

Company Registration Number: 09442311 (England and Wales)

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

DERBY DIOCESAN ACADEMY TRUST 2
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS TRUSTEES AND
ADVISERS**
FOR THE YEAR ENDED 31 AUGUST 2017

Members

The Bishop of Derby - Right Reverend Dr. Alastair Redfern
The Derby Diocesan Board of Education
Derby Diocesan Director of Education - Mr. David John Channon

Trustees

Right Reverend Dr. Alastair Redfern, Chairman
Mrs. Lisa Jane Bloor
Ms. Alison Mary Brown
Mr. Michael John Ford (appointed 7 October 2016)
Mr. David John Channon, CEO and Accounting Officer
Mrs. Jacqueline Claire Menzies-Conacher (resigned 21 March 2017)
Mr. John Horwood
Mrs. Susan Jane Whyld (resigned 21 March 2017)

Company registered number

09442311

Company name

Derby Diocesan Academy Trust 2

Principal and registered office

Derby Diocese Board of Education
Church House
Full Street, Derby
Derbyshire
DE1 3DR

Company secretary

Mr Jason Nicholas Hampton
Michelmores Secretaries Limited

Chief executive officer

Mr David John Channon

Senior management team

Mr. David John Channon, CEO
Mr Mark Mallender, Director of School Improvement
Richard Wetherall, Consultant Director of Finance (AMF (UK) Limited)
Mr Andrew Martin (resigned 31 August 2017), Business Director

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
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Advisers (continued)

Independent auditors

Crowe Clark Whitehill LLP
Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

Bankers

Lloyds Bank Plc
Iron Gate
Derby
DE1 3FT

Solicitors

Michelmores
Woodwater House
Pynes Hill
Exeter
EX2 5WR

DERBY DIOCESAN ACADEMY TRUST 2
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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 period 1 September 2016 to August 2017. The annual report serves the purposes of both a Trustees' report, and a directors' report under company law.

The multi-academy trust operates seven primary academies for pupils aged up to 11 years old serving the Derbyshire County catchment area. The seven academies are, St Giles CE Primary Matlock, St Laurence CE Primary, Turnditch CE Primary, William Gilbert CE Primary, Holbrook (joined October 2016), All Saints Junior (joined April 2017) and All Saints Infant (joined April 2017). The Multi Academy Trust has a pupil capacity of 1297 and had a roll of 1188 in the school census in January 2017.

Bolsover Church of England Junior School will join the Trust on 1st November 2017.

STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The trustees of Derby Diocesan Academies Trust 2 are also the directors of the charitable company for the purposes of company law. The charitable company is known as Derby Diocesan Academies Trust 2. Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 1.

MEMBERS' LIABILITY

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

TRUSTEES' INDEMNITIES

The Trust has opted into the Department for Education's Risk Protection Arrangement. This is an alternative to insurance where the UK government funds cover losses that arise. This scheme protects Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000.

METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES

Trustees are recruited to the board based on their specialist skills and empathy for the ethos of the Trust and its objectives. Trustees and officers nominate new Trustees to the members for appointment. Appointments are formally approved by resolution.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

New Trustees are assessed for experience and knowledge as Academy Trustees and appropriate induction is provided. Ongoing trustee skills needs assessment is carried out by officers and appropriate training is arranged.

The Trust have planned a governance support programme to embed procedures that link the Local Governing Board with the Derby Diocesan Academy Trust Board and to ensure governance remains effective as Derby Diocesan Academy Trust grows. An educational governance consultant and trainer with considerable multi-academy trust experience will lead the governance support programme.

ORGANISATIONAL STRUCTURE

Governance: The Board of Trustees is responsible for ensuring that the vision, ethos and strategic direction of the Trust are clearly defined and ensuring the sound, proper and effective use of the school's financial resources. A scheme of delegation and authorisation limits is set out in the Trust's financial regulations.

Management: The Trust's day to day operations are managed by the Accounting Officer/ CEO, Deputy CEO, Chief Financial Officer and Academy Hub Lead.

Academy Governance: Each academy is governed by a local governing body. The functions of the governing body include:

- ensuring that the vision, ethos and strategic direction of the school are clearly defined
- ensuring that the headteacher performs his or her responsibilities for the educational performance of the school
- ensuring the sound, proper and effective use of the school's financial resources

The principal/headteacher's responsibilities at each academy include:

- the internal organisation, management and control of the school; and
- the educational performance of the school

ARRANGEMENTS FOR SETTING PAY AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

Trust key management personnel are appointed by the Trustees. Academy key management staff are appointed by the local governing board and Trust managers. The key management personnel are considered to be the senior leadership team as noted on page 1, their salaries are recharged and donated from the Derby Diocese Board of Education.

CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS

The Trust chairman is the Bishop of Derby and the Trust CEO is the director of the Derby Diocese Board of Education. The Diocese Board of Education chaired by the Bishop of Derby have donated the services of its director and school improvements manager to Derby Diocesan Academy Trust 2 to carry out the duties of the CEO and school improvement officer. An element of the director and school improvement manager's salary is also recharged to Derby Diocesan Academy Trust 2.

The same related party arrangement exists with Derby Diocesan Academy Trust. Derby Diocesan Academy Trust is governed by the same Trustees as Derby Diocesan Academy Trust 2.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

OBJECTIVES AND ACTIVITIES

OBJECTS AND AIMS

The Trust's aim is to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing Academies which shall offer a broad and balanced curriculum and which shall include:

- Church of England schools designated as such which shall be conducted in accordance with the principles, practices and tenets of the Church of England both generally and in particular in relation to arranging for religious education and daily acts of worship, and having regard to any advice issued by the Diocesan Board of Education; and
- Other Academies whether with or without a designated religious character; but in relation to each of the Academies to recognise and support their individual ethos, whether or not designated Church of England.

OBJECTIVES, STRATEGIES AND ACTIVITIES

Vision and Values

The Derby Diocese Board of Education has established a Multi Academy Trust "to provide the best possible education for the pupils in their care based on the Christian principle that Every Child Matters to God."

Derby Diocesan Academy Trust 2 (DDAT2) is approved by the DFE as an academy sponsor. DDAT2 supports schools with an exceptional school improvement strategy, and looks after the business elements of running an academy, protecting the distinctively Christian nature of each school.

DDAT2 aims to:

- Provide children with excellent educational provision
- rapidly improve under performing schools
- develop effective school to school support
- build strong relationships and promote work with external partners
- raise aspirations and tackle disadvantage so that no pupil is failed by their school

The purpose of DDAT2 is to secure rapid and sustained improvement for every Academy it sponsors, and to sustain and build on the improvement of our converter academies. DDAT2 is rooted fully in the distinctively Christian and inclusive ethos of the MAT, DBE and the wider Diocese. DDAT2 will enable schools to work together, share expertise and maximise resources. Our vision is for a family of DDAT2 academies that offers an outstanding learning experience for every child that will enable them to reach their full potential in mind, body and spirit, thereby genuinely changing their lives.

As Academies within DDAT2 develop and improve, they will be expected and required to share their journey, skills and expertise with other DDAT2 academies. DDAT2 will encourage and nurture the dissemination of good practice, fostering a self sustaining culture of aspiration for educational excellence across all schools and exemplifying Christian values in every area.

DDAT2 follow a number of guiding principles:

- To promote an educational community based on love and inclusivity, providing a beacon where all can flourish.
- To foster, maintain and celebrate Christian distinctiveness in our schools.
- To ensure that our academies are centres of excellence with a focus on the nurture and achievement of all their members.
- To promote mutual support, encouragement and benefit between all our academies.

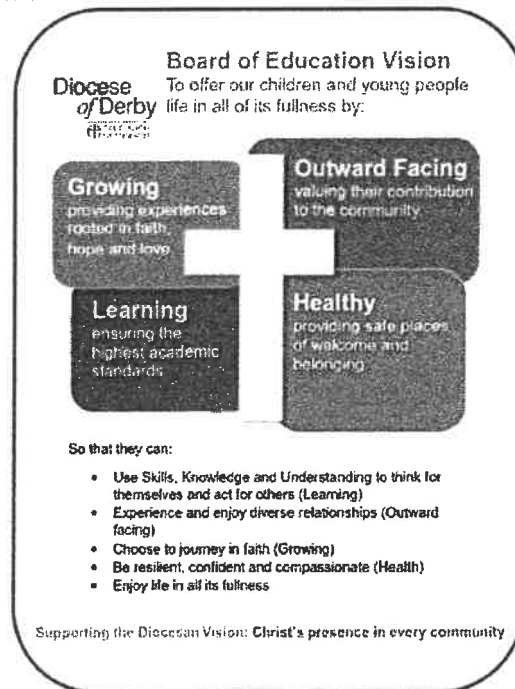
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

- To develop future and aspirational thinking based on our educational heritage and to make use of the latest research in pedagogy and child development.
- To support the nurture and respect of God's creation with a close focus on the sustainability agenda.
- All human beings are made in the image of God. Each child is a unique human being, made by God and loved by him, and worth the highest possible standards of education and care and the closest attention to what will enable them to flourish.
- We must ensure that 'every child and young person has a life enhancing encounter with the Christian faith'.
- To recognise and enable those who often remain invisible, through ethnic or cultural disadvantage, or through disability or poverty.

Church schools have a particular vocation to the poor and vulnerable, to enable them through education to change their lives.

DDAT2 have adopted the wider vision of the Diocesan Board of Education:



School Improvement Strategy

DDAT2 have a structured approach to school improvement. An educational audit of the school prior to conversion will highlight areas where, and to what level, the MAT board, through the Head of School Improvement; will support the school post conversion. The level of support will depend on the category which either Ofsted or the MAT board, place the school.

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TRUSTEES' REPORT (continued)
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DDAT2 have clear criteria based on Ofsted/DfE requirements and local knowledge in order to place a school at one of three levels based on its developmental state. The level will not necessarily be the same as the most recent Ofsted judgement but will be based on ongoing assessment resulting from school improvement visits. There will be at least 6 such visits each year by a member of the school improvement team.

The key to the DDAT2 school improvement model is that the school is not judged by its last Ofsted inspection. This could have been as long as 8 years ago. Experience has shown that schools may have fallen from Outstanding to Inadequate in one Ofsted cycle. Such schools may have received little, if any, outside scrutiny because they were deemed as outstanding and therefore given considerable autonomy by the maintaining authority. DDAT2 has an approach to ensure that this cannot happen. Within DDAT2, autonomy is earned, but there is still external scrutiny and rigour – at least 6 times a year. If a 'grade 1' Academy is showing signs of decline then the board will re categorise the school. This will result in the necessary intervention to stop the school declining any further and putting it back on track to achieve outstanding outcomes. DDAT2 would, in such circumstances, increase the management fee it receives from the school in order to put more support and challenge back in where it is needed. The decision making powers that the school has would be reduced. Equally, when an Academy has evidenced improvement, more autonomy is handed back to governors – they can make more decisions independently, the intensity and frequency of the support and challenge would reduce and the management fee would also reduce as less support and challenge will be needed. However, the Academy will still be monitored rigorously at least every 6 weeks.

Each school is aiming to become outstanding, but the barriers to this in each school can be very different. Therefore, DDAT2 do not produce an action plan to fit all Academies, but instead produce bespoke action plans to bring about rapid improvement in those Academies that need it or to ensure that the high standards are maintained in the outstanding schools. This approach ensures early intervention in all schools before it is too late to protect the interests of the children.

Future Challenges

- Ensuring that the DDAT2 brand continues to represent something that is distinctively Christian within this professional context and as community schools join the Trust.
- Keep the focus on rigorous school improvement as set out in our 3 level approach so that all schools remain or become good or better.
- Managing growth and resisting the temptation to grow too quickly.
- Managing the vagaries of school demand to join DDAT2 in an ever changing and diverse local and national context.
- Building capacity of our own staff team so that DDAT2 are able to provide the high-quality services expected by schools on joining.
- Developing and maintaining positive links with Unions.
- Ensuring that the continuing professional development for all of our staff team is up to date and relevant.

Academy reports

St Giles

Christian values are at the heart of everything we do at St Giles CE Primary School which is continuing to thrive since joining Derby Diocesan Academy Trust two years ago. The school community is a happy and vibrant place to be. Our growing reputation amongst the local community for being a nurturing, fully inclusive school which really knows its' pupils has led to increasing pupil numbers.

End of year attainment has improved in 2017 and progress is improving across the school; we continue to be challenged by DDAT's school improvement team which is guiding us on our journey to improvement.

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TRUSTEES' REPORT (continued)
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Our outdoor adventurous activities continue to be an asset for our pupils and add to our exciting, creative curriculum. Involvement with Derbyshire Music Partnership has opened further opportunities for pupils to join with other schools and play with the Halle orchestra in Derby. Through such visits we help our pupils to widen their experiences and meet people from other backgrounds.

At St Giles, together, we strive to be active, confident, high attaining individuals engaged in the pursuit of Christian values.

St Laurence CFE Primary

Having Joined DDAT2 in 2015, we have benefitted from support and guidance throughout what has been a turbulent year for the school. There have been a number of challenges with a number of staff leaving the school and dealing with a significantly increased pupil number. In addition, the construction of the new classroom has added to the challenge. With support from the Trust however, the school has undergone restructuring which has already improved the education and provided a sound and sustainable financial position. 2017/18 will be a year of consolidation and improvement where we are looking forward to working hard to improve rates of progress across the school and this is becoming a much more positive picture across the school. Our targets for this year include improving the quality of writing across the school and increasing opportunities for children to work at greater depth in all subjects.

Turnditch Primary

We are the smallest school in the academy with 88 pupils on roll. We were one of the first schools into the Derby Diocese Academy Trust in 2012 and have found their support invaluable in helping standards to remain high. We are currently ranked in the top 6% of schools nationally for the expected standard in reading, writing and mathematics and in the top 18% for progress. The children at Turnditch Primary School receive outstanding provision in all curriculum areas from highly qualified and motivated staff. We truly see ourselves as one great big family, both children and staff. We work in harmony to ensure that all our children achieve to their very best in academic, social and emotional development.

The spiritual development of our children is also paramount to their success and provision in this area is excellent. We were extremely proud in March to receive an outstanding grade in our SIAMs inspection. The inspector went on to complement the school on the intrinsic thread of Christianity which permeates every aspect of the school and its curriculum. As a Church of England school we endeavour to give outstanding spiritual guidance to all children, of all faiths or none.

After reaching three county final championships in 2016 in three different sporting events (to which we were runners up in all) we are very proud this year to report on our winning of the final in the tennis county championship. To get to the county championships finals was a proud moment but to win it was the icing on the cake. Our children are taught the very exciting prospect of competition whilst also being given every opportunity to immerse themselves in a range of inclusive sports. Last year we offered fencing, a climbing wall, archery, football, badminton and all mainstream sports. All our children receive the very best of sports coaching from our own staff and staff from other professional bodies.

Our school has benefitted this year from a successful Condition Improvement Fund, with internal building works completed this summer to upgrade the fire alarm and fire safety system. We have had a complete overhaul of doors in the building, all being replaced with extremely smart looking fire doors. We have also had extensive garden works carried out and a number of trees removed. All this work has enhanced, to a high standard, the condition of the school making children understand that we take pride not only in them, but also in our surroundings and buildings.

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To surmise Turnditch is a school of which we are proud. We offer children the very best in academic, social and emotional provision. We do this though in partnership with our children and our parents. We are a school for the community and church and work hard to forge excellent links with our neighbours. The school improvement link we receive in the form of D McCauley is robust and challenging which helps to always focus our next steps and development areas and to keep standards high.

William Gilbert CE Primary

As a school judged to be Outstanding by Ofsted and with strong links with our local church and the Diocese already firmly embedded, we were honoured to be invited to join DDAT2. After 10 months of deliberation by the school governors, we officially joined DDAT2 in March 2015 and the transition for children, parents and staff was seamless.

At William Gilbert each child is embraced as a unique child of God and given the nurture, encouragement and opportunity to flourish. This is borne out by the consistently high levels of engagement, academic achievement, attendance and personal development of all learners regardless of ability or background.

The overwhelming benefit to the school in joining DDAT2 continues to be the School Improvement package. We have received over 26 visits from a variety of School Improvement Officers, HMI and Consultants – to sharply focus on areas of practice. The questions are direct and challenging, digging for information yet there is support to assist the relentless drive for improvement.

We receive quality Headteacher's briefings, specialist training; our academic performance is closely monitored as is our Health and Safety. There is someone to answer your questions in Finance, HR and strategic development and that answer is prompt!

During the last year the school has embarked on a journey to be a Teaching for Mastery School which is being closely monitored by DDAT, and has provided an exciting challenge for the children and staff.

Collective Worship underpins everything that happens in school and beyond, and in turn leads to the children's increased contribution, confidence and knowledge whilst building a great sense of trust and respect.

Holbrook CE Primary School

We are a high attaining school set in the heart of the beautiful Derbyshire countryside. We have 140 well-motivated, hardworking children who are well supported by a group of enthusiastic and dedicated staff.

When we heard about the academy agenda it seemed like a model that would suit our school as we always believed we would benefit from greater independence and the Local Authority agenda was very different to our own. After speaking with a number of academy trusts we joined DDAT, as we believed their Christian ethos best met our own approach to learning.

We have always been a high attaining school but we are also very proud of our inclusivity. We have a long-standing record of success educating children with a wide range of needs, many of who have gone on to great things at secondary school and beyond.

We sailed through the due diligence process and joined the Trust on 1st October 2016. Once we joined the Trust we were particularly impressed with their support for school improvement. In our case, we have developed a bespoke plan that best supports our school in moving forward. We are aiming to be judged outstanding at our next OFSTED inspection. We have also benefitted from a detailed review of our early years provision and SEND which has resulted in rapid improvements in these areas. The change in financial status, aligned with a general reduction in school budgets has been challenging. However, the Trust have responded quickly to our requirements and we are now beginning to feel well supported. They are also supportive of our long-term vision for the school which includes taking over the local pre-school and increasing capacity.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

We have also had to adapt to a new regime for our property maintenance although this transition has been seamless. We have benefitted from new windows and doors throughout the school in the summer of 2017, with a proposal for summer 2018 of roof replacement and repairs as well as an upgrade to our fire alarms and protection systems.

We are very pleased and proud that we are part of DDAT2. We believe that with their support we will be able to take our school to the next level.

All Saints CE Infants School

Our federation of Infant and Junior Schools joined DDAT in April 2017. We look forward to working with the Trust to provide the best quality of education for our children.

Our schools are trying to work closer together to try and make the educational journey for our children seamless across both sites. We try and utilise the space that we have well; for example we are pleased that Breakfast and After school clubs now both take place on the Infant as well as the Junior site and many parents choose our school because of the childcare that we can offer.

Teaching across both schools is improving and the focus on the foundations of learning has led to significant progress on the Infant site. We were delighted to be in the top 3% of schools for our phonics results and the transformation of Foundation Stage has been widely appreciated. Recent changes to the way in which we teach reasoning in Mathematics has also had a significant impact.

This year we are focussing on improving the quality of teaching and learning in Foundation Stage, the teaching of reasoning in Mathematics and improving the quality of writing.

All Saints CE Junior School

Our federation of Infant and Junior Schools joined DDAT in April 2017. We look forward to working with the Trust to provide the best quality of education for our children.

We continue to be proud of the breadth and balance of our curriculum, and the strengths identified in the school have been where the curriculum has been adapted to reflect and stimulate the interest of the children and accelerate their progress. This has varied from the construction of motorised model cars with gears to using programmable lego to inspire creative writing. We have worked with external partners such as Rolls Royce and a local independent school to facilitate these opportunities.

We are working hard to improve rates of progress across the Junior school and this is becoming a much more positive picture across the school. Our targets for this year include improving the quality of writing across the school and increasing opportunities for children to work at greater depth in all subjects.

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TRUSTEES' REPORT (continued)
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PUBLIC BENEFIT

Derby Diocesan Academy Trust 2 provides significant public benefit through the dedicated school improvement programme. This programme will improve the quality of teaching and learning in the Derby and Derbyshire catchment area. The aims and objectives described earlier detail how the work of the Trust provide public benefit.

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

None of the schools in DDAT 2 have been inspected since joining the Trust. Seven schools formed part of DDAT 2 at the time of the Key Stage 2 tests. The average progress figures for schools in DDAT school is broadly in line with national. Of the three schools joining since last year's report, one joined in October 2016, two joined in April 2017, one of which is an infant school.

Key performance indicators

Turnditch

Turnditch joined the Trust on 1st March 2015. They continue to be a high performing school. Once again all progress figures in July 2017 were positive and they achieved the second highest average scaled score out of all 12 schools in DDAT and DDAT2.

William Gilbert

Another high performing school with the highest average scaled score across both DDAT and DDAT 2 with 108.1. The school's overall progress figure was positive, although the 2017 progress figure for maths was negative due to not enough of the 'prior high attaining' pupils achieving a greater depth in maths.

St Laurence

There has been much change at St Laurence over the last year and the school is now rapidly improving. There is a new Chair, Executive Headteacher, Head of School, Assistant Headteacher and phase leaders. Most of these changes took place in January 2017. By July 2017 progress figures were positive for reading and writing and negative for maths. The negative maths figure resulted in the overall average being a negative progress figure. Current internal data shows that progress throughout the school is good.

St Giles, Matlock

There has also been a lot of change at St Giles this year. The school has undergone a restructure which resulted in a number of redundancies. In a school of 60+ pupils, extreme caution needs to be taken when interpreting headline data. This coupled with prior inaccuracies of Key Stage 1 data which is ultimately used as pupils' starting points and pupils (each counting as approximately 10%) joining during Year 6 increases the amount of caution needed. The headline Key Stage 2 progress figures are negative.

Holbrook

Holbrook joined DDAT in October 2016. Progress throughout the school is good. In July 2017 attainment at the end of Key Stage 2 was well above national in many areas, although their overall scaled score was broadly average due to the number achieving greater depth in maths and SPAG. The overall progress figure was positive.

All Saints Infants

All Saints joined the Trust in April 2017 a few weeks before pupils carried out their end of key stage assessments. Progress and attainment measured in scaled scored averages at the end of key stage 1 in 2017 was negative.

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All Saints Juniors

All Saints Juniors also joined the Trust in April 2017, with the pupils carrying out their end of Key stage tests a few weeks later. A high performing school in terms of attainment saw all measures above the national average. However, due to high starting points all progress measures were negative.

Summary of 2017 outcomes for DDAT2 Schools 2017

DDAT 2 Schools	2017 KS2 Average Scaled Score (Attainment)	2017 KS2 Average Scaled Score (Progress)
National	104.1	0
Derby Diocese Schools	104.3	-0.8
DDAT 2 Schools	105.0	-0.5
William Gilbert	108.1	0.8
Turnditch	107.1	0.9
St Laurence	100.8	-1.2
St Giles, Matlock	102.8	-2.5
Holbrook	104.7	0.1
All Saints Infants	Infant School	Infant School
All Saints Juniors	106.7	-0.9

There were 7 schools in DDAT2 at the time of the Key stage 2 tests.

There is a picture of improvement above a benchmark group when comparing average outcomes in schools in both DDAT and DDAT2 with those across 110 church schools in the diocese. The vast majority of schools in the diocese are maintained by the local authority.

Attainment across DDAT and DDAT 2 is broadly in line with that seen nationally. Progress is also currently broadly in line with the national average, although it is above for those schools that have been in DDAT longer. For example, the four schools that have been in either DDAT or DDAT 2 for at least 2 years at the time of the 2017 assessments, had an average progress score of +0.75.

GOING CONCERN

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

FINANCIAL REVIEW

The main sources of income for the Academy Trust are grants from the Department of Education (DfE) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the period ended 31 August 2017 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

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In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), any capital grants and donations of fixed assets are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the useful life of the assets concerned as defined in the Academy Trust's accounting policies.

During the period ended 31 August 2017, total expenditure of £5,162,883 (2016: £3,365,727) was covered by recurrent grant funding from the DfE together with other incoming resources. The deficit of income over expenditure for the year (excluding restricted fixed asset funds) was £714,760 (2016: £83,381). These figures exclude the deficit on the Local Government Pension Scheme (see note 23 to the accounts).

At 31 August 2017 the net book value of fixed assets was £14,531,806 (2016: £9,176,419) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy Trust.

RESERVES POLICY

The Trustees review the reserve levels of the Academy Trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. With no material designated projects the Trust's longer term policy with regard to the available free reserves is to use them strategically to maintain the high standard of teaching and learning across the academies.

The Academy is holding reserves at 31 August 2017 of £13,894,133 (2016: £8,753,322)

This comprises:

- Restricted Funds deficit of £1,689,000 (2016: £1,439,645)
- Unrestricted Funds of £439,505 (2016: £342,332)
- Restricted Fixed Asset Funds of £15,143,628 (2016: £9,850,635)

Restricted Funds comprises:

- £(60,000) (2016: £154,355) general funds to support the academy's budget in 2017-18
- £1,749,000 (2015: £1,594,000) is the deficit on the defined benefit pension scheme.

The Academy Trust is not yet in a position to determine what level of reserves are required and this will be reviewed in the upcoming years. The free reserves of the Academy Trust are £499,505 (2016: £496,687) at 31 August 2017.

The Trustees have reviewed these reserves and believe they are adequate to provide sufficient working capital for the Academy Trust to continue to operate within its financial resources, and to cover unexpected urgent work. Specific use to which the respective funds can be applied are detailed in note 17.

INVESTMENT POLICY

A return on working capital shall be optimised whilst allowing easy access of the funds. In balancing risk against return the Academy policy is geared towards avoiding risk rather than to maximise return. The Academies current investment policy is to maximise income but from a low risk strategy. All monies are currently held on bank deposit and are attracting interest.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees review a register of principal risks at each meeting and receive a report from officers how the risks are being alleviated. The principal risks are listed in the table below:

Trust Capacity	The requirements of conversion projects, and new schools joining the Trust, will make significant demands on Trust capacity at times which carries the risk of poor performance, key deadlines being missed and reputational damage.
Governance	Trust may be unable to recruit individuals to the Local Governing Bodies who possess the required skills and knowledge. This results in poor performance, a lack of local context in the management of the school and disengagement with the local community.
Growth	DDAT's current strong reputation with the Department for Education as an Academy Sponsor is compromised and growth is halted.
Demand & Viability	Insufficient pupil demand for charity's services leaves it unsustainable.
Competition	Presence of other organisations with similar objects and little scope for differentiation.
Strategic & Reputational	Risk of the impact an uncontrollable event will have on the charity e.g. fire, flood, oil crisis, war, recession.
Strategic & Reputational	An inspection of a DDAT school results in a downgrading of Ofsted rating and has a negative impact on the reputation of the Trust and school improvement service.
HR	Failure to comply with employment law- e.g. unfair dismissal of an employee - attracts adverse publicity.
Governance	Committees not established with delegated authority, e.g. finance, personnel etc.
HR	Key person loss/succession risk.
HR	Recruitment risk - recruiting an individual not capable of performing duties and/or unsuitable to work with children.
Operational	Risk health and safety and/or employment legislation is not adhered to at schools.
Finance	Risk that school and/or Trust budgets will be in deficit.
Finance	Risk that actual performance is not measured against budget on a regular basis.
Operational	Risk that assets built by contractors do not meet specifications, or actual cost exceeds budget.
Finance	Risk that charity has entered into future commitments without having the future funding available to meet them.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

PLANS FOR FUTURE PERIODS

FUTURE DEVELOPMENTS

Plans for the future

Approximately 60 schools have expressed an interest in joining the Trust. Significant demand from schools and the ability to grow selectively from a large number of schools offers DDAT2 a position of considerable strength. In order to manage growth in a sustainable manner, Trustees have agreed that schools should not be brought into the Trust on a first come, first served, basis. Trustees formally consider which schools to bring into the Trust on a terms basis against an agreed list of priorities.

Growth priorities

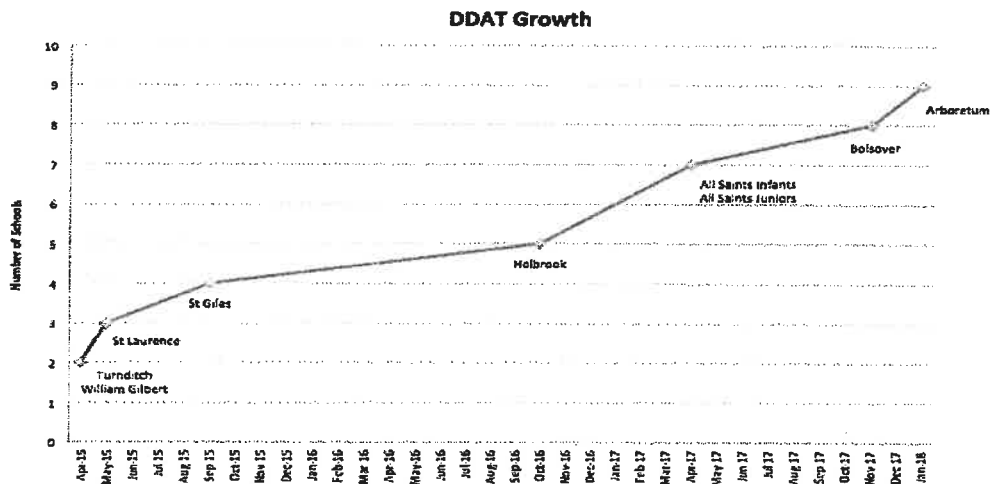
Church schools eligible for intervention remain a priority in order to protect the distinctively Christian character of these schools.

Financial viability in relation to school size is a significant consideration for Trustees. Whilst larger schools might be more financially beneficial, the Trustees recognise that DDAT2 should, where possible, provide an option to the large proportion of Church of England schools where there are fewer than 100 pupils. For sustainability there have been periods where only larger schools have been considered in order to ensure the stability of infrastructure and a sustainable balance of larger and smaller schools over time. DDAT2 is working closely with the Diocesan Board of Education to help smaller schools review collaborative options and future viability.

School improvement capacity is also significant and there is an intention to offer places to a mix of sponsors as well as good and outstanding schools. Whilst DDAT2 works closely with Teaching Schools, Universities, Local Authorities and external consultants; Trustees are cognisant of the need for the Trust to maintain internal capacity.

Trustees also review the benefit of neighbouring schools and collaborative opportunities when prioritising schools. Individual schools may also offer specific skills, such as an enhanced resource, which may be deemed to add value to DDAT2 as a whole.

The DDAT growth trajectory shown below continues to be accurate and DDAT2 is poised to follow the line of growth shown below:



DERBY DIOCESAN ACADEMY TRUST 2
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Growing Cautiously

Trustees are very cognisant of information provided by robust due diligence exercises before taking on a school. As such there are often periods of pause. Trustees have not followed any trajectory without proper consideration of the risks. In the last financial year, DDAT2 has put on pause any conversion where single status/equal pay issues remain unresolved, unless the school is voluntary aided where such risk can be managed. Building issues have also put projects on pause until money has been secured to resolve issues prior to conversion. One school has been with an academy order for over a year and continues to be maintained by the local authority pending resolution of issues raised by due diligence. Due diligence includes a formal review of buildings, finance, human resource, ICT and school improvement.

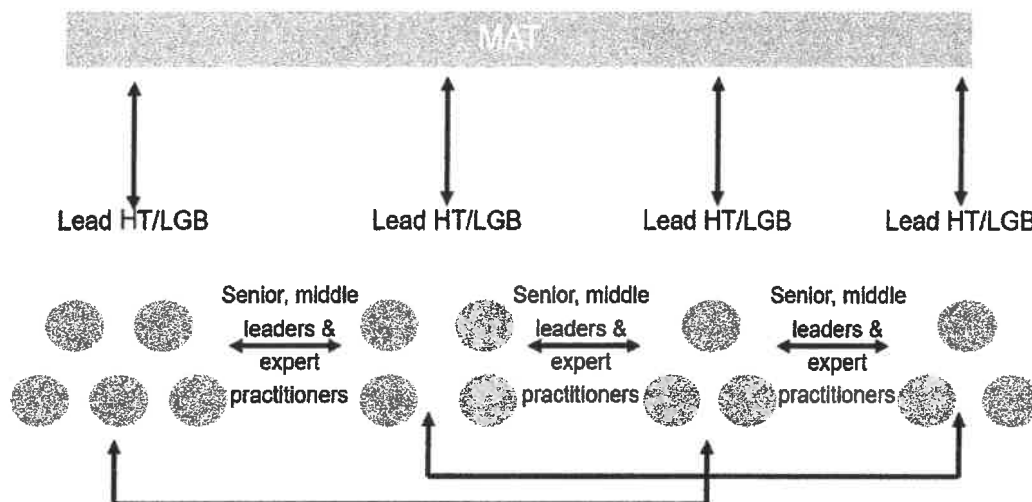
The Regional Hub Model.

There is little appetite from many of the Church of England schools in Derby Diocese to form their own MAT and there are few larger MATs actually willing to take on many diocesan schools due to limited financial reward and the potential risk of closure and subsequent redundancy costs. It may be possible through collaboration to create "units of schools" from some small schools to make a viable entity as part of a larger MAT.

DDAT have a plan based on a regional hub model that holds together the tension between a desire for local accountability and the requirement for larger economies of scale. This might save some smaller Church of England schools from closure.

Cross-phase potential

Scale and spans of control in a growing MAT



The DDAT2 board recognise the value of becoming a cross phase MAT. An application to open a new secondary free school in partnership with Derby Cathedral has been approved for the pre-opening phase by the Department for Education. Trustees have a vision for this secondary school to be fed by a hub of DDAT2 feeder primary schools to offer high quality educational provision to the city of Derby for pupils from 3-18 years of age. It should be noted that this hub and secondary school will offer education to some significantly disadvantaged pupils. Derby has been highlighted as one of six areas nationally where social mobility has been extremely limited.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

A Mixed MAT

A number of community schools have shown an interest in joining DDAT2. Whilst DDAT2 has no community schools open at this time, Trustees have agreed that DDAT2 should be a mixed church and non-church MAT. This is very much inline with the Church of England and Diocesan vision for education. Two community schools have academy orders with DDAT2 and await conversion pending resolution of issues identified by due diligence. Some community schools wish to join DDAT2 because they share DDAT2 values even if they do not share the faith based roots from which they shoot. Community schools have also expressed the desire to continue to work in successful collaborations with Church schools in their locality. The DDAT2 regional hub model therefore serves them well.

Financial Support

One of the significant areas of challenge has been managing human resource within the Trusts. DDAT2 Trustees acknowledge that the Trust has benefitted from a considerable gift of time from officers employed by the Derby Diocesan Board of Education. This wider support has allowed DDAT2 to meet responsibility as a diocesan MAT during a period where other minority and majority Church of England MATs have been in embryonic form. The Trust has also benefitted from capacity grants from the Department for Education (DfE) and in the last year the DfE have continued to encourage applications for funds to develop the capacity of DDAT2.

Areas for improvement

Trustees recognise that there is a need to review and improve financial arrangements to ensure that schools have better information with which to inform their own school improvement planning. A process to strengthen the finance team at the centre has begun and reflects the need to change and upgrade systems in response to growth. Similarly, our school improvement officers will begin to create a shortlist of high quality "associates" with a proven track record to supplement their work in schools. This retainer approach will ensure access to high quality people with specific expertise and provide relief for current staff and address growth plans without on-going contractual commitments. This allows the Trust to front-load support in an affordable manner without compromising support for existing schools. This approach is over and above support brokered between schools within the MAT and beyond.

Strengths

- DDAT2 benefits from the support of the Diocese of Derby.
- DDAT2 has a strong team with commitment to the diocesan vision.
- DDAT2 has demonstrated capacity to improve underperforming schools.
- DDAT2 continues to be popular and therefore able to build a larger Trust in a sustainable way.
- DDAT2 has been approved for a potential secondary school offer that adds value to the Trust as a whole.

Challenges

- Improving the efficiency and accuracy of financial systems for schools.
- Ensuring school improvement maintains the capacity to take on any Church of England school who may become eligible for intervention.
- Managing cash-flow so that finances facilitate front-loaded support whilst growing and systems have the resilience to sustain the Trust when encountering issues raised by due diligence.

FUNDS HELD AS CUSTODIAN

There are no Funds held as Custodian Trustee on behalf of others

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Trustees at the time when the Trustees' Report is approved has confirmed that

- So far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- That Trustee has 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 auditor is aware of that information.

The Trustees' Report was approved by order of the Board of Trustees, as the company directors, on 15 December 2017 and signed on its behalf by:



Mrs Lisa Jane Bloor
Trustee

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Trustees we acknowledge we have overall responsibility for ensuring that Derby Diocesan Academy Trust 2 has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the chief executive, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Derby Diocesan Academy Trust 2 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 four times and the finance committee formal met twice during the period. Attendance during the period at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Right Reverend Dr. Alastair Redfern	3	5
Mrs. Lisa Jane Bloor	4	5
Ms. Alison Mary Brown	5	5
Mr. Michael John Ford	4	5
Mr. David John Channon	4	5
Mrs. Jacqueline Claire Menzies-Conacher	2	2
Mr. John Horwood	4	5
Mrs. Susan Jane Whyld	2	2

Governance reviews

A Governance Health Check was carried out in May 2017 by the company's appointed solicitors (Michelmores) with a view to reviewing the current governance structures and highlighting any areas of weakness or risk. A full report was issued to the Board of Trustees with a number of points for consideration as follows:

- The Directors of DDAT1/DDAT2 consider becoming one Trust. The advantages of this are that there would be one company, one set of accounts, one Board of Trustees and no potential issues could arise in relation to potential conflicts of interest.
- The CEO is not a Director/Secretary of DBE.
- A decision is made by DDAT1/DDAT2 as to the nature of the relationship it wishes to have with DBE in relation to the CEO. If the present arrangement is to be maintained then a written agreement has to be in place which covers the points set out above.
- The Directors undertake a review to ensure that all staff have job descriptions.
- The Directors undertake a review of all current contracts with consultants to ensure that there are adequate written agreements in place and that they are aware of, and can demonstrate, that the use of a consultant represents value for money.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

The Finance and General Purposes Committee is a sub-committee of the main Board of Trustees.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Mr. David John Channon	3	3
Ms. Lisa Jane Bloor	6	6
Mr. Michael Ford	3	3

The Finance Committee is supplemented by other members of the Trust who also attend all meetings.

REVIEW OF VALUE FOR MONEY

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

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

- by implementing the Trusts highly regarded school improvement service it ensures that public funds are used effectively and efficiently to improve teaching and learning
- actively encouraging collaboration between academies and other Church of England schools in Derbyshire and Derby to share best practice and mutual support to deal with issues assists the continuing improvement in pupil attainment
- Implementing joint purchasing for the academies and use of third party assessors to get the best value for money

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 Academy 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 Derby Diocesan Academy Trust 2 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 Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the 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.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the Finance and General Purposes 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 David Waller (SAFS) as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. In particular the checks carried out in the current period included:

- testing of payroll systems
- testing of purchase systems
- testing of control account/bank reconciliations

On an annual basis, the internal auditor reports to the Board of Trustees through the audit committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

REVIEW OF EFFECTIVENESS

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

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and General Purposes Committee 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 December 2017 and signed on their behalf, by:



Mrs. Lisa Jane Bloor
Trustee



Mr. David John Channon
Accounting Officer

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Derby Diocesan Academy Trust 2 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.



Mr. David John Channon
Accounting Officer

Date: 15 December 2017

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees (who act as governors of Derby Diocesan Academy Trust 2 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 December 2017 and signed on its behalf by:



Mrs. Lisa Jane Bloor
Trustee

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF DERBY DIOCESAN ACADEMY TRUST 2

OPINION

We have audited the financial statements of Derby Diocesan Academy Trust 2 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 academy's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy's members those matters we are required to state to them in an 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 academy 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 academy'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 academy in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF DERBY DIOCESAN ACADEMY TRUST 2

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF DERBY DIOCESAN ACADEMY TRUST 2

RESPONSIBILITIES OF TRUSTEES

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

In preparing the financial statements, the Trustees are responsible for assessing the academy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the academy'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.



Dave Darlaston (Senior Statutory Auditor)

for and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG
15 December 2017

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO DERBY
DIOCESAN ACADEMY TRUST 2 AND THE EDUCATION AND SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 2 June 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Derby Diocesan Academy Trust 2 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 Derby Diocesan Academy Trust 2 and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Derby Diocesan Academy Trust 2 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 Derby Diocesan Academy Trust 2 and the ESFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF DERBY DIOCESAN ACADEMY TRUST 2'S AND THE REPORTING ACCOUNTANT

The is responsible, under the requirements of Derby Diocesan Academy Trust 2's funding agreement with the Secretary of State for Education dated 26 February 2015, and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

APPROACH

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

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

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

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

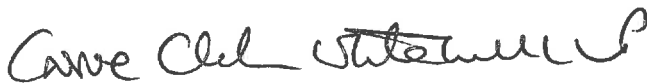
The work undertaken to draw our conclusion includes a review of the design and implementation of the Charitable Company's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the Charitable Company and specific transactions identified from our review.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO DERBY
DIOCESAN ACADEMY TRUST 2 AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)**

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the 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.



Crowe Clark Whitehill LLP

Statutory Auditor

Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

Date: 15 December 2017 .

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2017**

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:					
Donations & capital grants:					
Transfer from local authority on conversion	2	55,897	(511,000)	4,838,086	4,382,983
Other donations and capital grants	2	-	136,520	640,453	776,973
Charitable activities:					
Funding for the academy trust's educational operations	3	204,672	4,272,661	-	4,477,333
Other trading activities	4	87,714	-	-	87,714
Investments	5	691	-	-	691
TOTAL INCOME	348,974	3,898,181	5,478,539	9,725,694	5,265,848
EXPENDITURE ON:					
Charitable activities: Academy Trust educational operations		272,812	4,689,103	200,968	5,162,883
TOTAL EXPENDITURE	6	272,812	4,689,103	200,968	5,162,883
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS					
Transfers between Funds	17	76,162	(790,922)	5,277,571	4,562,811
		21,011	(36,433)	15,422	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES					
		97,173	(827,355)	5,292,993	4,562,811
Actuarial gains/(losses) on defined benefit pension schemes	23	-	578,000	-	578,000
NET MOVEMENT IN FUNDS		97,173	(249,355)	5,292,993	5,140,811
RECONCILIATION OF FUNDS:					
Total funds brought forward		342,332	(1,439,645)	9,850,635	8,753,322
Prior year adjustment		-	-	-	7,535,201
TOTAL FUNDS CARRIED FORWARD		439,505	(1,689,000)	15,143,628	13,894,133

The notes on pages 32 to 60 form part of these financial statements.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)
REGISTERED NUMBER: 09442311

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	13		14,531,806		9,176,419
CURRENT ASSETS					
Debtors	14	532,661		179,755	
Cash at bank and in hand		1,017,953		1,269,984	
		<u>1,550,614</u>		<u>1,449,739</u>	
CREDITORS: amounts falling due within one year	15	<u>(424,940)</u>		<u>(278,836)</u>	
NET CURRENT ASSETS			<u>1,125,674</u>		<u>1,170,903</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>15,657,480</u>		<u>10,347,322</u>
CREDITORS: amounts falling due after more than one year	16		<u>(14,347)</u>		<u>-</u>
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>15,643,133</u>		<u>10,347,322</u>
Defined benefit pension scheme liability	23	(1,749,000)		(1,594,000)	
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>13,894,133</u>		<u>8,753,322</u>
FUNDS OF THE ACADEMY TRUST					
Fixed asset funds:					
Restricted income funds	17	60,000		154,355	
Restricted fixed asset funds	17	15,143,628		9,850,635	
Restricted income funds excluding pension liability		<u>15,203,628</u>		<u>10,004,990</u>	
Pension reserve		<u>(1,749,000)</u>		<u>(1,594,000)</u>	
Total fixed asset funds			<u>13,454,628</u>		<u>8,410,990</u>
Unrestricted income funds	17		<u>439,505</u>		<u>342,332</u>
TOTAL FUNDS			<u>13,894,133</u>		<u>8,753,322</u>

The financial statements on pages 29 to 60 were approved by the Trustees, and authorised for issue, on 15 December 2017 and are signed on their behalf, by:



Mrs. Lisa Jane Bloor
Trustee

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash used in operating activities	19	<u>(46,144)</u>	<u>(402,645)</u>
Cash flows from investing activities:			
Purchase of tangible fixed assets		(718,269)	(122,163)
Capital grants from DfE/ESFA		477,956	796,379
Interest receivable		(706)	(914)
Net cash (used in)/provided by investing activities		<u>(241,019)</u>	<u>673,302</u>
Cash flows from financing activities:			
Donations of budget surpluses on local authority and school funds on conversion		35,132	34,440
Additional surpluses recognised after conversion		-	12,879
Net cash provided by financing activities		<u>35,132</u>	<u>47,319</u>
Change in cash and cash equivalents in the year		(252,031)	317,976
Cash and cash equivalents brought forward		<u>1,269,984</u>	<u>952,008</u>
Cash and cash equivalents carried forward	20	<u><u>1,017,953</u></u>	<u><u>1,269,984</u></u>

The notes on pages 32 to 60 form part of these financial statements.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES

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.

Derby Diocesan Academy Trust 2 constitutes a public benefit entity as defined by FRS 102.

1.2 COMPANY STATUS

The Academy Trust is a company limited by guarantee. The Academy Trust is incorporated in England & Wales, registered number 09442311. The registered office is Chruch House, Full Street, Derby, Derbyshire, DE1 3DR. The members of the company are named on page 1. In the event of The Academy Trust being wound up, the liability in respect of the guarantee is limited to £10 per member of The Academy Trust.

1.3 GOING CONCERN

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.4 INCOME

All income is recognised once the Academy 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 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 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 grants are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of financial activities in the period in which it is receivable, where receipt is probable and it is measurable.

The value of donated services and gifts in kind provided to the Academy Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's policies.

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

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.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

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.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

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

All expenditure is inclusive of irrecoverable VAT.

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £5,000 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 not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Property	-	0.8% - 2% (straight line)
Leasehold Improvements	-	2% (straight line)
Fixtures & fittings	-	20% (straight line)
Computer equipment	-	25% (straight line)

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

The long leasehold land and buildings at Turnditch CofE Primary School, St Laurence CofE VA Primary School, St Giles CE Primary Matlock, Holbrook Church of England Primary School, Matlock All Saints CofE Junior School and Matlock All Saints CofE Infant School are owned by The Derby Diocesan Board of Education. The Trustees of The Derby Diocesan Board of Education have granted the Academy, via a supplemental agreement, the right to use the land and buildings for educational purposes indefinitely. The buildings have therefore been treated as long leasehold property. The land has not been depreciated as there is no cessation date for occupancy and the agreement is for indefinite use.

The long leasehold land and buildings at William Gilbert Endowed CofE Primary School are owned by The Duffield Endowed School Foundation. There is a 125 year lease agreement and the land is being depreciated over this period.

Land adjoining the site at St Laurence CofE VA Primary School, Holbrook Church of England Primary School, Matlock All Saints CofE Junior School and Matlock All Saints CofE Infant School is owned by Derbyshire County Council. There is a 125 year lease agreement and the land is being depreciated over this period.

Land to the rear of Turnditch CofE Primary School is owned by Mr. D R Fearn and is being leased to the school via Derbyshire County Council. There is a 5 year lease and the land has therefore not been capitalised. This is included in the operating lease commitment shown in note 24.

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 INTEREST RECEIVABLE

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

1.9 TAXATION

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

1.10 DEBTORS

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.11 CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.12 LIABILITIES AND PROVISIONS

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

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

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in notes 15 and 16. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

The LGPS pension deficit is recognised at its net present value at each balance sheet date and is based on an annual actuarial valuation. The key judgements in performing this valuation can be found in note 1.14.

DERBY DIOCESAN ACADEMY TRUST 2
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.14 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 and the assets are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy 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 23, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/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.

1.15 FUND ACCOUNTING

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by 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.

Investment income, gains and losses are allocated to the appropriate fund.

DERBY DIOCESAN ACADEMY TRUST 2
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.16 CONVERSION TO AN ACADEMY TRUST

The conversion from a state maintained school to an Academy Trust involved the transfer of identifiable assets and liabilities and the operation of the school 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 transferred on conversion from Holbrook Church of England Primary School, Matlock All Saints CofE Junior School and Matlock All Saints CofE Infant School to an Academy Trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations - transfer from local authority on conversion in the Statement of Financial Activities incorporating Income and Expenditure Account and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 21.

1.17 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, 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.

Critical areas of judgement:

There are no critical judgements which would have a material impact on the financial statements.

DERBY DIOCESAN ACADEMY TRUST 2
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Land and buildings	-	-	4,838,086	4,838,086	1,571,000
Pension deficit	-	(511,000)	-	(511,000)	(165,000)
Budget surplus on LA and School Funds	55,897	-	-	55,897	34,440
Transfer from local authority on conversion	55,897	(511,000)	4,838,086	4,382,983	1,440,440
Capital Grants	-	-	640,453	640,453	796,379
Other donations	-	136,520	-	136,520	22,582
	-	136,520	640,453	776,973	818,961
	55,897	(374,480)	5,478,539	5,159,956	2,259,401
<i>Total 2016</i>	47,319	(155,297)	2,367,379	2,259,401	

DERBY DIOCESAN ACADEMY TRUST 2
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant	-	3,460,164	3,460,164	2,360,375
Start up Grant	-	190,308	190,308	50,000
Other Dfe/ESFA Grant	-	381,558	381,558	292,621
	<u>-</u>	<u>4,032,030</u>	<u>4,032,030</u>	<u>2,702,996</u>
Other government grants				
Local authority grants	-	240,631	240,631	105,110
	<u>-</u>	<u>240,631</u>	<u>240,631</u>	<u>105,110</u>
Other funding				
School Fund Income	52,140	-	52,140	42,245
Parental contribution for educational visits	26,160	-	26,160	16,883
Catering income	121,687	-	121,687	91,545
Insurance income	4,685	-	4,685	-
	<u>204,672</u>	<u>-</u>	<u>204,672</u>	<u>150,673</u>
	<u>204,672</u>	<u>4,272,661</u>	<u>4,477,333</u>	<u>2,958,779</u>
Total 2016	<u>150,673</u>	<u>2,808,106</u>	<u>2,958,779</u>	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
School improvement service income	4,950	-	4,950	-
Other income	38,226	-	38,226	39,729
Out of school club	26,734	-	26,734	-
Hire of facilities	17,804	-	17,804	7,025
	<u>87,714</u>	<u>-</u>	<u>87,714</u>	<u>46,754</u>
Total 2016	<u>46,754</u>	<u>-</u>	<u>46,754</u>	

DERBY DIOCESAN ACADEMY TRUST 2
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

5. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Interest receivable	691	-	691	914
<i>Total 2016</i>	<u>914</u>	<u>-</u>	<u>914</u>	

6. EXPENDITURE

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	<i>As restated</i> Total 2016 £
Funding for educational operations:					
Direct costs	2,892,653	187,270	211,881	3,291,804	2,255,884
Support costs	889,132	421,904	287,231	1,598,267	949,484
Other incoming resources:					
Support costs	-	-	272,812	272,812	160,359
	<u>3,781,785</u>	<u>609,174</u>	<u>771,924</u>	<u>5,162,883</u>	<u>3,365,727</u>
<i>Total 2016</i>	<u>2,440,509</u>	<u>276,930</u>	<u>648,288</u>	<u>3,365,727</u>	

7. SUPPORT COSTS

	Funding for educational operations £	Other incoming resources £	Total 2017 £	<i>As restated</i> Total 2016 £
Technology costs	40,353	-	40,353	24,326
Premises costs	212,045	-	212,045	146,053
Other support costs	436,618	272,812	709,430	479,157
Governance costs	20,119	-	20,119	8,774
Wages and salaries	562,848	-	562,848	310,354
National insurance	30,584	-	30,584	12,542
Pension cost	295,700	-	295,700	128,637
	<u>1,598,267</u>	<u>272,812</u>	<u>1,871,079</u>	<u>1,109,843</u>
<i>At 31 August 2016</i>	<u>949,484</u>	<u>160,359</u>	<u>1,109,843</u>	

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

7. SUPPORT COSTS (continued)

Included within governance costs are any costs associated with the strategic as opposed to day-to-day management of the charitable company's activities. These costs will include any employee benefits for governorship, the cost of charity employees involved in meetings with governors, and costs relating to constitutional and statutory requirements including audit and preparation of statutory accounts.

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets:		
- owned by the charity	200,968	130,877
Auditors' remuneration - audit	11,500	8,235
Auditors' remuneration - other services	2,850	1,900
Operating lease rentals	10,993	4,004
	<u>236,211</u>	<u>145,016</u>

DERBY DIOCESAN ACADEMY TRUST 2
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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	2016
	£	£
Wages and salaries	2,703,606	1,863,838
Social security costs	228,464	134,681
Operating costs of defined benefit pension schemes	703,075	398,278
	3,635,145	2,396,797
Supply teacher costs	129,980	43,712
Staff restructuring costs	16,660	-
	3,781,785	2,440,509

Included in staff restructuring costs are severance payments totalling £16,660 (2016: £Nil). Individually, the payments were: £5,167, £5,625 and £5,868.

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

	2017	2016
	No.	No.
Teachers	73	36
Administration and support	125	65
Management	3	4
	201	105

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

	2017	As restated 2016
	No.	No.
In the band £60,001 - £70,000	1	1

The employee included above has participated in the teachers pension scheme, employer contributions in the year totalled £11,039.

The key management personnel of the Academy Trust are as listed on page 1. 2 members of the senior management team donated and recharged their time to Derby Diocesan Academy Trust 2 as their services are employed by Derby Diocese. The value of the donated services in the year was £113,751 (2016: £9,703). The value of the services recharged totalled £Nil (2016: £5,733).

Within the year the central trust management team also included consultancy operational management by Andrew Martin (Business Director), Paul Staniland (Finance Director to March 2017) and Richard Wetherall (Finance Director from February 2017). The cost for these services totalled £48,670.

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10. CENTRAL SERVICES

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

- Management Services
- Legal Services
- Education Support Services
- Maintenance and admin support services
- Finance and accounts support

The Academy Trust charges for these services on the following basis:

Flat percentage of GAG income (4 to 6%)

Any surplus generated is held as contingency reserve for us in future periods.

The actual amounts charged during the year were as follows:

	2017	2016
	£	£
Turnditch Church of England Primary School	14,558	14,850
William Gilbert Endowed Church of England Primary School	32,085	32,559
St Laurence CofE VA Primary School	45,282	41,031
St Giles Church of England Primary School	23,328	24,330
Holbrook Church of England Primary School	23,797	-
All Saints CofE Junior School	17,263	-
All Saints CofE Infant School	13,330	-
	169,643	112,770
Total	169,643	112,770

11. 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
		£	£
Ms. Susan Jane Whyld	Remuneration	65,000-70,000	60,000-65,000
	Pension contributions paid	10,000-15,000	5,000-10,000

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

During the year, no Trustees received any reimbursement of expenses (2016 - £NIL).

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12. TRUSTEES' AND OFFICERS' INSURANCE

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

13. TANGIBLE FIXED ASSETS

	Leasehold Land and Buildings £	Leasehold Improvements £	Furniture and Equipment £	Computer equipment £	Assets under construction £	Total £
COST						
At 1 September 2016	9,255,700	68,282	44,103	18,915	-	9,387,000
Additions	-	515,048	9,100	16,804	177,317	718,269
Assets on conversion	4,838,086	-	-	-	-	4,838,086
At 31 August 2017	14,093,786	583,330	53,203	35,719	177,317	4,943,355
DEPRECIATION						
At 1 September 2016	203,788	715	3,065	3,013	-	210,581
Charge for the year	170,172	11,639	11,098	8,059	-	200,968
At 31 August 2017	373,960	12,354	14,163	11,072	-	411,549
NET BOOK VALUE						
At 31 August 2017	13,719,826	570,976	39,040	24,647	177,317	4,531,806
At 31 August 2016	9,051,912	67,567	41,038	15,902	-	9,176,419

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14. DEBTORS

	2017	2016
	£	£
Trade debtors	1,857	-
VAT recoverable	213,327	99,629
Other debtors	20,702	46,125
Prepayments and accrued income	296,775	34,001
	532,661	179,755
	532,661	179,755

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	50,049	113,985
Other taxation and social security	76,603	38,223
Other creditors	78,614	37,744
Accruals and deferred income	219,674	88,884
	424,940	278,836
	424,940	278,836

	2017	2016
	£	£
DEFERRED INCOME		
Deferred income at the beginning of the period	57,486	55,834
Resources deferred during the year	130,899	57,486
Amounts released from previous years	(57,486)	(55,834)
	130,899	57,486
Deferred income at 31 August 2017	130,899	57,486

At the balance sheet date the Academy Trust was holding £120,238 in grants for the provision of free school meals and £2,084 in relation to other grants received in advance for the Autumn term 2017. The Academy Trust also has trip income totalling £8,577 relating to income received in advance of trips commencing after 31 August 2017.

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16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017	2016
	£	£
Within 1-2 years	7,174	-
Within 2-5 years	7,173	-
	<u>14,347</u>	<u>-</u>

Included within other creditors and creditors due after more than one year is a loan of £21,521 from Derbyshire County Council in relation to overspends on the Derbyshire Property Package. The amounts repayable to Derbyshire County Council are due at the start of each financial tax year and will be repaid over the course of the next 3 years. There is no interest attached to the outstanding amounts.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

17. STATEMENT OF FUNDS

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
UNRESTRICTED FUNDS						
General Funds - all funds	342,332	348,974	(272,812)	21,011	-	439,505
RESTRICTED FUNDS						
General Annual Grant (GAG)	154,355	3,460,164	(3,578,086)	(36,433)	-	-
Other DfE/EFA grants	-	381,558	(381,558)	-	-	-
Local authority grants	-	240,631	(240,631)	-	-	-
Start up grants	-	190,308	(130,308)	-	-	60,000
Donations	-	136,520	(136,520)	-	-	-
Pension reserve	(1,594,000)	(511,000)	(222,000)	-	578,000	(1,749,000)
	<u>(1,439,645)</u>	<u>3,898,181</u>	<u>(4,689,103)</u>	<u>(36,433)</u>	<u>578,000</u>	<u>(1,689,000)</u>
RESTRICTED FIXED ASSET FUNDS						
Transfer on conversion	9,176,419	4,838,086	(200,968)	718,269	-	14,531,806
DfE/ESFA capital grants	28,740	41,055	-	(27,317)	-	42,478
Conditional Improvement Fund	645,476	599,398	-	(675,530)	-	569,344
	<u>9,850,635</u>	<u>5,478,539</u>	<u>(200,968)</u>	<u>15,422</u>	<u>-</u>	<u>15,143,628</u>
Total restricted funds	<u>8,410,990</u>	<u>9,376,720</u>	<u>(4,890,071)</u>	<u>(21,011)</u>	<u>578,000</u>	<u>13,454,628</u>
Total of funds	<u><u>8,753,322</u></u>	<u><u>9,725,694</u></u>	<u><u>(5,162,883)</u></u>	<u><u>-</u></u>	<u><u>578,000</u></u>	<u><u>13,894,133</u></u>

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17. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	<i>Balance at 1 September 2015</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 August 2016</i>
	£	£	£	£	£	£
UNRESTRICTED FUNDS						
General Funds - all funds	257,031	245,660	(160,359)	-	-	342,332
	<u>257,031</u>	<u>245,660</u>	<u>(160,359)</u>	<u>-</u>	<u>-</u>	<u>342,332</u>
RESTRICTED FUNDS						
General Annual Grant (GAG)	18,037	2,360,375	(2,224,057)	-	-	154,355
Other DfE/ESFA grants	305,000	292,621	(597,621)	-	-	-
Start up grants	-	50,000	(50,000)	-	-	-
Local Authority grants	-	105,110	(105,110)	-	-	-
Donations	-	9,703	(9,703)	-	-	-
Pension reserve	(729,000)	(165,000)	(88,000)	-	(612,000)	(1,594,000)
	<u>(405,963)</u>	<u>2,652,809</u>	<u>(3,074,491)</u>	<u>-</u>	<u>(612,000)</u>	<u>(1,439,645)</u>
RESTRICTED FIXED ASSET FUNDS						
Transfer on conversion	7,604,996	1,571,000	(130,877)	131,300	-	9,176,419
DfE/ESFA capital grants	9,137	53,142	-	(33,539)	-	28,740
Conditional Improvement Fund	-	743,237	-	(97,761)	-	645,476
	<u>7,614,133</u>	<u>2,367,379</u>	<u>(130,877)</u>	<u>-</u>	<u>-</u>	<u>9,850,635</u>
Total restricted funds	<u>7,208,170</u>	<u>5,020,188</u>	<u>(3,205,368)</u>	<u>-</u>	<u>(612,000)</u>	<u>8,410,990</u>
Total of funds	<u>7,465,201</u>	<u>5,265,848</u>	<u>(3,365,727)</u>	<u>-</u>	<u>(612,000)</u>	<u>8,753,322</u>

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

- 1) General Annual Grant: this must be used for the normal running costs of the Academy Trust.
- 2) Other DfE/ESFA Grant: this fund relates to other grants received which must be used for the purposes intended.
- 3) Other restricted: this fund relates to all other restricted funds received which must be used for the purpose intended.
- 4) Restricted fixed asset fund: this fund relates to resources which must be applied for specific capital purposes intended.

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**NOTES TO THE FINANCIAL STATEMENTS
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17. STATEMENT OF FUNDS (continued)

Transfers represent fixed assets purchased out of the General Annual Grant.

The difference between the fixed asset note and the restricted fixed asset funds represents unspent capital funding.

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

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £	<i>Total 2016 £</i>
Turnditch Church of England Primary School	119,208	152,178
William Gilbert Endowed Church of England Primary School	204,138	206,914
St Laurence CofE VA Primary School	26,160	108,068
St Giles Church of England Primary School	(6,695)	27,846
Holbrook Church of England Primary School	22,480	-
All Saints CofE Junior School	11,370	-
All Saints CofE Infant School	44,398	-
Trust	78,446	1,681
Total before fixed asset fund and pension reserve	499,505	496,687
Restricted fixed asset fund	15,143,628	9,850,635
Pension reserve	(1,749,000)	(1,594,000)
Total	13,894,133	8,753,322

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

Name of academy	Amount of deficit £
St Giles Church of England Primary School	6,695

St Giles has a fund balance deficit of £6,695 as at 31/08/2017. This position has arisen following a restructure of staffing in the financial year. The deficit is due to a one-off pension payment payable to a member of staff who took voluntary redundancy during the restructuring process. This amounted to £19,000 and is payable in April 2018 and hence has been accounted for as a liability. The school has a balanced projected budget for 2017-18 and the central trust has committed to underwrite this payment should the school need financial support. The school encountered a significant drop in pupil numbers which has affected their funding and led to the trust taking action for ongoing sustainability and ensuring the school was able to continue to progress effectively in teaching and learning. The trust has robust monitoring and support in place which will ensure the school deficit is restricted to this period only.

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17. 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 £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2017 £	Total 2016 £
Turnditch	295,255	32,026	10,106	114,599	451,986	426,730
William Gilbert	737,841	148,054	18,751	188,226	1,092,872	1,052,650
St Laurence	646,138	178,594	30,996	197,262	1,052,990	975,704
St Giles	345,282	37,014	9,499	85,027	476,822	441,093
Holbrook	411,979	64,243	23,527	102,697	602,446	-
All Saints Junior	271,449	45,144	2,668	64,764	384,025	-
All Saints Infant Trust	184,709	33,728	3,690	54,785	276,912	-
	-	350,329	450	273,083	623,862	338,673
	<u>2,892,653</u>	<u>889,132</u>	<u>99,687</u>	<u>1,080,443</u>	<u>4,961,915</u>	<u>3,234,850</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	14,531,806	14,531,806
Current assets	445,079	60,000	1,045,535	1,550,614
Creditors due within one year	(5,574)	-	(419,366)	(424,940)
Creditors due in more than one year	-	-	(14,347)	(14,347)
Provisions for liabilities and charges	-	(1,749,000)	-	(1,749,000)
	<u>439,505</u>	<u>(1,689,000)</u>	<u>15,143,628</u>	<u>13,894,133</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £
Tangible fixed assets	-	-	9,176,419	9,176,419
Current assets	342,332	433,189	674,216	1,449,737
Creditors due within one year	-	(278,834)	-	(278,834)
Provisions for liabilities and charges	-	(1,594,000)	-	(1,594,000)
	<u>342,332</u>	<u>(1,439,645)</u>	<u>9,850,635</u>	<u>8,753,322</u>

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NOTES TO THE FINANCIAL STATEMENTS
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19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £	2016 £
Net income for the year (as per Statement of Financial Activities)	4,562,811	1,900,121
Adjustment for:		
Depreciation charges	200,968	130,877
Increase in debtors	(190,409)	(102,800)
Increase/(decrease) in creditors	160,451	(170,059)
Capital grants from DfE and other capital income	(640,453)	(796,379)
Defined benefit pension scheme obligation inherited on conversion	511,000	165,000
Defined benefit pension scheme cost less contributions payable	181,000	53,000
Defined benefit pension scheme finance cost	41,000	35,000
Donations of fixed assets on conversion	(4,838,086)	(1,571,000)
Donations of budget surpluses on local authority and school funds on conversion	(35,132)	(34,440)
Interest receivable	706	914
Additional surpluses recognised after conversion	-	(12,879)
Net cash used in operating activities	(46,144)	(402,645)

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	1,017,953	1,269,984
Total	1,017,953	1,269,984

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21. CONVERSION TO AN ACADEMY TRUST

On 1 October 2016 Holbrook Church of England Primary School converted to Academy Trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Derby Diocesan Academy Trust 2 from Derbyshire County Council for £NIL consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities incorporating Income and Expenditure Account as Donations - transfer from local authority on conversion.

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 incorporating Income and Expenditure Account:

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Leasehold land and buildings	-	-	1,272,591	1,272,591
Budget surplus/(deficit) on LA funds	38,039	-	-	38,039
LGPS pension surplus/(deficit)	-	(85,000)	-	(85,000)
Net assets/(liabilities)	<u>38,039</u>	<u>(85,000)</u>	<u>1,272,591</u>	<u>1,225,630</u>

The above net assets include £38,039 that were transferred as cash.

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On 1 April 2017 Matlock All Saints CofE Junior School converted to Academy Trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Derby Diocesan Academy Trust 2 from Derbyshire County Council for £NIL consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities incorporating Income and Expenditure Account as Donations - transfer from local authority on conversion.

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 incorporating Income and Expenditure Account:

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Leasehold land and buildings	-	-	1,851,959	1,851,959
Budget surplus/(deficit) on LA funds	14,877	-	-	14,877
LGPS pension surplus/(deficit)	-	(61,000)	-	(61,000)
Total	14,877	(61,000)	1,851,959	1,805,836

The above net assets include £14,877 that were transferred as cash.

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NOTES TO THE FINANCIAL STATEMENTS
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On 1 April 2017 Matlock All Saints CofE Infant School converted to Academy Trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Derby Diocesan Academy Trust 2 from Derbyshire County Council for £NIL consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities incorporating Income and Expenditure Account as Donations - transfer from local authority on conversion.

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 incorporating Income and Expenditure Account:

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Leasehold land and buildings	-	-	1,713,536	1,713,536
Budget surplus/(deficit) on LA funds	2,981	-	-	2,981
LGPS pension surplus/(deficit)	-	(83,000)	-	(83,000)
Total	2,981	(83,000)	1,713,536	1,633,517

The above net assets include £2,981 that were transferred as cash.

22. CAPITAL COMMITMENTS

At 31 August 2017 the academy had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	569,344	-

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23. PENSION COMMITMENTS

The academy'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 Derbyshire Pension Fund. 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.

Contributions amounting to £72,754 were payable to the schemes at 31 August 2017 (2016 - 37,627) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- 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 £282,253 (2016 - £190,757).

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23. PENSION COMMITMENTS (continued)

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 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 £239,000 (2016 - £147,000), of which employer's contributions totalled £188,000 (2016 - £115,000) and employees' contributions totalled £51,000 (2016 - £32,000). The agreed contribution rates for future years are between 20.20% and 21.20% for employers and between 5.50% and 12.50% 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.

Principal actuarial assumptions:

	2017	2016
Discount rate for scheme liabilities	2.50 %	2.10 %
Rate of increase in salaries	2.90 %	3.10 %
Rate of increase for pensions in payment/inflation	2.40 %	2.10 %

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	21.90	22.00
Females	24.40	24.20
Retiring in 20 years		
Males	23.90	24.10
Females	26.50	26.60

	At 31 August 2017 £
Sensitivity analysis	
Discount rate +0.5%	2,319,000
Discount rate -0.5%	1,179,000
Salary increase rate +0.5%	1,897,000
Salary increase rate -0.5%	1,601,000
Pension increase rate +0.5%	2,157,000
Pension increase rate -0.5%	1,341,000

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NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2017 £	<i>Fair value at 31 August 2016 £</i>
Equities	1,856,000	1,010,000
Bonds	519,000	270,000
Property	191,000	86,000
Cash	164,000	57,000
	<u>2,730,000</u>	<u>1,423,000</u>
Total market value of assets	<u>2,730,000</u>	<u>1,423,000</u>

The actual return on scheme assets was £264,000 (2016 - £211,000).

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

	2017 £	<i>2016 £</i>
Current service cost	369,000	168,000
Net interest cost	41,000	35,000
	<u>410,000</u>	<u>203,000</u>
Total	<u>410,000</u>	<u>203,000</u>

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

	2017 £	<i>2016 £</i>
Opening defined benefit obligation	3,017,000	1,613,000
Transferred in on academies joining the trust	1,333,000	346,000
Current service cost	369,000	168,000
Interest cost	83,000	78,000
Employee contributions	51,000	32,000
Actuarial (gains)/losses	(356,000)	780,000
Benefits paid	(18,000)	-
	<u>4,479,000</u>	<u>3,017,000</u>
Closing defined benefit obligation	<u>4,479,000</u>	<u>3,017,000</u>

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23. PENSION COMMITMENTS (continued)

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

	2017	2016
	£	£
Opening fair value of scheme assets	1,423,000	884,000
Transferred in on academies joining the trust	822,000	181,000
Interest income	42,000	43,000
Actuarial gains	222,000	168,000
Employer contributions	188,000	115,000
Employee contributions	51,000	32,000
Benefits paid	(18,000)	-
	<u>2,730,000</u>	<u>1,423,000</u>
Closing fair value of scheme assets	<u>2,730,000</u>	<u>1,423,000</u>

24. 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	2016
	£	£
AMOUNTS PAYABLE:		
Within 1 year	10,223	4,844
Between 1 and 5 years	17,673	8,613
	<u>27,896</u>	<u>13,457</u>
Total	<u>27,896</u>	<u>13,457</u>

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25. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy'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 academy's financial regulations and normal procurement procedures.

Part of the long leasehold land is held by the Derby Diocesan Trustees registered as custodians for the beneficial users of the land - Turnditch CofE Primary School, St Laurence CofE VA Primary School, St Giles CE Primary Matlock, Holbrook Church of England Primary School, Matlock All Saints CofE Junior School and Matlock All Saints CofE Infant School, constituent Academies in the Derby Diocesan Academy Trust 2. The Derby Diocesan Trustees have granted the Academies, via a supplemental agreement, the right to use the land for educational purposes indefinitely. However, The Derby Diocesan Trustees may give not less than two years written notice to the Company and the Secretary of State to terminate this supplemental agreement.

The Academy Trust has received donated services in the year amounting to £113,751 (2016: £9,703) along with recharges of £Nil (2016: £5,733) relating to the time spent by Mr David John Channon (CEO) and Mr Mark Mallender (Director of School Improvement) managing the Academy Trust. Both Mr Channon and Mr Mallender are employees of The Derby Diocesan Board of Education.

Derby Diocese Academy Trust 2 and Derby Diocese Academy Trust are related parties due to them having the same Members and Trustees. Amounts due from the Derby Diocese Academy Trust at 31 August 2017 were £20,700 (2016: £46,040).

26. POST BALANCE SHEET EVENTS

From 1 November 2017 the directors have agreed to expand the Trust by welcoming Bolsover Church of England Junior School into the Trust.

27. 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.

28. CONTROLLING PARTY

The Derby Diocese Academy Trust 2 is an autonomous body, financed mainly by public funding and files separate entity accounts.

The Academy's sponsor, The Diocesan Board of Education, has the power to appoint Governors to the board of the Academy Trust.