incurred a surplus before other recognised gains and losses of £1,424k in the year ended 31 August 2017 (2016: surplus of £2,690k (as restated)).

The Academy Trust held fund balances at 31 August 2017 of £46,634k (2016: £42,766k (as restated)) comprising a deficit of £327k (2016: surplus of £597k) of restricted general funds (excluding pension reserve) and a surplus of £492k (2016: £843k) of unrestricted general funds and a pension reserve deficit of £17,032k (2016: £14,071k). The majority of the net assets relate to fixed assets (land and buildings) being £64,294k (2016: £56,591k (as restated)).

The Trust has cash of £357k at the end of 2017. There was significant dilution of cash in the year, from an opening balance of £1,842k. The balance funded the in year cash flow deficit. Clearly this level of deficit is not sustainable on an ongoing basis.

The plan during 2016/17 is to structure the organisation in a way to breakeven in 17/18. In September 2016 the transfer of Wainwright Primary Academy and Queen Elizabeth's Academy occurred with a transfer of cash of £1.2m which will further boost cash balances.

Cost reductions for 2017/18 of £1,244k have been identified and further work is on-going to review the organisational structure.

Financial policies

The Trust has made no change to policies in the year. The Trust has revised its policy on the funds that are retained from ESFA income to meet the Trust's core running cost. In 2016/17 this will be a flat 3.9% (excluding pupil premium and bursary funding). This still leaves 96.1% of funding delegated to Academies.

Purchase of assets

During the previous financial year the Trust purchased a major additional asset, the former Hucknall College site for £1,161k, previously owned by New College Nottingham. The site is used as a Sixth Form for The Holgate Academy and National Church of England Academy, which provides educational facilities for students from both schools. The purchase costs will be recovered by section 106 funding which is expected to be received over the period 2016 to 2020.

c. Key performance indicators

The Trust sets KPIs at an individual Academy level. These targets are:

Achievement – Detailed performance targets are set which reflect the entry position of cohorts within each Academy. In 2016-2017, all academies met the vast majority of their targets. Many Academies exceeded their targets.

Use of resources – The curriculum design and use of teaching and support staff is reviewed annually in each Academy. All Academies met the targets set. The Trust achieved a teaching utilisation of 76% (this was before targeted intervention activity).

Recruitment – Total roll at 1 October 2016 was 7,383 compared to a target of 7,300.

Financial Health – Each Academy set an in-year budget which reflected their in year income and historic reserves (which may be used to support education and investment). All Academies met their budget targets.

Academy Performance - Primary Academies

Tuxford Primary Academy retained its Good status following its annual risk assessment by Ofsted. The Academy also saw their best ever KS2 results and are now above national average in all KS2 measures.

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Trustees' Report (continued)
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Wainwright Primary Academy received a new URN and as such does not currently have an Ofsted Grade. The Academy had some notable successes, particularly with younger year groups. KS2 outcomes were not as positive as hoped, but was not unexpected due to the legacy of years of poor education received by the students. Significant strategic changes took place during the year to set the foundation for improved outcomes in the future.

Academy Performance - Secondary Academies

East Leake Academy retained its Good status following its annual risk assessment by Ofsted. The Academy made significant improvements at both KS4 and KS5 with Progress 8 improving from -0.55 in 2016 to -0.10 in 2017. Progress at KS5 was above the national average for both academic and vocational courses.

Queen Elizabeth's Academy received a new URN and as such does not currently have an Ofsted grade. The Academy spent much of 2016/17 establishing routines and developing both Leadership and Teaching and Learning. A significant amount of energy was placed on making up for the years of poor quality teaching and it was not a surprise to find progress of KS4 was still low. There were many individual successes at KS5 and the green shoots of recovery can be seen in the progress of younger year groups.

Retford Oaks Academy received an Ofsted Inspection in July 2017 and was judged to be Good in all areas for the first time in its history. The Academy delivered outcomes that were in line with national averages at both KS4 and KS5 and extensive CSI has contributed to and will contribute further to rapid improvements.

Tuxford Academy retained its Outstanding status following its annual risk assessment by Ofsted and it continues to lead vital school improvement work in the region through its responsibilities as the lead school in the Trent Valley Teaching School Alliance (TVTSA). The Academy had a very impressive year and significant progress was made from 2016. At KS4, a Progress 8 score of +0.44 puts the Academy in the top 5% of schools in the country and possibly the highest in Nottinghamshire. Performance at KS5 remained strong in academic subjects.

The Holgate Academy retained its Good status following its annual risk assessment by Ofsted. The Academy had a very positive year and made substantial progress from 2016. At KS4, the Progress 8 value rose by +0.3 and is now above the national average. Performance at KS5 remained in line with that in 2016.

Walton Girls High School retained its Good status following its annual risk assessment by Ofsted. The Academy had another very successful year and improved further in its already strong 2016 results. At KS4 the Progress 8 value achieved was +0.37 and this was boosted by significant improvements in maths performance as a result of intensive CSI. At KS5 vocational performance was strong, and well above national average.

d. Going concern

The Trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

At the date of this report the Trustees are in discussion with the ESFA regarding the acceleration of future Grant Funding to cover the education costs for additional pupils in its expanding academies. Without this funding the Academy Trust is at risk of having insufficient working capital to fund its growth strategy at certain points during the next 12 months. These discussions are at an advanced stage and a recommendation from the ESFA to the DfE, to provide this funding, has been made. Formal approval will not be obtained until January 2018 and therefore this matter constitutes material uncertainty.

The Trustees have concluded that the approval of this request is sufficiently likely to be able to conclude that the Academy Trust will have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Financial review

a. Reserves policy

Total useable reserves, defined as Restricted general reserves (excluding the pension reserves) and unrestricted reserves were £168k (2016: £1,440k).

The Trust holds reserves to achieve the following objectives :

1. The need for our on-going financial stability and security
2. That financial security and stability is achieved to secure the best possible educational opportunities for our students.
3. To protect the Trust from future funding variations.
4. To protect the Trust against lagged funding.
5. To provide funds for capital investment or large revenue projects.
6. To fund, where necessary, building academic or operational capacity in advance of need.

The target for total reserves is between 5 – 10 % of turnover. This would mean holding approximately £2M - £4M of reserves.

The Trust currently falls well short of this target, it incurred a large operating deficit in 16/17 and has only been repaid £0.2M of £1.7M relating to the Hucknall 6th form centre.

The Trust is currently in discussions with the ESFA to provide a cash advance as pupil growth (lagged funding of £1.2M) and capacity to grow (£0.5M) are the two most significant factors.

Like many Academies and Trust's in England, DAT are finding it difficult to breakeven and deliver outstanding outcomes for children.

b. Investment policy

The Trust will look to invest any surplus funds it has in short term deposits which, while not generating substantial returns, ensures that the Trust can gain easy access to its funds and minimise its exposure to any losses.

c. Principal risks and uncertainties

The Trustees have adopted the statement of recommended practice (SORP) approach to identifying and managing the risks of the Trust. The schedule of risks is tabled at all Finance and Resources portfolio meetings of each Academy and at the DALP Audit and Risk Committee, and mitigating actions agreed as required. The full Trustee group will review the risk register on an annual basis.

The financial risks facing the Trust over the next 12-24 months are:

Real terms reductions in Educational Funding

There is continued funding pressure as both the minimum funding guarantee and educational support grant are reducing year on year until they disappear. Wage inflation costs in the region of £500k per annum. To stand still the Trust has to continually reduce its cost base. Further Reductions in costs are planned for 17/18 and 18/19. The Trust aims to save a further 5% on current costs to ensure future balanced budgets.

Changes to Education Funding

The Education and Skills Funding Agency is proposing to introduce a national funding formula to replace local models of funding, this will be a "soft" formula in 18/19 and 19/20. It will be fully implemented in 20/21. The base increase in funding, as long as passported to schools/Academies, will be a 0.5 % increase in 18/19 and 1.0% in 19/20, equating to £666K and £1,028K for the Trust respectively.

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Trustees' Report (continued)
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Improving / maintaining inspection grades and academic results

Inspection grades and examination results have a significant impact on the ability of the Trust to continue to manage an Academy and on recruitment to an Academy.

d. Financial risk management objectives and policies

The Trust considers any risk as an intrinsic part of any decisions it makes. The Trust operates a risk register that reviews both strategic, financial and operational risks, including the key ways of mitigating these risks. This register is presented to the Audit Committee to scrutinise. This process will be refined further in 2017/18 using appropriate software to ensure all key risks are both identified and managed.

e. Pension deficit

The Trustees recognise that there is a significant pension deficit of £17,032k (2016: £14,071k) which can vary from time to time depending on economic circumstance. The Trustees concern themselves with the overall level of contribution necessary to meet its cash payments to the schemes.

f. Principal funding

Donations and capital grants – see note 2.

The note includes capital grants from the ESFA.

Funding for the Academy Trust educational operations - see note 3.

The main funding the Trust receives is the General Annual Grant of £29,217k (2016: £22,408k) for provision of education within its academies. This is funded by a formula based on pupil numbers, an element of small fixed payment per school and also recognises the level of deprivation. The ESFA pays this funding.

Other trading activities - see note 4.

This income includes voluntary contributions for school trips and school fundraising activity.

Transfers in of Academy Trust - see note 28.

On the 01/09/2016 Wainright and Queen Elizabeth Academy Transferred from SPTA (now Delta), the assets values transferred were £9,459k and are recognised as donated assets. The pension liability of £3,574k was also transferred to the Trust.

The Trust makes additional charges on a no profit basis for the provision of other education provision, this includes providing early years' places, before and after school clubs, places within alternative provision.

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

Plans for future periods

a. Future developments

The Trust is looking to continue developing its activities and operations in the following areas:

Partnership

The Trust is seeking to further develop shared activity across DALP in HR, IT, MIS, Marketing, Finance, Estates and Facilities Management.

The Trust is looking to continue developing its activities and operations in the following areas:

Quality of Provision

The Trust is committed to exceptional academic performance across its Academies. It also expects all of its Academies to be graded as Ofsted Good or better within 2 years of joining the Trust. During 2016-2017, the Trust strengthened its Education CSI team by creating 4 more Executive Assistant Principal roles to support school improvement. It also seconded Academy based staff into key roles in Maths, English and PDBW, Science and PDBW.

Expansion of the Trust

The Trust has built capacity to support new Academies in the following manner:

1. Enabling the integration of any feeder primary school into the group
2. Through school to school support which then leads to conversion
3. Through proximity to existing schools to bring additional expertise into the Trust
4. Working with the Regional School Commissioner (RSC) to support the sponsored conversion of schools or transfer of existing Academies.

Wainwright Primary Academy and Queen Elizabeth's Academy transferred to the Trust on 1 September 2016. The Trust remains in discussion with the RSC regarding other schools. The Trust carries out a due diligence process prior to Trustees agreeing to add an Academy.

Bracken Lane Primary School and Samuel Barlow Primary School transferred to the Trust on 1 September 2017. Yeoman Park Primary Academy, Redgate Primary Academy and Thrumpton Lane Primary School transferred to the Trust on 1 October 2017.

Funds held as custodian

The Academy Trust holds funds as custodian on behalf of those post-16 students who are entitled to and in receipt of the Post-16 Bursary. For further details see note 27.

Employee consultation and disabled employees

The Trust has a number of formal and informal structures which supports employee engagement and involvement. Employee engagement/involvement is explicit in the vision and strategy of the Trust and its Academies. In addition to this there is a formal collective bargaining arrangement with recognised trade unions which provides a vehicle to formally consult and engage with employees' trade unions in respect of all people management practices.

The Trust ensures through its recruitment, development and through the course of employment that all people management practices support disabled persons, in addition all reasonable adjustments are considered and reviewed to ensure the recruitment and retention of disabled persons.

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

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

Disclosure of information to auditors

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustees have taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Trustees' Report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 15/12/17 and signed on its behalf by:



JR Rolph
Chair of Trustees

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Governance Statement

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Diverse Academies 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 Trustees has delegated the day-to-day responsibility to the ACEO, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Diverse Academies Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 6 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
JR Rolph, Chair	6	6
CB Pickering, Chief Executive Officer & Accounting Officer (resigned 5 June 2017)	4	4
M Blore	5	6
D Clinton, Acting Chief Executive Officer & Accounting Officer (appointed 5 June 2017)	1	1
M Quigley (resigned 31 August 2016 and re-appointed 17 October 2017)	4	5
S Hall (appointed 1 September 2016)	5	6
S Jones (appointed 13 November 2017)	0	0
E Warhurst (appointed 13 November 2017)	0	0

The Members of the Trust approved increasing the number of Members from 3 to 5 at its meeting on 20 April 2015. There are currently 3 Members, although it remains our objective to recruit additional suitably qualified candidates. The Trust Board takes overall responsibility for the Trust's finances but it has delegated key decision making to the Academy Board of each individual Academy. These Academy boards set the Academy's educational targets and budgets which are then approved by the Trust Board.

All governors complete a skills audit and self-evaluation. The results of this were discussed and evaluated at the Chair of Local Academy Board meeting. Following this, training sessions are held to address any gaps identified. These included safeguarding and RAISE online training. This is completed annually. The Chairs of LABs meet with the Executive on a termly basis.

The new Trust Board had training in January 2017 with an external advisor and again in June 2017 with an external assessor.

A Governors' Conference for governors in all academies was held in February 2017 and another one is planned for 29 November 2017 and April 2018

The Audit and Risk Committee is a sub-committee of the main Board of Trustees. The Audit and Risk Committee provides an overview of controls in both Trusts within the DALP partnership. The joint committee acts as the Audit and Risk Committee to Diverse Academies Trust and National Church of England Academy Trust. The purpose of the committee is to review the internal controls of the Trust, recommending an annual programme of work to test the controls and receive all reports on internal controls. The Committee makes recommendations to the Board on improvements and areas of concern.

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Governance Statement (continued)

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
R Monkhouse	1	1
S Hall	2	2
M Mays	3	4
S Tongue	1	3
J Eastwood	2	4
M Quigley	3	4
S Odabashy	2	4
T Hill	0	0
	2	4

Review of Value for Money

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

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

- Working with the leadership team of each Academy to further review the deployment of educational and support staff. The academies use modelling tools which allow allocations by year group to be compared to best practice - across the Early Years to Sixth Form. As a result, all Academies have made savings in 2016/17 and plan further savings over the next 3 years.
- Ensuring Academies have been able to prioritise resources. Thus we have seen excellent 2017 outcomes in both exam results and, more importantly, in the levels of progress made by pupils. Areas of weakness have been identified and appropriate improvement plans put in place.
- Ensuring Academies' improvement plans identify the right areas for development, and that budgetary provision is then made to enable leaders to carry out the necessary actions.
- Significant collaborative activity through the Diverse Academies Learning Partnership (DALP) in the development of curriculum, CPD and leadership. The Trust has made significant contributions to collaborative work and received support from the other partners in delivering its provision to achieve enhanced pupil outcomes. The Trust believes this collaborative working is a vital aspect of its commitment to deliver Outstanding education to the very large numbers of children and young people in its Academies.
- The DALP partnership has provided specialist input in Maths and English and it has also undertaken reviews of the effectiveness of school leadership, behaviour management, safeguarding and SEND arrangements.
- Sharing the Chief Executive / Accounting Officer and Chief Financial Officer roles across the DALP partnership which lowers overall costs for the Trust.
- The Trust has introduced a new payroll service at a lower cost per employee.
- During the year, the Trust has further developed its shared services in IT, Finance, Estates, FM, Marketing, and HR to lower the cost of providing this support across our Academies.

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Governance Statement (continued)

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 Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Diverse Academies Trust for the year 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks, that has been in place for the year 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

The Risk and Control Framework

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint ICCA 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. In particular the checks carried out in the current period included:

- To ensure that the Trust has established a robust Risk Management Policy / Strategy which communicates its approach to the management of risk.
- To ensure a clear process of assessing the inherent and residual profile of risk is operated consistently by the Trust.
- To ensure that the Trust has clear risk mitigation strategies in place to effectively manage the likelihood and impact of a risk(s) materialising.
- To ensure the Trust's management of risks includes contingency and business continuity planning.
- To ensure that the Trust's management team regularly reviews the Risk Register in order to reflect the true risk profile of the Trust.
- To ensure that the Trust effectively reports the management of risk on a timely basis.

Specific controls testing was also carried out in the following areas:

- Fixed assets
- Purchasing
- Payroll
- Expense claims
- Credit card transactions
- Bank & cash
- Petty cash

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Governance Statement (continued)

- Grant income
- Other income
- School fund transactions
- Connected party transactions
- Financial reporting and control account reconciliations

On a termly basis, the internal auditor reports to the Board of Trustees through the Audit and Risk Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

ICCA has delivered their schedule of work as planned and no material control issues were identified.

Review of Effectiveness

As Accounting Officer, the ACEO 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 Audit Governors and ICCA as internal audit partners;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Board of Trustees on 15/12/2017 and signed on their behalf, by:



JR Rolph
Chair of Trustees



D Clinton
Acting Chief Executive & Accounting Officer

DIVERSE ACADEMIES TRUST
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Statement on Regularity, Propriety and Compliance

As Accounting Officer of Diverse Academies Trust I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the Academy Trust Board of Trustees 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 2016.

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



D Clinton
Acting Chief Executive & Accounting Officer

Date: - 18/12/17

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

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

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Trustees on 15/12/2017 and signed on its behalf by:



JR Rolph
Chair of Trustees

DIVERSE ACADEMIES TRUST
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Independent Auditors' Report on the Financial Statements to the Members of Diverse Academies Trust

Opinion

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

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

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

Basis of opinion

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

Conclusions relating to going concern

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

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

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Independent Auditors' Report on the Financial Statements to the Members of Diverse Academies Trust

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Academy Trust's ability to continue as a going concern. As explained in the Trustees' Report and note 1 to the financial statements, the Trustees require cash flow funding to be available from the ESFA to bridge a forecast cash deficit in 2018. Whilst the Trustees are confident that funding will be made available from the ESFA, no formal acknowledgement has been received at the date of the approval of the financial statements. This therefore raises a material uncertainty as to the Academy Trust's ability to continue as a going concern. The financial statements do not include adjustments that would result if the Academy Trust was unable to continue as a going concern.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Independent Auditors' Report on the Financial Statements to the Members of Diverse Academies Trust

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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



Sarah Flear (Senior Statutory Auditor)
for and on behalf of
Smith Cooper Limited
Chartered Accountants and Statutory Auditors
2 Lace Market Square
Nottingham
NG1 1PB

Date: 19 December 2014

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Independent Reporting Accountants' Assurance Report on Regularity to Diverse Academies Trust and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 11 August 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Diverse Academies Trust during the year 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Diverse Academies Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Diverse Academies 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 Diverse Academies Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Diverse Academies Trust's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Diverse Academies Trust's funding agreement with the Secretary of State for Education dated 1 July 2011, and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- a review of the outcome of the 2016 regularity audit
- a review of the evidence used to support the Accounting Officer's conclusions on the Regularity Statement
- a review of the adequacy of the internal audit function and the adequacy of the program of work
- a review of the internal audit reports during the year ended 31 August 2017
- a review of the internal control environment and whether the environment has regard to regularity of transactions. Consideration to significant changes in the control environment and whether this has led to potential weaknesses
- confirmation through enquiry and sample testing that gifts and hospitality are given and received in line with the Trust's policies
- confirmation through enquiry and sample testing that the use of expense claims or credit cards and petty

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Independent Reporting Accountants' Assurance Report on Regularity to Diverse Academies Trust and the Education and Skills Funding Agency (continued)

- cash adheres to internal control principles and that items are not for personal benefit
- confirmation through enquiry and sample testing that expenditure does not contravene the funding agreement
- confirmation through enquiry and sample testing that the lines of delegation and limits set both internally and by the ESFA have been adhered to
- consideration to procurement and tendering procedures ensuring these have been correctly adhered to and administered
- consideration to the compliance of the Trust's delegated authorities over financial transactions and evidence of prior approval from the Secretary of State where applicable
- a review of declarations of business interests for all governors/directors and key staff
- a review of transactions with connected parties ensuring these have been completed following correct procurement and tendering procedures
- a review of contracts entered into or renewed after 7 November 2013, ensuring they are in accordance with the not for profit principles and relevant statements of assurance have been obtained
- a review of meeting minutes of the various committees.

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 year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Smith Cooper Limited

Smith Cooper Limited
Chartered Accountants and Statutory Auditors
2 Lace Market Square
Nottingham
NG1 1PB

Date: *19 December 2017*

DIVERSE ACADEMIES TRUST

(A Company Limited by Guarantee)

**Statement of Financial Activities incorporating Income and Expenditure Account
For the Year Ended 31 August 2017**

		Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	<i>As restated Total funds 2016 £000</i>
	Note					
Income from:						
Donations and capital grants	2	311	(2,385)	9,689	7,615	6,500
Charitable activities	3	-	33,535	-	33,535	25,186
Other trading activities	4	995	219	-	1,214	766
Investments	5	2	-	-	2	4
Teaching School	6	-	118	-	118	118
Total income		1,308	31,487	9,689	42,484	32,574
Expenditure on:						
Raising funds	7	716	101	-	817	625
Charitable activities:						
Academy Trust educational operations	8	941	37,601	1,588	40,130	29,144
Teaching School	8	-	103	-	103	115
Total expenditure	7	1,657	37,805	1,588	41,050	29,884
Net income / (expenditure) before other recognised gains and losses		(349)	(6,318)	8,101	1,434	2,690
Actuarial gains/(losses) on defined benefit pension schemes	22	-	2,434	-	2,434	(5,750)
Net movement in funds		(349)	(3,884)	8,101	3,868	(3,060)
Reconciliation of funds:						
Total funds brought forward as previously stated		843	(13,474)	49,485	36,854	39,865
Prior year adjustment		-	-	5,912	5,912	5,961
Total funds brought forward as restated	18	843	(13,474)	55,397	42,766	45,826
Total funds carried forward		494	(17,358)	63,498	46,634	42,766

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)
Registered number: 7664012

Balance Sheet
As at 31 August 2017

			2017	As restated
	Note	£000	£000	2016
			£000	£000
Fixed assets				
Tangible assets	14		64,294	56,591
Current assets				
Debtors	15	1,765		731
Cash at bank and in hand		357		1,842
		<u>2,122</u>		<u>2,573</u>
Creditors: amounts falling due within one year	16	<u>(2,701)</u>		<u>(2,256)</u>
Net current (liabilities)/assets			<u>(579)</u>	<u>317</u>
Total assets less current liabilities			<u>63,715</u>	<u>56,908</u>
Creditors: amounts falling due after more than one year	17		<u>(49)</u>	<u>(71)</u>
Net assets excluding pension scheme liabilities			<u>63,666</u>	<u>56,837</u>
Defined benefit pension scheme liability	22		<u>(17,032)</u>	<u>(14,071)</u>
Net assets including pension scheme liabilities			<u><u>46,634</u></u>	<u><u>42,766</u></u>
Funds of the academy				
Restricted income funds:				
Restricted income funds	18	(326)		597
Restricted fixed asset funds	18	63,498		55,397
		<u></u>		<u></u>
Restricted income funds excluding pension liability		63,172		55,994
Pension reserve		<u>(17,032)</u>		<u>(14,071)</u>
Total restricted income funds			<u>46,140</u>	<u>41,923</u>
Unrestricted income funds	18		<u>494</u>	<u>843</u>
Total funds			<u><u>46,634</u></u>	<u><u>42,766</u></u>

The financial statements on pages 26 to 57 were approved by the Trustees, and authorised for issue, on 15/12/2017 and are signed on their behalf, by:


J R Rolph
Chair of Trustees

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Statement of Cash Flows
For the Year Ended 31 August 2017

	Note	2017 £000	<i>As restated</i> 2016 £000
Cash flows from operating activities			
Net cash used in operating activities	20	(3,036)	(1,563)
Cash flows from investing activities:			
Dividends, interest and rents from investments		2	4
Purchase of tangible fixed assets		(1,298)	(2,090)
Capital grants from DfE/ESFA		1,451	843
Cash transferred on transfer in of Academies		1,418	656
Net cash provided by/(used in) investing activities		1,573	(587)
Cash flows from financing activities:			
Net (payment)/(receipt) of loans		(22)	20
Net cash (used in)/provided by financing activities		(22)	20
Change in cash and cash equivalents in the year		(1,485)	(2,130)
Cash and cash equivalents brought forward		1,842	3,972
Cash and cash equivalents carried forward	21	357	1,842

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2017

1. Accounting Policies

Diverse Academies Trust is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the Trustees' report.

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

1.1 Basis of preparation of financial statements

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

Diverse Academies Trust constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling which is the functional currency of the Academy Trust. Monetary amounts are rounded to the nearest whole £1,000, except where otherwise indicated.

The Trustees have reviewed the way in which income and expenditure are reported in the financial statements which they believe align more accurately to the Academies Accounts Direction. This has necessitated a restatement of certain prior year reported amounts with regards income and expenditure.

1.2 Prior year adjustment

In the year ending 31 August 2015 an adjustment was made in the financial statements of £8,697,004 to decrease the carrying value of buildings following the receipt of professional valuations. The accuracy of the original valuations obtained, at the time the buildings were donated to the trust, were revisited and subsequently adjustments were made by way of a prior year adjustment.

On closer examination it was concluded that the original prior year adjustment did not take into account the value of the land leased from the local authority over 125 years. A further prior year adjustment has been made in the financial statements to reflect the inclusion of that land. This has resulted in an adjustment to increase prior year fixed assets funds of £5,961,137, an adjustment to increase prior year depreciation charged of £48,709, the net adjustment therefore being £5,912,428.

DIVERSE ACADEMIES TRUST
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2017

1. Accounting Policies (continued)

1.3 Going concern

The Trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

At the date of this report the trustees are in discussion with the ESFA regarding the acceleration of future Grant Funding to cover the education costs for additional pupils in its expanding Academies. Without this funding the Academy Trust is at risk of having insufficient working capital to fund its growth strategy at certain points during the next 12 months. These discussions are at an advanced stage and a recommendation from the ESFA to the DfE, to provide this funding, has been made. Formal approval will not be obtained until January 2018 and therefore this matter constitutes material uncertainty.

The Trustees have concluded that the approval of this request is sufficiently likely to be able to conclude that the Academy Trust will have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Income

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account 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.

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities incorporating Income and Expenditure Account in the period in which it is receivable, where receipt is probable and it is measurable.

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured.

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

Where assets are received on the transfer of an existing Academy into the Trust, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point when the risks and rewards of ownership pass to the Trust, which is on signing of the transfer agreement with the transferring Trust. An equal amount of income is recognised for the transfer of an existing Academy into the Trust within income and donations and capital grants.

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

1. Accounting Policies (continued)

1.5 Expenditure

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

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

Expenditure on charitable activities are costs incurred on the Trust's educational operations, including support costs and those costs relating to the governance of the Trust appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

1.6 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	- 50 years straight line
Long leasehold buildings	- between 8 and 50 years straight line
Long-term leasehold land	- over the lease term of 125 years straight line
Motor vehicles	- between 7 and 10 years straight line
Furniture and equipment	- between 3 and 15 years straight line
Computer equipment	- between 3 and 5 years straight line

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

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

1. Accounting Policies (continued)

1.7 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

1.8 Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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.

1.9 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder and include grants from the Department for Education.

1.10 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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. As stated in note 22, 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.

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

1. Accounting Policies (continued)

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/asset is also recognised in the Statement of Financial Activities incorporating Income and Expenditure Account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

1.11 Interest receivable

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

1.12 Liabilities and provisions

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

1.13 Academies joining the Trust

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

The assets and liabilities acquired on the transfer in of Queen Elizabeth Academy and Wainwright Primary Academy to the Academy Trust have been valued at their fair value. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations in the Statement of Financial Activities Incorporating and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transactions are set out in note 28.

1.14 PFI arrangements

The Trust has Private Finance Initiative (PFI) arrangements in place at 3 schools. These arrangements cover maintenance and facility management/caretaking arrangements. The academies make a contribution which was determined at the start of the contract and is increased by RPI annually. Payments are accounted for in the period to which they relate.

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

1. Accounting Policies (continued)

1.15 Agency arrangements

The Academy Trust acts as an agent in the administering and distributing of 16-19 bursary funds from the ESFA. Related payments received from the ESFA and subsequent disbursements to students are excluded from the Statement of Financial Activities to the extent that the Academy Trust does not have a beneficial interest in the individual transactions. The Trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the Statement of Financial Activities. Where funds have not been fully applied in the year then an amount will be included in the Balance Sheet as amounts due to the ESFA. The funds received and paid and any balances held are disclosed in note 27.

1.16 Financial Instruments

The Academy Trust has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Academy Trust becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument legal form.

All financial assets and liabilities are measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

1. Accounting Policies (continued)

1.17 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

Pension scheme

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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Depreciation

The assessment of the useful economic lives and the method of depreciating fixed assets requires judgement. Depreciation is charged to the Statement of Financial Activities based on the useful economic life selected, which requires an estimation of the period and profile over which the Academy Trust expects to consume the future economic benefits embodied in the assets.

Critical areas of judgment:

Transfer in of academies to the Trust

On 1 September 2016 the assets and liabilities of Queen Elizabeth Academy and Wainwright Primary Academy were transferred in to the Academy Trust. Significant balances transferred included the LGPS pension scheme deficit and leasehold land and buildings. Whilst valuations have been received in respect of these assets and liabilities, there is an inherent level of judgement and estimation involved in their recognition as alluded to above.

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Notes to the Financial Statements
For the Year Ended 31 August 2017

2. Income from donations and capital grants

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Donations	20	16	243	279	68
Capital Grants	-	-	1,451	1,451	843
Transfer from existing academy joining the the trust	291	(2,401)	7,995	5,885	5,589
	<u>311</u>	<u>(2,385)</u>	<u>9,689</u>	<u>7,615</u>	<u>6,500</u>
Total 2016	<u>147</u>	<u>(162)</u>	<u>6,515</u>	<u>6,500</u>	

3. Funding for Academy's educational operations

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	As restated Total funds 2016 £000
DfE/ESFA grants				
General annual grant (GAG)	-	29,217	29,217	22,408
Start up grants	-	10	10	4
Other DfE/ESFA grants	-	2,750	2,750	1,604
	<u>-</u>	<u>31,977</u>	<u>31,977</u>	<u>24,016</u>
Other government grants				
Special educational projects	-	515	515	546
Local authority grants	-	244	244	187
	<u>-</u>	<u>759</u>	<u>759</u>	<u>733</u>
Other income from the Academy Trust's educational operations				
School trip income	-	799	799	437
	<u>-</u>	<u>799</u>	<u>799</u>	<u>437</u>
Total funding	<u>-</u>	<u>33,535</u>	<u>33,535</u>	<u>25,186</u>

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

4. Other trading activities

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	<i>As restated</i> <i>Total</i> <i>funds</i> <i>2016</i> <i>£000</i>
Hire of facilities	42	-	42	19
Other income	685	219	884	521
Management charges	288	-	288	226
	<u>995</u>	<u>219</u>	<u>1,214</u>	<u>766</u>
<i>Total 2016</i>	<u>450</u>	<u>316</u>	<u>766</u>	

5. Investment income

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	<i>Total</i> <i>funds</i> <i>2016</i> <i>£000</i>
Short term deposits	2	-	2	4
	<u>4</u>	<u>-</u>	<u>4</u>	
<i>Total 2016</i>	<u>4</u>	<u>-</u>	<u>4</u>	

6. Other incoming resources

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	<i>Total</i> <i>funds</i> <i>2016</i> <i>£000</i>
Teaching school	-	118	118	118
	<u>-</u>	<u>118</u>	<u>118</u>	
<i>Total 2016</i>	<u>-</u>	<u>118</u>	<u>118</u>	

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

7. Expenditure

	Staff costs	Premises	Other costs	Total	<i>As restated</i>
	2017	2017	2017	2017	<i>Total</i>
	£000	£000	£000	£000	<i>2016</i>
					<i>£000</i>
Expenditure on raising funds	716	-	101	817	625
Academy's educational operations:					
Direct costs	23,802	-	2,316	26,118	19,201
Allocated support costs	5,820	4,345	3,847	14,012	9,943
Teaching School	-	-	103	103	115
Total expenditure	30,338	4,345	6,367	41,050	29,884
Total 2016	21,489	4,139	4,256	29,884	

Net Income/(expenditure) for the period includes:

	2017	2016
	£000	£000
Fees payable to the auditor for:		
- Audit (current year auditors)	39	-
- Other services (current year auditors)	10	-
- Audit (prior year auditors)	22	36
- Other services (prior year auditors)	1	19
Depreciation of tangible fixed assets	1,588	1,429
Operating lease rentals	62	70
Total	1,722	1,554

During the year there were no individual transactions exceeding £5,000 falling under the following headings:

- Ex-gratia/compensation payments
- Gifts made by the trust
- Fixed asset losses
- Stock losses
- Unrecoverable debts
- Cash losses

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

8. Analysis of expenditure by activities

	Direct costs	Support costs	Total	<i>As restated</i>
	2017	2017	2017	<i>Total</i>
	£000	£000	£000	<i>2016</i>
				<i>£000</i>
Academy's educational operations	26,118	14,012	40,130	29,144
Teaching School	103	-	103	115
Total 2017	26,221	14,012	40,233	29,259
<i>Total 2016</i>	<i>19,316</i>	<i>9,943</i>	<i>29,259</i>	

Analysis of support costs

	Total	<i>As restated</i>
	2017	<i>Total</i>
	£000	<i>2016</i>
		<i>£000</i>
Staff costs	5,821	3,457
Depreciation	1,588	1,429
Technology costs	485	424
Governance costs	100	56
Premises costs	2,881	2,710
Other support costs	3,137	1,867
	14,012	9,943
<i>At 31 August 2016</i>	<i>9,943</i>	

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

9. Staff costs

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	21,980	16,328
Social security costs	2,110	1,289
Operating costs of defined benefit pension schemes	5,014	3,093
	<u>29,104</u>	<u>20,710</u>
Apprenticeship levy	43	-
Supply teacher costs	678	695
Staff restructuring costs	513	84
	<u>30,338</u>	<u>21,489</u>

Included in staff restructuring costs are non-statutory payments totalling £nil (2016: £83,892).

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

	2017 No.	2016 No.
Teachers	449	279
Administration and support	476	492
Management	27	47
	<u>952</u>	<u>818</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2017 No.	2016 No.
In the band £60,001 - £70,000	11	13
In the band £70,001 - £80,000	5	3
In the band £80,001 - £90,000	3	1
In the band £90,001 - £100,000	3	0
In the band £100,001 - £110,000	1	1
In the band £110,001 - £120,000	1	1
In the band £120,001 - £130,000	0	1
In the band £140,001 - £150,000	1	0

Key management personnel

The key management personnel of the Academy Trust comprises the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £961,540 (2016: £937,855).

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

10. Central services

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

- Chief Executive
- School Improvement
- Marketing
- HR
- IT
- Finance

The Trust charges for these services on the following basis:

The Trust estimates the cost of the services for the year and recharges these on a part lump sum and then a per pupil allocation.

The actual amounts charged during the year were as follows:

	2017	2016
	£000	£000
Tuxford Academy	279	236
Retford Oaks Academy	164	156
East Leake Academy	179	172
Holgate Academy	183	226
Tuxford Primary Academy	33	23
Walton Girls High School	80	18
Queen Elizabeth Academy	121	-
Wainwright Primary Academy	60	-
	1,099	831
Total	1,099	831

11. PFI charges

Maintenance of premises costs includes the following PFI charges:

	2017	2016
	£000	£000
Tuxford Academy	520	528
Retford Oaks Academy	459	456
East Leake Academy	312	306

These amounts are paid to the local authority, are index linked and the Academy Trust is committed to these payments until 2033.

DIVERSE ACADEMIES TRUST
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Notes to the Financial Statements
For the Year Ended 31 August 2017

12. Trustees' remuneration and expenses

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2017	2016
		£000	£000
CB Pickering (Chief Executive Officer, resigned 14 June 2017)	Remuneration	65-70	95-100
D Clinton (in role of Acting Chief Executive Officer)	Remuneration	40-45	
	Pension contributions paid	5-10	

CB Pickering historically accrued retirement benefits under the Teachers' Pension Scheme. CB Pickering left the Teachers' Pension Scheme on 1 April 2014.

During the year, no Trustees received any benefits in kind (2016: £nil).

During the year ended 31 August 2017, travel and subsistence expenses totalling £4,030 (2016: £283) were reimbursed to 2 Trustees (2016: 6).

Other related party transactions involving the Trustees are set out in note 25.

13. Trustees' and Officers' Insurance

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2017 was £4,044 (2016 - £6,951).

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Notes to the Financial Statements
For the Year Ended 31 August 2017

14. Tangible fixed assets

	Freehold property £000	Long-term leasehold property £000	Long-term leasehold land £000	Motor vehicles £000	Fixtures and fittings £000
Cost					
At 1 September 2016 (as restated)	7,024	47,185	6,089	161	801
Additions	170	720	-	-	181
Transfers in from existing academy	-	7,091	687	-	161
At 31 August 2017	7,194	54,996	6,776	161	1,143
Depreciation					
At 1 September 2016 (as restated)	29	4,625	176	17	81
Charge for the year	64	1,087	54	22	139
At 31 August 2017	93	5,712	230	39	220
Net book value					
At 31 August 2017	7,101	49,284	6,546	122	923
At 31 August 2016 (as restated)	6,995	42,560	5,913	144	720
				Computer equipment £000	Total £000
Cost					
At 1 September 2016 (as restated)				621	61,881
Additions				227	1,298
Transfers in from existing academy				55	7,994
At 31 August 2017				903	71,173
Depreciation					
At 1 September 2016 (as restated)				362	5,290
Charge for the year				223	1,589
At 31 August 2017				585	6,879
Net book value					
At 31 August 2017				318	64,294
At 31 August 2016 (as restated)				259	56,591

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Notes to the Financial Statements
For the Year Ended 31 August 2017

14. Tangible fixed assets (continued)

During the year the ownership of existing school land, buildings and other assets was transferred to the Trust from existing academies.

The Trust acquired £7,994,812 of school land, buildings and other assets from existing academies joining the Trust at no cost. Included within these assets is £99,000 relating to land and £2,043,000 relating to buildings at Wainwright Primary Academy and £588,000 relating to land and £5,048,000 relating to buildings at Queen Elizabeth Academy. The assets were valued using the Depreciated Replacement Cost (DRC) method by the Academies when they converted in previous years. The Trustees regard the value of the assets to not have changed significantly to warrant further valuation.

Freehold land and buildings additions over £5,000 include:

- £17,129 for a new boiler at Walton Girls High
- £18,441 for conference suite works at Walton Girls High
- £39,997 for a concreting project at Walton Girls High
- £85,783 for the completion of the new Post 16 Centre at Holgate.

15. Debtors

	2017 £000	2016 £000
Trade debtors	248	47
VAT recoverable	431	215
Other debtors	86	65
Prepayments and accrued income	1,000	404
	<u>1,765</u>	<u>731</u>

16. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Other loans	22	21
Trade creditors	983	735
Other taxation and social security	542	462
Other creditors	269	58
Accruals and deferred income	885	980
	<u>2,701</u>	<u>2,256</u>

	2017 £000	2016 £000
Deferred income		
Deferred income at 1 September 2016	385	692
Resources deferred during the year	468	385
Amounts released from previous years	(385)	(692)
Deferred income at 31 August 2017	<u>468</u>	<u>385</u>

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16. Creditors: Amounts falling due within one year (continued)

Included within deferred income are grant funds and other donations received in advance of entitlement and trip income received for trips not taking place until after the year end.

Included in other loans are amounts of £22,000 (2016: £21,000) payable to the ESFA in relation to Salix loan funding. These loans do not bear any interest and are not secured against any asset. £22,000 per annum is repayable. The age analysis for the loans can be seen in note 17.

Included in other loans and other creditors is an amount of £52,000 (2016: £26,000) payable to the ESFA.

17. Creditors: Amounts falling due after more than one year

	2017	2016
	£000	£000
Other loans	<u>49</u>	<u>71</u>

Included within the above are amounts falling due as follows:

	2017	2016
	£000	£000
Between one and two years		
Other loans	<u>22</u>	<u>21</u>
Between two and five years		
Other loans	<u>26</u>	<u>42</u>
Over five years		
Other loans	<u>-</u>	<u>8</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2017	2016
	£000	£000
Repayable by instalments	<u>-</u>	<u>8</u>

Included in other loans are amounts of £49,000 (2016: £71,000) payable to the ESFA in relation to Salix loan funding. These loans do not bear any interest and are not secured against any asset.

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18. Statement of funds

	Balance at 1 September 2016 as restated £000	Income £000	Expenditure £000	Gains/ (Losses) £000	Balance at 31 August 2017 £000
Unrestricted funds					
General Funds	843	1,308	(1,657)	-	494
Restricted funds					
General Annual Grant (GAG)	597	29,217	(30,319)	-	(505)
Start up grants	-	10	(10)	-	-
Other DfE/ESFA grants	-	2,750	(2,750)	-	-
Other government grants	-	759	(759)	-	-
Other restricted funds	-	2,325	(2,146)	-	179
Pension reserve	(14,071)	(3,574)	(1,821)	2,434	(17,032)
	<u>(13,474)</u>	<u>31,487</u>	<u>(37,805)</u>	<u>2,434</u>	<u>(17,358)</u>
Restricted fixed asset funds					
DfE/ESFA capital grants	1,745	1,451	(296)	-	2,900
Transfer on conversion	53,450	7,995	(1,259)	-	60,186
Capital expenditure from GAG	202	-	(33)	-	169
Donations	-	243	-	-	243
	<u>55,397</u>	<u>9,689</u>	<u>(1,588)</u>	<u>-</u>	<u>63,498</u>
Total restricted funds	<u>41,923</u>	<u>41,176</u>	<u>(39,393)</u>	<u>2,434</u>	<u>46,140</u>
Total of funds	<u>42,766</u>	<u>42,484</u>	<u>(41,050)</u>	<u>2,434</u>	<u>46,634</u>

Statement of funds - prior year (as restated)

	Balance at 1 September 2016 as restated £000	Income £000	Expenditure £000	Gains/ (Losses) £000	Balance at 31 August 2016 £000
Unrestricted funds					
General Funds	898	483	(206)	(332)	843
	<u>898</u>	<u>483</u>	<u>(206)</u>	<u>(332)</u>	<u>843</u>

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18. Statement of funds (continued)

Restricted funds

General Annual Grant (GAG)	1,370	22,408	(24,218)	1,037	597
Start up grants	-	4	(4)	-	-
Other DfE/ESFA grants	-	1,604	(1,604)	-	-
Other government grants	-	733	(733)	-	-
Other restricted funds	-	1,662	(957)	(705)	-
Pension reserve	(6,753)	(835)	(733)	(5,750)	(14,071)
	<u>(5,383)</u>	<u>25,576</u>	<u>(28,249)</u>	<u>(5,418)</u>	<u>(13,474)</u>

Restricted fixed asset funds

DfE/ESFA capital grants	957	843	(55)	-	1,745
Transfer on conversion	48,989	5,672	(1,211)	-	53,450
Capital expenditure from GAG	365	-	(163)	-	202
	<u>50,311</u>	<u>6,515</u>	<u>(1,429)</u>	<u>-</u>	<u>55,397</u>
Total restricted funds	<u>44,928</u>	<u>32,091</u>	<u>(29,678)</u>	<u>(5,418)</u>	<u>41,923</u>
Total of funds	<u>45,826</u>	<u>32,574</u>	<u>(29,884)</u>	<u>(5,750)</u>	<u>42,766</u>

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

Restricted general funds

GAG, other DfE grants and local authority grants are to be applied for the primary purpose of the Academy Trust in line with the master funding agreement and other specific funding letters. Other restricted funds represent amounts transferred in from Queen Elizabeth Academy and Wainwright Primary Academy, together with income derived from educational and nursery provision, school trips and the Teaching School. These funds are applied for the primary purpose of the Academy and for the provision of these services, and to the extent they relate to carried forward GAG funding, this has been transferred to the GAG reserve.

Restricted fixed asset funds

The restricted fixed asset funds relate predominantly to the assets acquired on conversion to an Academy Trust, being the property at each Academy Trust, plus any fixed asset additions made since conversion.

Unrestricted funds

Unrestricted funds represent other incoming resources to the Trust applied for the general purposes of the Trust at the discretion of the Trustees.

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017.

DIVERSE ACADEMIES TRUST
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18. Statement of funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £000	Total 2016 £000
Tuxford Academy	(633)	229
Retford Oaks Academy	(319)	244
East Leake Academy	(359)	(441)
Holgate Academy	18	20
Tuxford Primary Academy	2	(22)
Walton Girls High School	418	676
Queen Elizabeth Academy	686	-
Wainwright Primary Academy	231	-
Diverse Academies Trust (Central)	124	734
Total before fixed asset fund and pension reserve	168	1,440
Restricted fixed asset fund	63,498	55,397
Pension reserve	(17,032)	(14,071)
Total	46,634	42,766

The following academies are carrying net deficits on their portion of the funds as follows:

Name of academy	Amount of deficit £000
Tuxford Academy	(633)
Retford Oaks Academy	(319)
East Leake Academy	(359)

East Leake Academy is carrying a deficit of £359,000 (2016: deficit £441,000) due to inheriting a deficit balance on conversion along with a high cost base and pressure on student numbers.

Tuxford Academy is carrying a deficit of £633,000 (2016: surplus £229,000) due to a high cost base.

Retford Oaks Academy is carrying a deficit of £319,000 (2016: surplus 244,000) primarily due to three factors. Firstly the impact of lagged funding as pupils are increasing, secondly pupil numbers are currently well below capacity of the school with a high PFI (building) fixed cost. Thirdly, this is coupled with the pressure of the post 16 partnership as pupil numbers are well below capacity in an expensive fixed cost building.

The Trust is taking the following action to return the Academies to surplus:

East Leake Academy: the Trust is seeking to address this deficit through a programme of staff reductions and a focus on increasing pupil numbers.

Tuxford Academy: the Trust is seeking to address this deficit by carrying out a cost reduction programme on both pay and non-pay costs and the use of shared services across the Trust.

Retford Oaks Academy: this will take a number of years to fully rectify until 11-16 year old pupil numbers reach the capacity. A plan has been agreed to seek alternative uses for the post 16 centre.

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18. Statement of funds (continued)

Analysis of academies by cost

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciat- ion £000	Total 2017 £000	Total 2016 £000
Tuxford Academy	6,019	1,156	579	1,521	9,275	8,580
Retford Oaks Primary Academy	3,341	684	437	933	5,395	5,060
East Leake Academy	3,170	777	224	919	5,090	4,911
Holgate Academy	3,458	864	321	861	5,504	5,302
Tuxford Primary Academy	678	239	54	216	1,187	1,105
Walton Girls High School	2,707	873	303	504	4,387	1,089
Queen Elizabeth Academy	2,142	898	301	797	4,138	-
Wainwright Primary Academy	1,236	286	90	291	1,903	-
Diverse Academies Trust (Central)	690	1,120	92	679	2,581	2,408
	<u>23,441</u>	<u>6,897</u>	<u>2,401</u>	<u>6,721</u>	<u>39,460</u>	<u>28,455</u>

19. Analysis of net assets between funds

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Tangible fixed assets	-	-	64,294	64,294
Current assets	2,124	-	-	2,124
Creditors due within one year	(1,630)	(326)	(747)	(2,703)
Creditors due in more than one year	-	-	(49)	(49)
Defined benefit pension liability	-	(17,032)	-	(17,032)
	<u>494</u>	<u>(17,358)</u>	<u>63,498</u>	<u>46,634</u>

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19. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year (as restated)

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>Restricted fixed asset funds</i>	<i>Total funds</i>
	<i>2016 £000</i>	<i>2016 £000</i>	<i>2016 £000</i>	<i>2016 £000</i>
Tangible fixed assets	1,429	-	55,160	56,589
Current assets	-	2,339	237	2,576
Creditors due within one year	(515)	(1,742)	-	(2,257)
Creditors due in more than one year	(71)	-	-	(71)
Provisions for liabilities and charges	-	(14,071)	-	(14,071)
	<u>843</u>	<u>(13,474)</u>	<u>55,397</u>	<u>42,766</u>

20. Reconciliation of net movement in funds to net cash flow from operating activities

	<i>2017 £000</i>	<i>As restated 2016 £000</i>
Net income for the year (as per Statement of Financial Activities)	1,434	2,690
Adjustment for:		
Depreciation	1,588	1,429
Interest receivable	(2)	(4)
Increase in debtors	(1,034)	(321)
Increase in creditors	444	246
Capital grants from DfE and other capital income	(1,451)	(843)
Defined benefit pension scheme cost less contributions payable	1,444	471
Defined benefit pension scheme finance cost	372	262
Net deficit/(surplus) transferred in	(5,885)	(5,589)
Stocks, debtors and creditors transferred in	54	96
Net cash used in operating activities	<u>(3,036)</u>	<u>(1,563)</u>

21. Analysis of cash and cash equivalents

	<i>2017 £000</i>	<i>2016 £000</i>
Cash in hand	357	1,842
Total	<u>357</u>	<u>1,842</u>

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22. Pension commitments

The Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Nottinghamshire County Council and Lincolnshire County Council. Both are Multi-Employer Defined Benefit Pension 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 (currently 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £2,331,000 (2016 - £1,787,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The Trust has

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Notes to the Financial Statements
For the Year Ended 31 August 2017

22. Pension commitments (continued)

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate Trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £1,596,000 (2016 - £1,123,000), of which employer's contributions totalled £1,199,000 (2016 - £842,000) and employees' contributions totalled £397,000 (2016 - £281,000). The agreed contribution rates for future years are 18.3% for employers and 5.5 - 12.5% for employees.

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

Nottinghamshire County Council

Principal actuarial assumptions:

	2017	2016
Discount rate for scheme liabilities	2.60 %	2.20 %
Rate of increase in salaries	4.20 %	4.10 %
Rate of increase for pensions in payment / inflation	2.70 %	2.30 %

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

	2017	2016
Retiring today		
Males	22.6	22.1
Females	25.5	25.3
Retiring in 20 years		
Males	24.8	24.4
Females	27.9	27.7

Lincolnshire County Council

Principal actuarial assumptions:

	2017	2016
Discount rate for scheme liabilities	2.50 %	2.10 %
Rate of increase in salaries	2.80 %	3.60 %
Rate of increase for pensions in payment / inflation	2.40 %	2.10 %

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22. Pension commitments (continued)

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

	2017	2016
Retiring today		
Males	22.1	22.2
Females	24.4	24.4
Retiring in 20 years		
Males	24.1	24.5
Females	26.6	26.8

A sensitivity analysis showing how the measurement of scheme liabilities would have been affected by changes in the relevant assumptions that were reasonably possible at the balance sheet date are as follows:

Sensitivity analysis	At 31 August 2017 £000	At 31 August 2016 £000
Discount rate +0.1%	33,858	24,520
Discount rate -0.1%	35,167	25,485
Mortality assumption - 1 year increase	35,544	25,583
Mortality assumption - 1 year decrease	33,497	24,425

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

	Fair value at 31 August 2017 £000	Fair value at 31 August 2016 £000
Equities	11,826	7,647
Gilts	485	350
Bonds	2,103	839
Property	1,977	1,288
Cash and other liquid assets	339	399
Other assets	741	402
Total market value of assets	17,471	10,925

The actual return on scheme assets was £2,368,000 (2016 - £1,194,000).

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2017 £000	2016 £000
Current service cost net of employee contribution	(2,643)	(1,313)
Net interest cost	(372)	(259)
Admin expenses	(5)	-
Total	(3,020)	(1,572)

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Notes to the Financial Statements
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22. Pension commitments (continued)

Movements in the present value of the defined benefit obligation were as follows:

	2017 £000	2016 £000
Opening defined benefit obligation	24,996	14,128
Transferred in on existing academies joining the trust	6,248	2,164
Current service cost	2,643	1,313
Interest cost	684	583
Employee contributions	397	281
Actuarial (gains)/losses	(491)	6,744
Estimated benefits paid net of transfers in	26	(217)
Past service costs including curtailments	1	-
	<u>34,504</u>	<u>24,996</u>
Closing defined benefit obligation	<u>34,504</u>	<u>24,996</u>

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

	2017 £000	2016 £000
Opening fair value of scheme assets	10,925	7,375
Transferred in on existing academies joining the trust	2,674	1,329
Interest income	312	323
Actuarial losses	1,943	994
Employer contributions	1,199	842
Employee contributions	397	281
Estimated benefits paid net of transfers in	26	(217)
Administration expenses	(5)	(2)
	<u>17,471</u>	<u>10,925</u>
Closing fair value of scheme assets	<u>17,471</u>	<u>10,925</u>

23. Operating lease commitments

At 31 August 2017 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2017 £000	2016 £000
Amounts payable:		
Within 1 year	122	40
Between 1 and 5 years	225	45
After more than 5 years	-	142
	<u>347</u>	<u>227</u>
Total	<u>347</u>	<u>227</u>

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Notes to the Financial Statements
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24. Members' liability

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

25. Related party transactions

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

No such related party transactions took place during the year.

The Academy Trust is related to The National Church of England Academy Trust by virtue of common executive directorship.

During the year, the Trust received services from The National Church of England Academy Trust totalling £223,694 (2016: £30,066) and in return provided services of £458,126 (£193,529). At 31 August 2017 a balance of £44,805 (2016: £8,251) was due to Diverse Academies Trust and £26,499 (2016: £910) was owed to The National Church of England Academy Trust. There is a sharing agreement between National Church of England Academy Trust whereby staff are shared at £nil cost.

26. Post balance sheet events

On 1 September 2017, Bracken Lane Primary School and Samuel Barlow Primnary Academy were transferred into the MAT for £nil consideration.

On 1 October 2017, Yeoman Park Primary Academy, Redgate Primary Academy and Thrumpton Lane Primary School were transferred into the MAT for £nil consideration.

27. Agency Arrangements

The Academy Trust administers the disbursement of the 16-19 bursary funds on behalf of the EFSA. During the year it received £77,705 (2016: £59,055) and disbursed £59,185 (2016: £50,059). There is therefore an amount of £17,729 (2016: £8,966) repayable to the ESFA included in other creditors. The Academy Trust retained a beneficial interest in individual transactions such that £2,065 (2016: £2,384) has been recognised in income and expenditure in the statement of financial activities.

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Notes to the Financial Statements
For the Year Ended 31 August 2017

28. Transfer in of existing Academies

On 1 September 2016 the Trust acquired Queen Elizabeth Academy and Wainwright Primary Academy for £nil consideration. All of the operations and assets and liabilities were transferred to Diverse Academies Trust.

The transfers have been accounted for using the acquisition method. The assets and liabilities transferred were at fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of Financial Activities as a donation.

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

	Unrestricted funds £000	Restricted funds £000	Restricted fixed asset funds £000	Total funds £000
Leasehold land and buildings	-	-	7,778	7,778
Other tangible fixed assets	-	-	217	217
Budget surplus/(deficit) on academy funds	291	1,173	-	1,464
LGPS pension surplus/(deficit)	-	(3,574)	-	(3,574)
	<u>291</u>	<u>(2,401)</u>	<u>7,995</u>	<u>5,885</u>
Net assets/(liabilities)	<u>291</u>	<u>(2,401)</u>	<u>7,995</u>	<u>5,885</u>

Queen Elizabeth Academy

	Value reported by transferring trust £000	Fair value adjustments £000	Transfer in recognised £000
Leasehold land and buildings	6,842	(846)	5,636
Other tangible fixed assets	141	-	141
LGPS pension surplus/(deficit)	(2,300)	-	(2,300)
Other identified assets and liabilities	1,252	-	1,252
	<u>5,935</u>	<u>(846)</u>	<u>4,729</u>
Net assets/(liabilities)	<u>5,935</u>	<u>(846)</u>	<u>4,729</u>

Wainwright Primary Academy

	Value reported by transferring trust £000	Fair value adjustments £000	Transfer in recognised £000
Leasehold land and buildings	2,321	(179)	2,142
Other tangible fixed assets	76	-	76
LGPS pension surplus/(deficit)	(1,274)	-	(1,274)
Other identified assets and liabilities	212	-	212
	<u>1,335</u>	<u>(179)</u>	<u>1,156</u>
Net assets/(liabilities)	<u>1,335</u>	<u>(179)</u>	<u>1,156</u>

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