

Ark Schools

Consolidated annual report and financial statements

31 August 2018



Company limited by guarantee
registration number 05112090
(England and Wales)

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Reference and administrative details

Member	Absolute Return for Kids (ARK)
Directors	Christina Alexandrou (appointed 21 November 2017) Ron Beller Lord Fink Gerard Griffin Lucy Heller Sir Paul Marshall Anthony Williams Neil Wood
Secretary	Michael Sandall
Senior Management Team	Lucy Heller – Managing Director Katie Oliver – Director of Operations (to 31 August 2018) Jacqueline Russell – Chief Finance Officer Rebecca Clark – Director of Secondary Venessa Willms – Director of Primary
Registered office	65 Kingsway London WC2B 6TD
Registration number	05112090 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Lloyds Bank plc 95 George Street Croydon CR9 2NS Barclays Bank plc 1 Churchill Place London E14 5HP
Solicitors	Stone King LLP 16 St John's Lane London EC1M 4BS

Directors' report (including strategic report)

Year to 31 August 2018

The directors who are also trustees of the charitable company, Ark Schools, present their annual report and the audited consolidated financial statements of Ark Schools for the year to 31 August 2018 and its subsidiary company, Ark Academies Projects Limited, together known as 'the Group'.

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

The financial statements have been prepared in accordance with the accounting policies set out on pages 35 to 42 and comply with the charitable company's memorandum and articles of association, applicable laws and the requirements of 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 United Kingdom and Republic of Ireland (FRS 102).

Strategic review

Ark Schools is an education charity and works in areas of economic disadvantage and historic underachievement. We operate a high-performing network of 38 schools, educating over 26,000 young people, across Birmingham, Hastings, London and Portsmouth. Each Ark school has its own ethos and character but they all share the same mission: to give every child the best start in life regardless of their background.

This year we built upon our three main objectives:

- **To create excellent schools** - We aim to build a group of outstanding, non-selective schools that will radically improve our students' life chances.
- **To build a sustainable network** - We want the Ark model to be scalable, so it is important that our schools can be maintained on government funding alone.
- **To grow capacity in the education system** - There are 26,000 students in Ark Schools. But our ambitions go beyond this; we want to provide a model for other schools, to develop programmes that provide elements of our model for schools beyond our network (e.g. Mathematics Mastery, English Mastery, Ark Teacher Training).

We believe that it is important to develop children outside the classroom. We want our young people to have a variety of skills that will help them to become well rounded confident individuals, ready for the world after school, and able to go on to university or the career of their choice.

Directors' report (including strategic report)

Year to 31 August 2018

Public benefit

The directors have referred to the Charity Commission guidance on public benefit when reviewing the charitable company's objectives and aims and planning future activities and consider that the charitable company's aims are for the public benefit.

The year in review

Two new schools joined the Ark Schools network this year:

- Ark Castledown Primary Academy (formerly Castledown Primary School) is a transition primary school near to Ark Schools' two other primaries and two secondaries in Hastings. The school joined in September 2017.
- Ark Victoria Academy (formerly Perry Beeches V) is a transition all-through school in Birmingham near to Ark Chamberlain. The school joined in March 2018.

Ark Acton, Ark Greenwich Free School and Ark John Archer joined the network on 1 September 2018.

During the year, Ark Schools' sponsor charity, Ark, formally launched Ark Ventures to incubate, launch and scale up initiatives that have the potential to transform the lives of children in the UK and around the world.

There are twelve ventures that have either been launched or are currently being incubated, including Mathematics Mastery, English Mastery, Now Teach, Frontline and Ambition School Leadership. Many of these ventures deliver work in Ark schools.

Details of these ventures can be found in the separate annual report and accounts for Ark and Ark UK Programmes.

Network statistics for 2017/18

Overall, 2018 was another successful year for students in Ark schools. Many of our 2017/18 results are still provisional, but here are some of the highlights:

Our students:

Ark Schools largely takes on schools in challenging circumstances or with a history of academic underachievement. Our schools are achieving strong results, especially for the progress that students make.

52% of Ark Schools GCSE students are disadvantaged (i.e. they have been eligible for free school meals, a measure of economic deprivation). This is nearly double the national average of 27%.

Directors' report (including strategic report)

Year to 31 August 2018

Primary results:

Early Years Foundation Stage (EYFS)

At EYFS (nursery and reception), 80% of students achieved a "Good Level of Development", 11 percentage points above the 2017 national average.

93% of Ark early years students passed the phonics screening check, 12 points above 2017's national average.

Key Stage 1

Our students improved across the board at Key Stage 1 (years 1-3) in reading, writing and mathematics – maintaining Ark Schools' position above national performance (2017) in all subjects.

Key Stage 2

Across Ark, 69% of Key Stage 2 (years 3-6) students achieved the expected standard in reading, writing and mathematics. This is an eight percentage point improvement on last year's results, and is five points above the national average.

Our schools in Hastings did particularly well. In its first year as an Ark school, Ark Castledown had a remarkable 46-percentage point increase proportion of students achieving the expected standard. Ark Little Ridge rose 24 percentage points and Ark Blacklands was up 11 percentage points.

GCSE results:

Secondary results did not match the strong improvements at Primary, but our Progress 8 score is up on last year at an estimated 0.15, while the network average for Attainment 8 was 4.5.

Across the network, grades in Science, Humanities and Science improved at almost every Ark school.

There was good news in Hastings, where Ark's secondary schools showed notable improvement in the proportion of students achieving a 4 or better in their GCSEs (including English and Maths), with Ark Helenswood up 8 percentage points and Ark William Parker up by 4 points.

Other schools that have done particularly well include Ark Bolingbroke, which had a 0.4 improvement in attainment and Ark Isaac Newton, with a score of 5.8 on Attainment 8 and an estimated Progress 8 score of +1.00 – placing it among the top schools in the country for this measure.

A-levels & Destinations:

57% of Ark sixth form students achieved A*-C in three or more A-levels, a 1 percentage point increase on last year.

In 2017-2018, 82% of our sixth form students gained a place at university, compared with a national average of 60%. Nationally, 47% of disadvantaged sixth form students go to university. At Ark, the proportion is 83%.

Directors' report (including strategic report)

Year to 31 August 2018

The proportion of economically disadvantaged students going from an Ark sixth form to Russell Group universities is three times the national average (21% vs 7%).

Our Professional Pathways programme works with hundreds of year 12-13 students across the network. The programme helps them to make informed decisions about whether to pursue an apprenticeship or university after leaving school.

Ofsted:

87.5% of Ark schools that have been rated by Ofsted are good or outstanding. 1 in 3 of our schools are rated outstanding by Ofsted, considerably higher than the national average.

All of Ark's new start schools are good or outstanding.

Future view

In September 2019 Ark Pioneer, a new secondary school in Barnet, will open its doors. Other new-build schools in the pipeline include Ark Blake in Croydon (2020), Ark Soane in Ealing (2020) and Ark Somerville Primary is provisionally planned (depending on pupil numbers) for Brent (2023).

We continue to seek to build all-through schools or 'virtual' all-through schools (where Ark primary schools feed into local Ark secondary schools), so we can ensure a consistent education and smooth primary-secondary transition for the students in our schools.

Plans for Ark's innovative new education hub in West London (called EdCity), continues to make progress. EdCity will bring social and educational benefits to the local community in White City. Included in the development:

- A rebuild for Harmony Nursery - the new building will be bright and spacious and capacity will nearly double.
- Ark Swift Primary Academy will benefit from modern teaching environments, new outdoor learning spaces, improved IT, and sports and performing arts facilities.
- The current Adult Community Education Centre will be completely transformed and offer an extended service to adults taking their first steps back into education, training and/or employment. The centre will provide training and offers life-long learning opportunities for local residents, with the main aim of supporting people back into employment.
- A new office building for Ark and Ark Schools and other mission-aligned organisations to create a hub of social enterprises who, individually and collectively, are aiming to transform outcomes for children in challenging circumstances in the UK and beyond.

The Ark board has approved preliminary plans for Ark Start, a new venture designed to support early years student education.

Directors' report (including strategic report)

Year to 31 August 2018

Ark Schools is developing Ark Curriculum Plus, a school curriculum programme that will cover all the major subjects, giving students continuity of learning from nursery all the way through to sixth form. Building on the success of Mathematics Mastery and English Mastery, Ark Curriculum Plus aims to develop similarly high-quality, well-designed curriculum programmes for the remaining national curriculum subjects.

Ark St Alban's is now an accredited Teaching School and will receive additional funding to deliver training and improve teaching standards in the local area.

Directors' report (including strategic report)

Year to 31 August 2018

Financial Review

A summary of the results for the year is included in the statement of financial activities on page 32. The operational result for the year (which excludes capital income and expenditure, buildings transferred into the network, and non-cash pension adjustments in respect of defined benefit schemes) is summarised below:

Income and expenditure

Years ended 31 August	2018	2017
	£m	£m
DfE revenue grants	147.0	141.5
Other grants and income (ex. capital)	17.7	11.5
Other trading activities	2.1	1.7
Voluntary income (ex. capital)	7.8	8.5
Total operating income	174.6	163.2
Academy Educational Operations		
- Direct costs excl depreciation	88.6	87.2
- Educational support costs excl capital	83.7	75.3
- Development, Governance and fundraising	3.5	4.8
Total operating expenditure	175.8	167.3
Net operating income/(expenditure)	(1.2)	(4.1)

Operating income rose to £174.6m (2017: £163.2m) during the year with the increase in the number of pupils in our schools. Overall operating expenditure increased to £175.8m (2017: £167.3m) resulting in a net operating deficit of £1.2m (2017: £4.1m). A full reconciliation of the operating result is provided at note 31 to the financial statements.

This deficit stems from increased investment in our schools including Bolingbroke, Putney, St Albans and William Parker. These schools have strong or improving academic results and while they are still growing, Ark Schools has chosen to invest in teachers and teaching resources to ensure they maintain and improve quality as they expand their rolls.

All of our schools have long term plans in place that will ensure they achieve sustainability within five years. Ark Schools' overall financial outlook remains extremely robust.

Total net assets during the year grew to £429.5m (2017 £363.5m) with the overall increase in funds for the year recorded at £66m (2017: increase of £4.5m). This reflects positive movement of £65.9m (2017: £4.4m) on the fixed assets fund and £4.2m (2017: £7.2m) on the pension reserve, offsetting a reduction in restricted and unrestricted revenue reserves of £4.1m (2017: £7.1m).

Directors' report (including strategic report) Year to 31 August 2018

Summary of assets and liabilities

As at 31 August	2018	2017
	£m	£m
Fixed assets	442.8	376.8
Current assets	42.4	39.6
Current liabilities	(30.2)	(23.2)
Total assets less current liabilities	455.0	393.2
Pension deficit	(25.5)	(29.7)
Net assets	429.5	363.5
Represented by:		
Fixed asset funds	442.8	376.9
Pension reserve	(25.5)	(29.7)
Revenue reserves		
- Restricted	3.9	4.0
- Unrestricted	8.3	12.3
Grand total	429.5	363.5

Restricted revenue reserves relate to unspent income from donors that are school or project specific. Unrestricted funds include funds designated for planned capital and infrastructure projects.

Directors' report (including strategic report)

Year to 31 August 2018

Financial report for the year

Operating income

Total operating income was £174.6m (2017: £163.2m). Approximately 84% of operating income comes from the Department for Education (DfE) as recurrent grants for particular purposes. These grants and the associated expenditure are included within restricted funds in the statement of financial activities. For the year ended 31 August 2018, DfE grant revenue was £147.0m (2017: £141.5m). For the year ended 31 August 2018, other grants and income were £17.7m (2017: £11.5m), which includes income of £2.3m (2017: £1.5m) for additional programmes and £2.8m (2017: £0.7m) in respect of EdCity. Lettings income and Alpha nursery generated £2.1m (2017: £1.7m). Additional voluntary grants from the sponsor organisation, Ark, and others amounted to £7.8m (2017: £8.5m).

Operating expenditure

Total operating expenditure for the year ended 31 August 2018 was £175.8m (2017: £167.3m). This includes £2.8m (2017: £0.9m) in respect of pre planning and planning for EdCity, the new education hub in West London that will become the home of Ark Schools.

Direct costs excluding depreciation accounted for 50% (2017: 52%) of the total operating expenditure. The network continues to be supported by voluntary income for specific network programmes

Impact of capital items, depreciation and pension scheme adjustments

Once voluntary income, capital grants, net asset transfers from Local Authorities or other academy trusts, depreciation and pension scheme adjustments were included, the outcome for the year to 31 August 2018 was a net increase in funds of £66m (2017: increase of £4.5m).

Total income was £252.5m (2017: £185m), which included £1.5m (2017: £2m) of net assets transferred from Local Authorities on conversion and £19.5m (2017: £nil) of net assets inherited in respect of pre-existing academies joining the Ark Schools network. These amounts relate to the assignment of the leasehold for the buildings of new schools joining the Ark Schools network together with any carried forward revenue surplus less any pension scheme liabilities assumed.

The total income also includes £45.4m (2017: £12.5m) in relation to new buildings acquired at Elvin, Conway and Byron (2017: Burlington Danes and Oval) which were developed by the DfE and/or local government on behalf of Ark Schools and transferred to Ark Schools on completion of the works.

Directors' report (including strategic report)

Year to 31 August 2018

Academies are funded by the Education and Skills Funding Agency (ESFA) and the DfE for both school operations and capital projects on a cash rather than an accruals basis. This has three important consequences for Ark Schools' financial statements:

- Capital grants receipts from the DfE are recorded as income in the income and expenditure account. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (Charities SORP FRS 102), these grants are shown in the Statement of Financial Activities as restricted income under the fixed assets fund, leading to accounting surpluses in the year a grant is received.
- Ark Schools capitalises the school buildings it leases on a long term basis, but does not receive recurring capital grant at levels that fully offset the depreciation charges on the whole estate. The restricted fixed assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. This leads to accounting deficits once the grant programmes are completed. These deficits do not represent a cash shortfall.
- Ark Schools is required to record any change in the attributable share of local government pension scheme surpluses or deficits, although the directors have no control over the management of the pension funds, their financial arrangements or investment decisions and the network is required to remain a member of these pension schemes. Additionally, Ark Schools assumes the pension liability of new schools that join the network thus increasing the overall liability. Ark Schools accepts its financial responsibilities and has fully implemented the provisions of section 28 of FRS 102 relating to the pension schemes. Ark Schools understands that with effect from 18 July 2013, in the unlikely event that an academy trust ceased operating altogether, Parliament has agreed, at the request of the Secretary of State for Education, that the Department for Education would meet any outstanding pension liability.

Net assets

At 31 August 2018, net assets were £429.5m (2017: £363.5m).

At 31 August 2018, the net book value of tangible fixed assets was £441.6m (2017: £375.7m). The majority of fixed assets related to long term leaseholds of school buildings that have been granted to Ark Schools by the owners of the freehold, typically the Local Authority, Diocese or Charitable Foundation.

At 31 August 2018, investments were £1.2m (2017: £1.1m). Investments related to individual school endowments which are invested with a fund manager (see note 25).

Directors' report (including strategic report)

Year to 31 August 2018

Reserves policy and financial position

Ark Schools continues to grow and the level of reserves held takes account of current and future income and expenditure, including future capital projects. Total funds at 31 August 2018 were £429.5m (2017: £363.5m), which consisted of £421.2m restricted funds (2017: £351.2m) and £8.3m unrestricted funds (2017: £12.3m). Of the total restricted funds, £3.9m (2017: £4.1m) represents revenue reserves which are restricted by the donor for specific schools or projects.

The level of unrestricted reserves is kept under close review by the directors. This was reviewed during the year in light of the need for schools to continue to invest in their capital and infrastructure. The directors believe that schools should target an amount, equivalent to 3% of their annual GAG income, as designated unrestricted reserves to cover unforeseen costs, in addition to designating reserves for capital and infrastructure projects.

During the year we assessed our future capital and infrastructure requirements and as a result we have earmarked £8.3m in total for unfunded capital projects (2017: £11.4m) and this is included within designated funds.

Included within restricted general funds is the pension reserve deficit of £25.5m (see note 21) (2017: £29.7m). The local government pension schemes to which this relates to are funded schemes and therefore employers' pension contributions will increase in line with the deficit over a period of years. As noted in the Directors' Report of previous annual accounts, it is unlikely that Ark Schools will be liable for lump sum amounts and the increased pension contribution will be met through budgeted annual income. Accordingly, there is no direct impact on Ark Schools' free reserves in recognising the deficit.

Individual school deficits

Eight of the academies in the network had a deficit in their revenue reserves at the end of the 2018 financial year. Arrangements are in place to support these academies through this difficult financial period by way of intra-academy loans with careful and strict monitoring of the financial budget and performance. All of these academies are still growing and Ark Schools has chosen to invest in teachers and teaching resources to ensure they maintain and improve quality as they expand their rolls. There is every expectation that over the medium term they will each return to financial stability. The reserves of all academies are detailed in note 16.

Investment policy

All surplus funds are invested in order to generate the best possible returns without incurring undue risk. Mostly this is invested with our commercial banking partner through current and deposit accounts or short term investments on the money market which can generate higher levels of return. In addition, Ark Schools is able to invest funds through JP Morgan on a longer term basis. Funds can be added to this at any time, but only where they are not required for at least 12 months.

Directors' report (including strategic report)

Year to 31 August 2018

Fundraising

Ark Schools is supported to raise funds by the fundraising team employed by our sponsor charity Ark (legal name: Absolute Return for Kids). Ark fundraises from a defined list of individuals, companies and charitable trusts and foundations. This list is carefully considered, and approaches are only made to those we already have a connection to or we think there would be an interest in Ark's work. We do not conduct mass mailing or telephone campaign fundraising and have no plans to start this kind of fundraising activity. Ark's network of schools conduct their own fundraising and may use fundraising platforms to promote specific school campaigns. Platforms currently used include Just Giving and Virgin Money.

Ark's fundraising is led by a small team of professional fundraisers and support staff employed by Ark – we do not out-source fundraising activities. Our activity is based on individual relationships with donors. Donor data is handled with care – all information is held on a secure database and files managed by Ark.

Ark is a paid member of the Fundraising Regulator and we comply with advice and guidance set by the body. We have not received any fundraising complaints.

Directors' report (including strategic report)

Year to 31 August 2018

Going concern

After making appropriate enquiries, the directors are confident that Ark Schools has sufficient resources to continue to operate for the foreseeable future. The financial statements have therefore been prepared on a going concern basis. The principal accounting policies give further information.

Risks and uncertainties

The directors have assessed the major risks and uncertainties to which Ark Schools is exposed. During the academic year, the Ark Schools risk register was fully updated and subject to detailed review by the Risk and Audit Committee. Particular attention was paid to long-term financial planning and monitoring changes in costs and government funding, due diligence on new schools joining Ark Schools in the context of wider network growth, and delivery of strategic capital projects. Directors also reviewed and discussed the risk register and focused throughout the year on the implications of external changes to regulation and statutory guidance for our schools, particularly in relation to safeguarding (Keeping Children Safe in Education), financial oversight (Academies Financial Handbook) and data security (Data Protection Act 2018).

Risk management

The directors are responsible for identifying risks faced by the charitable company, establishing procedures to mitigate these risks, and ensuring that employees are aware of these procedures and of the implications of failing to implement them. They are satisfied that these procedures are consistent with guidelines issued by the ESFA and the Charity Commission.

The directors receive regular reports on key risks including educational outcomes, safeguarding, school operations, financial health and project delivery. Ark Schools has an effective system of internal financial controls and this is explained in more detail in the governance statement. Operating procedures and internal controls are regularly reviewed and updated by the senior management team with oversight from directors in response to ongoing delivery and in line with all relevant guidance.

During the financial year, directors continued to review the internal control environment across education, operations and finance teams. They also receive regular reports under the board assurance framework that was broadened during the previous year to encompass oversight of provision across safeguarding, HR, finance, procurement, health and safety, fire safety, IT and data security. The Ark Schools policy framework and a range of good practice resources made available to schools by the governance team was regularly refreshed to provide continued clarity around workflows, processes and procedures and ensure consistency across the network.

Where significant risks remain, the board has ensured that where possible Ark Schools maintains adequate insurance cover.

Directors' report (including strategic report)

Year to 31 August 2018

Financial risk management objectives and policies

Ark Schools has cash balances and other working capital balances. The main risk arising from the use of financial instruments is liquidity risk.

Liquidity risk

The charitable company manages its cash resources, including sufficient working capital, so that all its operating needs will be met even if it is unable to access short-term borrowing. Surplus cash is invested in accordance with the investment policy.

Interest rate risk

In the absence of borrowings and with low prevailing interest rates, the charitable company is not exposed to significant interest rate risk.

Other risks

The group is exposed to price risks, but is funded by government on the same basis as other schools, and budgets its expenditure accordingly. Nearly all funding comes from Government so credit risk is considered to be negligible.

Directors' report (including strategic report) Year to 31 August 2018

Structure, Governance and Management

Constitution

Ark Schools was established in 2004 to set up and operate non-selective schools through the academies programme.

Ark Schools is a company limited by guarantee and an exempt charity. On 1 August 2011, all academy trusts became exempt charities by virtue of section 12(4) of the Academies Act 2010. The memorandum and articles of association are the primary governing documents.

Member's liability

The member of the charitable company is the principal sponsor, Absolute Return for Kids ("Ark"). As the member, Ark is liable to contribute a maximum of £10 to the company's assets if it should be wound up while Ark is a member or within one year after it ceases to be a member, for payment of the charitable company's debts and liabilities.

Directors' indemnities

The articles of association require at least three directors to hold office at any given time. The directors who served throughout the year are shown on page 1.

In accordance with normal commercial practice, Ark Schools insures its directors against errors, negligent acts or omissions relating to their work for Ark Schools for up to £2m on any single claim.

Five Directors served as Chairs or Governors of an Ark school local governing body for all or part of the year.

Method of recruitment and appointment of directors

When new directors are to be appointed, the board approves at that time an appropriate process and criteria for recruitment based on a review of the skill and capability requirements of the board, the current needs of the school network, good practice governance for multi-academy trusts and the requirements of the charitable company's governing documents.

Directors' report (including strategic report)

Year to 31 August 2018

Policies and procedures adopted for the induction and training of directors

Directors are briefed regularly by the senior management team on educational, financial and other Ark Schools' matters through a combination of briefings at board meetings, other sessions, visits to schools, and individual meetings. When new directors join the board, tailored induction training is arranged to give them a good understanding of the wider education context, Ark Schools' mission and aspirations, the operation of the network and their governance responsibilities.

Organisational structure

The directors set general policy, approve an annual plan and budget, monitor performance against the plan and budget and make major decisions about the direction of the charitable company, capital expenditure, and senior staff appointments.

The directors delegate the day to day management responsibility to the senior management team, who are listed on page 1, led by the Managing Director, Lucy Heller. The running of individual academies is delegated to its principal.

The board delegates a number of functions to a local governing body at each academy. Each local governing body reviews annual school plans and budgets, monitors school performance and oversees parent and community liaison.

Employee involvement

Ark Schools is a collegiate network, encouraging staff contributions at all levels and close collaboration between the academies; principals also meet regularly to share knowledge and good practice. The Ark Schools training programme provides information and access to internal and external professional development and support. Network days are held for subject specific training. Schools hold regular staff meetings and briefings. New staff are fully inducted, and teachers take part in training before the start of and during each school year.

Arrangements for setting pay and remuneration of key management personnel

The directors consider that they and the senior management team comprise the key management personnel of Ark Schools in charge of directing, controlling, running, and operating the charitable company on a day to day basis. Other than Lucy Heller, as disclosed in note 11, none of the directors receives any remuneration for their services as directors. Ark Schools' senior management team salaries are set on appointment and follow market conditions. They are reviewed annually in accordance with pay review procedures operated by the sponsor charity, Ark. The Managing Director of Ark Schools approves all senior management team salaries on appointment. Annual reviews are subject to the same approval, with any exceptions over and above the agreed percentage subject to review by the Advisor to the Ark Board. A remuneration committee reviews the Principal and Regional Director salaries. The Managing Director's salary is set and paid by Ark. It is decided by a subcommittee of the Ark Board made up of the Advisor to the Ark Board, the Chair of Ark Schools and the Chair of Ark.

Directors' report (including strategic report) Year to 31 August 2018

Trade union facility time

In accordance with the provisions of the Trade Union (Facility Time Publication Requirements) Regulation 2017, the following information has been provided in respect of Ark Schools employees involved in trade union facility time activity

Relevant union officials

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
12	11.3

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	2
1% - 50%	10
51% - 99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£3,000
Total pay bill	£138,007,000
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.002%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	6%
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The above amounts are based on a combination of actual figures and estimates depending on the information held within schools. Work will be undertaken during 2018/19 to further clarify and improve the basis on which to report.

Directors' report (including strategic report)

Year to 31 August 2018

Disabled employees

Ark Schools ensures that training, career development and promotion opportunities are available to all employees.

Applications for employment by disabled people are given full and fair consideration. When employees become disabled, every effort is made to meet their needs so that that their employment may continue.

Some academy buildings have restricted access in areas that have yet to be modernised. In such cases, the academies manage access through room allocations. Modernised and new buildings are designed to comply with statutory regulations for disabled access.

Related parties and other connected charities and organisations

The following are connected organisations within the meaning of the latest Accounts Direction issued by the Education and Skills Funding Agency:

- Absolute Return for Kids – Company no. 04589451, Charity no. 1095322 (see note 24)
- Ark UK Programmes – Company no. 05932797, Charity no. 1137932 (see note 24)
- Ark Academies Projects Ltd – Company no. 04101629 (see note 24 and below)

Subsidiary company

Ark Academies Projects Limited (company registration number 04101629) is a wholly-owned trading subsidiary of Ark Schools. The company's principal activities are the provision of nursery education and the letting of sports facilities through a number of academies operated by Ark Schools.

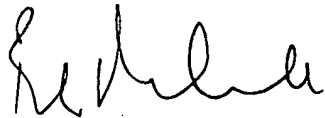
Directors' report (including strategic report)
Year to 31 August 2018

Auditor

So far as the directors are aware:

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

The directors' report, incorporating a strategic report, approved by order of the members of the board of directors and signed on its behalf by:



Director SIR P MARSHALL

Date: 17.12.18

Governance statement Year to 31 August 2018

Scope of responsibility

As directors, we acknowledge we have overall responsibility for ensuring that Ark Schools has an effective and appropriate system of financial and management control. The directors have delegated to the Managing Director, as Accounting Officer, responsibility for maintaining this system and for ensuring that it meets the requirements of the funding agreement between Ark Schools and the Secretary of State for Education. The Accounting Officer is also responsible for reporting to the Board any material weaknesses or breakdown in internal control.

Governance

The information here supplements the directors' report and the statement of directors' responsibilities. The Board has formally met four times during the last year, reviewing a full range of reports as set out in the annual agenda plan. The board maintains additional oversight of Ark Schools' education and financial delivery and public funds in between meetings through updates on key projects provided by correspondence, and regular meetings between the Chair and Managing Director.

Director	Number of meetings attended	Out of a possible
Christina Alexandrou	3	3
Ron Beller	4	4
Lord Fink	4	4
Gerard Griffin	4	4
Lucy Heller	4	4
Sir Paul Marshall	3	4
Anthony Williams	4	4
Neil Wood	4	4

The Risk and Audit Committee is a sub-committee of the main board. It supports the Board to oversee the controls environment and risk management within the network. The committee exists to secure probity and efficiency in the management and expenditure by Ark Schools of income from all sources: public funding, donations, investment, and commercial income, and review compliance with the ESFA Academies Financial Handbook. The Committee is Chaired by Neil Wood. Attendance at the Risk and Audit Committee meetings in the year was as follows:

Committee member	Number of meetings attended	Out of a possible
Lucy Slinger* (appointed 1 March 2018)	2	2
Steve Maslin*	4	4
Micky Sandall* (to 31 July 2018)	4	4
Neil Wood	4	4

**Denotes Non-Executive Co-Opted Committee Member*

Governance statement Year to 31 August 2018

Governance review

The Board and Risk and Audit Committee undertook a comprehensive self-evaluation exercise in spring 2018 to review skills in relation upcoming strategic projects. It was agreed that new Board members would be recruited to broaden diversity of perspectives and widen the skill sets. We continue to review the skills across our local governing bodies to ensure that we have the right support for our schools.

Review of value for money

As Accounting Officer the Managing Director has responsibility for ensuring that Ark Schools 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 charitable company's use of its resources has provided good value for money during the academic year, and reports to the board where value for money can be improved, including the use on benchmarking data where available. Ark Schools has delivered and improved value for money during the year by:

1) Delivering results

- Ark Schools has delivered good results for both student attainment and progress this year. For details of the network results please refer to page 4.

2) Cost / budget management

- Newly established regional structures are encouraging effective local procurement and shared teaching and back office services, supplementing central procurement.

3) Procurement / financial controls

- The Ark Schools procurement policy requires schools to make purchases from approved suppliers in order to guarantee the best possible value for money.
- Central purchasing has delivered overall cost reductions for IT equipment and support, insurance, recruitment advertising and finance software.

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 provide reasonable but not absolute assurance of effectiveness. It is based on established processes designed to identify and prioritise risks, to assess the probability and possible impact associated with significant risks, and to manage them efficiently, effectively and economically. The system of internal control operated during the year to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Governance statement Year to 31 August 2018

Capacity to handle risk

The directors have reviewed the main risks to Ark Schools together with the operating, financial and compliance controls in place to mitigate these risks. The directors are of the view that there was a robust process for identifying, evaluating and managing significant risks in place for the year to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the directors.

The risk and control framework

Ark Schools' 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 financial monitoring systems with an annual budget and periodic financial reports showing performance against budgets or forecasts which are reviewed and where relevant approved by the board;
- regular reviews by the board of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- delegation of authority and segregation of duties;
- identification and management of risks.

Ark Schools appoints an independent audit firm to carry out a programme of internal audit visits each year. The use of an external provider to complement audits undertaken by Ark Schools Heads of Department reflects the size and scale of Ark Schools' operations. The directors appointed Buzzacott for 2017/18 to perform a broadened scope of checks. The auditors reviewed financial controls, procurement, safeguarding, and governance at a sample of academies as well as reviewing central controls. Reports were made available to the board, risk and audit committee, and the local governing bodies of relevant schools. While some improvements to procedures have been recommended, no material control weaknesses were reported this year.

Review of effectiveness

As Accounting Officer, the Managing Director is responsible for reviewing the effectiveness of the system of internal control. During the year this review has been informed by:

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the staff responsible for the development and maintenance of the internal control framework.

Governance statement Year to 31 August 2018

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

Approved by the board of directors on and signed on their behalf on by:



Director STR P MARSHALL



Accounting Officer L HELLER

Date: 17.12.18

Statement of regularity, propriety and compliance

31 August 2018

As Accounting Officer for Ark Schools I have considered my responsibility to notify the board 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 Ark Schools and the Secretary of State. In this I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the board can identify any material irregular or improper use of funds by Ark Schools or material non-compliance with the terms and conditions of funding under Ark Schools funding agreement and the Academies Financial Handbook.

I confirm that no further instances of material irregularity, impropriety or funding non-compliance have been discovered, except the potentially fraudulent transaction of £34,000 referred to in note 6.

If any instances of material irregularity, impropriety or funding non-compliance are identified after the date of this statement, these will be notified to the board of directors and the ESFA.



Lucy Heller
Accounting Officer

Date: 17.12.18

Statement of directors' responsibilities 31 August 2018

The directors (who act as the trustees of the charitable company for the purposes of charity law) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP) and the Academies Direction 2017 to 2018;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The directors are responsible for the maintenance and integrity of the charitable company 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 directors and signed on its behalf by:



Director SIR P MARSHALL

Date: 17.12.18

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

Independent auditor's report to the member of Ark Schools

Opinion

We have audited the financial statements of Ark Schools (the 'charitable company') for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the Charities SORP 2015) and the Academies Accounts Direction 2017 to 2018.

In our opinion, the financial statements:

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

Basis for opinion

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

Independent auditor's report on the financial statements

31 August 2018

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report on the financial statements

31 August 2018

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report (including the strategic report).

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

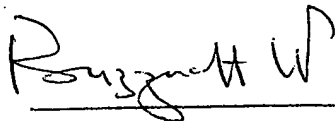
Independent auditor's report on the financial statements

31 August 2018

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

Use of our report

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



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

19 December 2018

Independent reporting accountant's report on regularity 31 August 2018

Independent reporting accountant's assurance report on regularity to Ark Schools and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 13 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Ark Schools during the period from 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Ark Schools' Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Ark Schools' amended and restated master funding agreement dated 28 August 2013 with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

Independent reporting accountant's report on regularity

31 August 2018

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.

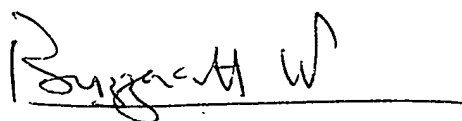
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Ark Schools' income and expenditure.

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them, except for the potentially fraudulent amount of £34,000 referred to in the Accounting Officer's statement of regularity, propriety and compliance.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

19 December 2018

Consolidated statement of financial activities

Year to 31 August 2018

		Restricted funds					
		Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	2018 Total funds £'000	2017 Total funds £'000
Income from:							
Donations and capital grants	2	2,107	8,447	-	56,838	67,392	27,065
Transfer from Local Authority	19	-	-	(2,041)	3,500	1,459	1,964
Transfer from other Academy Trusts	19	-	-	(157)	19,840	19,683	-
Other trading activities	3	2,096	-	-	-	2,096	1,747
Investments and interest receivable		37	-	-	-	37	91
Income from charitable activities							
· Funding for Ark Schools' educational operations	4	4,490	153,557	-	-	158,047	152,700
Other income	5	3,763	-	-	-	3,763	1,437
Total income		12,493	162,004	(2,198)	80,178	252,477	185,004
Expenditure on:							
Raising funds	7	887	-	-	-	887	908
Charitable activities							
· Ark Schools' educational operations	8a	4,114	168,345	5,863	17,176	195,498	188,117
· Development costs	8c	16	2,441	-	-	2,457	3,729
Total expenditure	6	5,017	170,786	5,863	17,176	198,842	192,754
Net gains on investments		-	74	-	-	74	71
Net income (expenditure) before transfers		7,476	(8,708)	(8,061)	63,002	53,709	(7,679)
Gross transfers between funds	16	(11,437)	8,558	-	2,879	-	-
Net (expenditure) income		(3,961)	(150)	(8,061)	65,881	53,709	(7,679)
Other recognised gains and losses							
Actuarial gains on defined benefit pension schemes	21	-	-	12,297	-	12,297	12,175
Net movement in funds		(3,961)	(150)	4,236	65,881	66,006	4,496
Fund balances brought forward at 1 September 2017		12,290	4,076	(29,723)	376,851	363,494	358,998
Fund balances carried forward at 31 August 2018		8,329	3,926	(25,487)	442,732	429,500	363,494

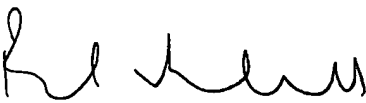
All of the group's activities derived from continuing operations. All recognised gains and losses are included in the above statement of financial activities.

For management purposes, the operational surplus or loss for any given year is deemed to equal net income (expenditure) before transfers in respect of the unrestricted funds and the restricted general funds, excluding any amounts attributed to these funds upon new schools joining the network. For the year ended 31 August 2018, this equated to an operational loss of £1.2m (2017 – operational loss of £4.1m) (see note 31 for a reconciliation).

Balance sheets 31 August 2018

		2018		2017	
		Group £'000	Ark Schools £'000	Group £'000	Ark Schools £'000
Fixed assets					
Tangible assets	12	441,642	441,642	375,713	375,713
Investments	25	1,177	1,177	1,103	1,103
		<u>442,819</u>	<u>442,819</u>	<u>376,816</u>	<u>376,816</u>
Current assets					
Debtors	14	19,978	21,107	18,668	19,426
Short term deposits		3,190	3,190	4,887	4,887
Cash at bank and in hand		19,268	19,268	16,058	16,058
		<u>42,436</u>	<u>43,565</u>	<u>39,613</u>	<u>40,371</u>
Creditors: amounts falling due within one year	15	(30,268)	(31,397)	(23,212)	(23,970)
		<u>12,168</u>	<u>12,168</u>	<u>16,401</u>	<u>16,401</u>
Net current assets					
		<u>454,987</u>	<u>454,987</u>	<u>393,217</u>	<u>393,217</u>
Net assets excluding pension liability					
		<u>454,987</u>	<u>454,987</u>	<u>393,217</u>	<u>393,217</u>
Pension scheme liability	21	(25,487)	(25,487)	(29,723)	(29,723)
		<u>429,500</u>	<u>429,500</u>	<u>363,494</u>	<u>363,494</u>
Net assets including pension liability					
		<u>429,500</u>	<u>429,500</u>	<u>363,494</u>	<u>363,494</u>
The funds of the charity					
Income funds					
Restricted funds	16				
Fixed assets fund		442,732	442,732	376,851	376,851
General funds		3,926	3,926	4,076	4,076
Pension reserve		(25,487)	(25,487)	(29,723)	(29,723)
		<u>421,171</u>	<u>421,171</u>	<u>351,204</u>	<u>351,204</u>
Unrestricted funds	16				
General funds		—	—	913	913
Designated funds		8,329	8,329	11,377	11,377
		<u>8,329</u>	<u>8,329</u>	<u>12,290</u>	<u>12,290</u>
		<u>429,500</u>	<u>429,500</u>	<u>363,494</u>	<u>363,494</u>

Approved by the board of directors and signed on their behalf by:


 Director SIR P MARSHALL
 Date: 17.12.18

Company registration number: 05112090 (England and Wales)

Consolidated statement of cash flows

Year to 31 August 2018

	Notes	2018 £'000	2017 £'000
Net cash flows from operating activities			
Net cash used in operating activities	A	4,402	(2,158)
Cash flows from investing activities	B	(2,889)	(78)
Change in cash and cash equivalents in the reporting period		1,513	(2,236)
Cash and cash equivalents at the start of the period	C	20,945	23,181
Cash and cash equivalents at the end of the period	C	22,458	20,945

A Reconciliation of net income to net cash flow from operating activities

	2018 £'000	2017 £'000
Net (expenditure) income (as per the statement of financial activities)	53,709	(7,679)
Adjustments for:		
Capital funding grants	(11,408)	(6,414)
Donated tangible fixed assets recognised at valuation/cost	(68,771)	(14,462)
Defined benefit pension scheme service cost less contributions payable (note 21)	4,941	4,230
Defined benefit pension scheme finance cost (note 21)	922	722
Defined benefit pension liability inherited on transfer from another academy trust or conversion (note 21)	2,198	—
Net gains on investments	(74)	(71)
Depreciation (note 13)	14,880	11,397
Loss on disposal of tangible fixed assets (note 13)	2,296	4,935
Interest receivable	(37)	(91)
Increase in debtors	(1,310)	(4,018)
Increase in creditors	7,056	9,293
Net cash used in operating activities	4,402	(2,158)

B Cash flows from investing activities

	2018 £'000	2017 £'000
Purchase of tangible fixed assets	(14,334)	(6,584)
Capital grants received	11,408	6,414
Investment income received	37	92
Net cash used in investment activities	(2,889)	(78)

C Analysis of cash and cash equivalents

	At 31 August 2018 £'000	Cash flows £'000	At 31 August 2017 £'000
Cash at bank and in hand	19,268	3,210	16,058
Short term deposits	3,190	(1,697)	4,887
Total cash and cash equivalents	22,458	1,513	20,945

Principal accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention (unless otherwise stated in the relevant accounting policies below or the notes to the financial statements) in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities' SORP 2015), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Ark Schools meets the definition of a public benefit entity under FRS 102.

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

Basis of consolidation

The consolidated statement of financial activities and group balance sheet includes the financial statements of Ark Schools and its wholly owned trading subsidiary, Ark Academies Projects Limited, made up to the balance sheet date.

No separate statement of financial activities has been presented for Ark Schools alone, as permitted by section 408 of the Companies Act 2006.

Assessment of going concern

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

Income

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

Principal accounting policies

Grants receivable

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

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

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

Sponsorship income

Sponsorship income provided to the Ark Schools which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

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

Other income

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

Transfer on conversion

Schools joining the Ark Schools network transfer identifiable assets and liabilities and the operation of the predecessor school. The assets and liabilities transferred have been valued at their fair value being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. The amounts are recognised under the appropriate balance sheet categories at the point when the risks and rewards of ownership pass to Ark Schools. A corresponding amount is recognised as donations income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Principal accounting policies

Transfer of existing academies into the trust

Where assets are received on the transfer of an existing academy into the Ark Schools network, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to Ark Schools, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised for the transfer of an existing academy into the Ark Schools network within donations and capital grant income.

Donated fixed assets (excluding transfers on conversion/transfers from other trusts)

Where the donated good is a fixed asset it is initially recognised at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The donation 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 Ark Schools' accounting policies.

Expenditure

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

All expenditure is inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the Ark Schools to raise funds for its charitable purposes and includes costs of all fundraising activities, events and non-charitable trading.

Expenditure on charitable activities

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

Principal accounting policies

Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets 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 or at an appropriate value and are 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 assets fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

- | | |
|--|----------|
| • Furniture, fittings and equipment | 25% p.a. |
| • Computer equipment | 50% p.a. |
| • Motor vehicles | 25% p.a. |
| • Leasehold buildings and improvements | 2% p.a. |

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

The cost of buildings constructed under the UK Government's programmes as funded through local authorities, are recognised in the statement of financial activities as voluntary income in the period in which the buildings are brought into use. No value is brought into the financial statements before this time. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the statement of financial activities.

Properties occupied under operating lease arrangements are not capitalised. This includes any properties developed under a Private Finance Initiative (PFI) agreement, where Ark Schools is not directly party to the PFI agreement itself and rather the local authority has directly contracted with the PFI contractor, and Ark Schools has contracted with the local authority to make financial contributions towards facilities management.

Under such arrangements, the school premises are maintained and managed for a period of 25 years by the PFI contractor subject to contractual annual fees payable by the academy. Upon expiry of the PFI contract the residual benefit of the premises passes to the academy as a result of a 125 year lease granted to them.

Principal accounting policies

As Ark Schools only enjoys the benefits of the premises subject to the restrictions under the PFI agreement over the initial 25 years term, the academy does not substantially hold all of the risks and rewards of ownership of the premises during this period and the property is therefore accounted for as an operating lease. The annual charges payable by Ark Schools under the sub-agreement are expensed to the statement of financial activities as maintenance expenditure.

Investments

Ark Schools' shareholding in its wholly owned subsidiary, Ark Academies Projects Limited is included on Ark Schools' balance sheet at the cost of the share capital owned.

Other investments are included on the balance sheet at fair value. Unrealised and realised gains (or losses) on such investments are credited (or debited) to the statement of financial activities.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Liabilities

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

Provisions

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

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

Principal accounting policies

Fund accounting

The unrestricted general fund represents monies which may be applied for any purpose within the Ark Schools' objects.

Restricted general funds are grants from the DfE and other donors which are to be used for specific purposes.

The restricted fixed assets fund comprises resources which are to be applied to specific capital purposes imposed by the ESFA and other funders where the asset acquired or created is held for a specific purpose.

Leased assets

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

Financial instruments

Ark Schools only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of Ark Schools 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. Prepayments are not financial instruments. Amounts due from Ark Schools' wholly owned subsidiary is held at face value less any impairment. Listed investments held by Ark Schools are also considered to be basic financial instruments. The investments are initially recognised at cost and subsequently carried on the balance sheet fair value. Changes in the fair value are reflected as investment gains or losses through the statement of financial activities.

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

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

Taxation

Ark Schools 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, Ark Schools is 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.

Principal accounting policies

Pensions Benefits

Retirement benefits to employees of the Ark Schools are provided by the Teachers' Pension Scheme ('TPS') and various Local Government Pension Schemes ('LGPS') or to The Pensions Trust ('TPT'). Staff employed in the central office are auto-enrolled on to The Pension Trust. The TPS and LGPS are defined benefit schemes and the TPT is a money purchase arrangement.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with Ark Schools in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

Critical accounting estimates and areas of judgement

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

The directors of Ark Schools make 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.

Principal accounting policies

- ◆ 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 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 2017 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- ◆ The net book value of tangible fixed assets is based on the original cost of the asset net of provision for depreciation. The depreciation provision to date is based on the directors' assessment of the estimated useful economic lives of such assets.
- ◆ The values attributed to properties donated to Ark Schools are initially recognised either based on an independent professional valuation or through an estimate determined by Ark Schools' management. The property's condition, the nature of educational use, and the geographical location are taken into consideration in estimating the value.

Notes to the financial statements 31 August 2018

1. General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, all schools within the Ark Schools network were subject to limits at 31 August 2018 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises / capital purposes. No schools within the Ark Schools network exceeded these limits during the year ended 31 August 2018.

2. Donations and capital grants

	Unrestricted general funds £'000	Restricted general funds £'000	Restricted fixed assets fund £,000	2018 Total funds £'000	2017 Total funds £'000
Donation towards core costs by Ark (note 25)	1,907	—	—	1,907	3,844
Tangible fixed assets donated by DfE/local authorities (note 12)	—	—	45,431	45,431	12,498
Donations – other	200	7,544	—	7,744	1,954
Grant from Ark UK Programmes	—	232	—	232	1,200
Donations – capital grant ESFA	—	—	1,984	1,984	4,892
Devolved formula capital allocations	—	—	676	676	456
Academy main building grants	—	—	8,747	8,747	2,046
Local authority ICT capital grants	—	671	—	671	175
	2,107	8,447	56,838	67,392	27,065

Ark continues to provide a core grant to Ark Schools in line with its business plan whilst the trust reaches operational capacity. Grants from Ark UK Programmes support specific network wide activities undertaken by Ark Schools.

3. Other trading activities

	Unrestricted general funds £'000	Restricted general funds £'000	2018 Total funds £'000	2017 Total funds £'000
Nursery fees	626	—	626	582
Hire of facilities	1,470	—	1,470	1,165
	2,096	—	2,096	1,747

Notes to the financial statements 31 August 2018

4. Funding for Ark Schools' educational operations

	Unrestricted general funds £'000	Restricted general funds £'000	2018 Total funds £'000	2017 Total funds £'000
DfE/ESFA revenue grants				
General annual grant (GAG)	—	135,369	135,369	129,675
Start-up A	—	350	350	484
Start-up B	—	152	152	451
DfE Lead in and implementation income	—	6	6	225
Other DfE/ESFA grants	—	11,113	11,113	10,616
	—	146,990	146,990	141,451
Other grants				
Local authority funding	—	5,529	5,529	4,884
Extended schools programme	556	—	556	309
Miscellaneous grants	—	1,038	1,038	2,993
	556	6,567	7,123	8,186
Other income				
School meals income	3,192	—	3,192	2,338
School uniform sales	121	—	121	73
Parent contributions to school trip costs	621	—	621	652
	3,934	—	3,934	3,063
	4,490	153,557	158,047	152,700

5. Other income

	Unrestricted general funds £'000	Restricted general funds £'000	2018 Total funds £'000	2017 Total funds £'000
Miscellaneous income	3,763	—	3,763	1,437
	3,763	—	3,763	1,437

Notes to the financial statements 31 August 2018

6. Expenditure

	Staff costs £'000	Premises £'000	Other costs £'000	Total 2018 £'000	Total 2017 £'000
Raising funds (note 7)					
. Direct costs	473	—	10	483	468
. Support costs	242	142	20	404	440
	715	142	30	887	908
Charitable activities (note 8a)					
. Direct costs	84,716	14,879	9,708	109,303	103,157
. Educational support costs	52,558	12,975	20,504	86,037	84,781
. Governance costs (note 8b)	—	—	158	158	179
	137,274	27,854	30,370	195,498	188,117
Development costs (note 8c)	16	495	1,946	2,457	3,729
	138,005	28,491	32,346	198,842	192,754
Net income (expenditure) for the year is stated after charging:					
Operating lease rentals					
. Plant and machinery				817	867
Depreciation				14,880	11,397
Loss on disposal of fixed assets (note 8(a))				2,296	4,935
Fees payable to external auditor for:					
. Audit services				105	105
. Other services				20	29
Cash losses (see below)				34	—

In April 2017 a potential fraud of £34,000 was discovered. This was reported to the ESFA and to the police, who referred it to Action Fraud.

7. Cost of raising funds

	2018 Total funds £'000	2017 Total funds £'000
Lettings and nursery	887	908

Surplus funds from trading activities totalled £1.1m in the year (2017: £0.8m).

Notes to the financial statements 31 August 2018

8a. Ark Schools' charitable educational operations

	2018 Total funds £'000	2017 Total funds £'000
Direct costs		
Staff costs	84,716	82,433
Depreciation (note 13)	14,880	11,397
Educational supplies	3,586	3,468
Examination fees	1,288	1,337
Transport costs	174	153
Other pupil support costs	3,411	3,368
Extended schools programme	1,248	1,001
	109,303	103,157
Educational support costs		
Staff costs	52,558	46,863
Recruitment and other staff costs	2,656	2,860
Catering contract	4,942	4,931
Printing and stationery	1,606	1,848
Office overhead	436	383
Heat and light	2,678	2,381
Premises (including buildings insurance)	10,276	8,490
Technology costs	1,714	4,802
Other insurance costs	22	36
Finance costs and interest/charges payable	944	737
Other expenses	5,624	2,053
Small equipment less than £2,000 expensed (note 31)	285	4,462
Loss on disposal of tangible fixed assets (note 13)	2,296	4,935
	86,037	84,781
 Governance costs (note 9b)	 158	 179
	195,498	188,117

8b. Governance costs

	2018 Total funds £'000	2017 Total funds £'000
Audit of group financial statements*		
. Current year	105	105
. Other compliance costs	20	29
Other expenses including internal audit services	33	45
	158	179

*This also includes regularity assurance and Teachers Pension end of year certificate assurance.

Notes to the financial statements 31 August 2018

8c. Other development costs

	2018 Total funds £'000	2017 Total funds £'000
Project implementation		
Staff costs (note 9)	16	143
Building costs	495	909
Project implementation	21	618
Research and marketing	282	399
Miscellaneous costs	26	190
	840	2,259
Continuing professional development		
Education development	254	226
Staff training and induction	1,363	1,244
	1,617	1,470
	2,457	3,729

Development costs relate to the opening of new academies and new academy buildings, as well as continuing professional development and transition costs of open academies.

9. Staff

a. Staff costs

Staff costs during the period were as follows:

	2018 £'000	2017 £'000
Wages and salaries	101,700	95,648
Social security costs	9,760	9,731
Pension costs	19,608	17,890
Apprenticeship levy	495	152
	131,563	123,421
Supply staff costs	5,721	6,110
Reorganisation costs	721	710
	138,005	130,241

b. Staff severance payments

Included in staff reorganisation costs were non-statutory/non-contractual severance payments totalling £317,850 (2017: £301,797), with nil (2017: £18,000) committed but not paid during the year. Individually the payments were: £2,620, £2,994, £3,000, £3,175, £4,166, £4,587, £5,000, £5,000, £5,000, £5,000, £5,120, £6,000, £6,500, £7,500, £10,000, £10,000, £10,000, £11,000, £14,000, £14,557, £16,000, £16,126, £16,950, £20,000, £20,000, £26,980, £30,000, £36,575.

Notes to the financial statements 31 August 2018

9. Staff (continued)

c. Staff numbers

The average full time equivalent number of persons employed by the group during the year ended 31 August 2018, analysed by function, was as follows:

	2018 No.	2017 No.
Charitable activities		
Teachers	1,507	1,452
Education support and administration staff	1,395	1,417
Projects and management staff	69	90
	2,971	2,959

The average gross number of persons employed by the group during the year ended 31 August 2018, analysed by function, was as follows:

	2018 No.	2017 No.
Charitable activities		
Teachers	1,569	1,549
Education support and administration staff	1,749	1,847
Projects and management staff	73	90
	3,391	3,486

d. Higher paid staff

The number of full time equivalent employees during the period who earned over £60,000 in the year (including benefits and bonuses but excluding pension contributions) was as follows:

	2018 Number	2017 Number
£60,001 - £70,000	91	75
£70,001 - £80,000	32	32
£80,001 - £90,000	17	17
£90,001 - £100,000	13	8
£100,001 - £110,000	7	2
£110,001 - £120,000	7	4
£120,001 - £130,000	3	2
£130,001 - £140,000	2	2
£140,001 - £150,000	—	2
£150,001 - £160,000	2	1
£160,001 - £170,000	1	1
£170,001 - £180,000	2	1
£180,001 - £190,000	1	1
	178	148

Notes to the financial statements 31 August 2018

9. Staff (continued)

d. Higher paid staff (continued)

Employer pension contributions to the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) or the Pensions Trust relating to the above staff during the year amounted to £1,931,660 (2017: £1,547,973).

10. Key management personnel

The key management personnel of Ark Schools comprise the directors and the Senior Management Team as listed on page 1.

The total amount of employee benefits (including pension and social security contributions) received by the key management personnel for their services to Ark Schools was: £596,979, (2017: £783,336).

The total amount of employee benefits (including pension and social security contributions) paid by Ark Schools received by the Managing Director, Lucy Heller, was £nil (2017: £118,747). The total paid to the Managing Director, including payments made by the sponsor organisation, Absolute Return for Kids ("Ark"), by way of employment as the CEO of Ark, was £236,601 (2017: £237,493).

At Ark, we are committed to paying our staff fairly and work hard to try and get the right balance between attracting and retaining the best staff and maintaining fair salary differentials.

11. Central services

The central team at Ark Schools fulfils a number of functions. These include education support, training/CPD co-ordination, HR, financial and management accounting, IT co-ordination, legal support and governance services. In addition the central team provides:

- Corporate governance and reporting, in line with the obligations imposed by company and charity law as well as by the DfE and the ESFA;
- Risk management and quality assurance;
- Central administration; and
- New project management service.

The academy funding model allocates all funding directly to schools, including the elements that are intended to cover costs incurred at the central office. The central holdback is computed at 4.5% of school budget share and the amounts charged to each school are detailed below. The centre also negotiates contracts on behalf of schools and charge these costs on to each school.

Notes to the financial statements 31 August 2018

11. Central services (continued)

	2018 £'000	2017 £'000
All through Schools		
Ark	361	372
Burlington Danes	384	388
Globe	389	399
Isaac Newton	318	280
John Keats	246	185
Kings	212	180
King Solomon	213	212
Victoria	68	—
Secondary Schools		
All Saints	215	178
Bolingbroke	171	177
Boulton	251	254
Charter	199	205
Elvin	262	278
Evelyn Grace	266	292
Helenswood	192	222
Putney	182	149
St Alban's	215	205
Walworth	349	342
William Parker	120	169
Primary Schools		
Atwood	84	74
Ayrton	85	87
Bentworth	49	48
Brunel	81	77
Blacklands	82	83
Byron	38	27
Castledown	72	—
Chamberlain	116	119
Conway	49	42
Dickens	93	94
Franklin	122	127
Little Ridge	62	64
Oval	94	96
Paddington Green	63	77
Priory	58	48
Swift	69	72
Tindal	85	90
Total central services income	5,915	5,712

Notes to the financial statements 31 August 2018

12. Tangible fixed assets

	Long leasehold buildings £'000	IT equipment £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost						
At 1 September 2017	415,418	17,916	14,756	101	515	448,706
Additions	44,386	3,338	4,486	—	7,555	59,765
Transfers	21,500	870	970	—	—	23,340
Disposals	(2,444)	(77)	(7)	—	—	(2,528)
At 31 August 2018	478,860	22,047	20,205	101	8,070	529,283
Depreciation						
At 1 September 2017	43,705	17,317	11,890	80	—	72,992
Charge for the year	9,575	2,703	2,592	10	—	14,880
Disposals	(147)	(77)	(7)	—	—	(231)
At 31 August 2018	53,133	19,943	14,475	90	—	87,641
Net book value						
At 31 August 2018	425,727	2,104	5,730	11	8,070	441,642
At 31 August 2017	371,713	599	2,866	21	515	375,714

The land on which the individual academies are sited is leased at peppercorn rents. No value has been placed on the land in the financial statements due to restrictive covenants in the leases.

The asset under construction at the balance sheet date of £8.0m relates to the planning and development costs associated with the Ark Pioneer building project.

13. Wholly owned trading subsidiary

Ark Academies Projects Limited is a wholly owned subsidiary of Ark Schools. The following is a summary of the financial statements of Ark Academies Projects Limited for the year ended 31 August 2018, which has been included in the consolidated financial statements.

	2018 £'000	2017 £'000
Turnover	2,016	1,666
Cost of sales	(885)	(906)
Gross profit	1,131	760
Administrative expenses	(2)	(2)
Other income	—	—
Retained profit before charitable donation under Gift Aid at 31 August	1,129	758
Charitable donation under Gift Aid	(1,129)	(758)
Retained profit after charitable donation under Gift Aid at 31 August	—	—
Loss brought forward at 1 September	—	—
Net assets/(liabilities) at 31 August	—	—

The £1 issued share capital equalled the net assets of Ark Academies Projects Limited at 31 August 2018.

Notes to the financial statements 31 August 2018

14. Debtors

	Group 2018 £'000	Ark Schools 2018 £'000	Group 2017 £'000	Ark Schools 2017 £'000
Trade debtors	3,461	3,461	1,165	1,165
Amounts due from DfE/ESFA	2,367	2,367	1,563	1,563
Sponsorship due from Ark	8,233	8,233	9,609	9,609
Other debtors	374	374	56	56
Prepayments and accrued income	2,821	2,821	4,595	4,595
Amounts due from subsidiary	—	1,129	—	758
VAT recoverable	2,722	2,722	1,680	1,680
	19,978	21,107	18,668	19,426

15. Creditors: amounts falling due within one year

	Group 2018 £'000	Ark Schools 2018 £'000	Group 2017 £'000	Ark Schools 2016 £'000
Trade creditors	6,285	6,285	3,338	3,338
Taxation and social security	2,613	2,613	2,456	2,456
Accruals	6,890	6,890	7,100	7,100
Deferred income	12,127	12,127	8,790	8,790
ESFA creditor – abatement of GAG	654	654	990	990
Other creditors	1,699	1,699	538	538
Amounts owed to subsidiary	—	1,129	—	758
	30,268	31,397	23,212	23,970

	2018 £'000	2017 £'000
Deferred income		
Deferred income at 1 September 2017	8,790	1,784
Amounts deferred in the year	12,127	8,790
Amounts released from previous years	(8,790)	(1,784)
Deferred income at 31 August 2018	12,127	8,790

During the year ended 31 August 2018, Ark Schools received funding in advance for Universal Infant Free School Meals September 2018 to March 2019, School Condition Allocation income and Healthy Pupil income for 2018/19, and Local Authority income paid in advance (Special Educational Needs, Early Years and Foundation Stage and other Local Authority income). The balance also includes donations received specifically to cover anticipated expenditure in specific Ark schools for future years.

Notes to the financial statements 31 August 2018

16. Funds

	At 1 September 2017 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2018 £'000
Restricted fixed assets fund					
DfE fixed assets fund	157,764	26,573	(10,217)	—	174,120
Ark sponsorship fixed assets fund	2,746	—	(686)	—	2,060
Devolved Formula Capital and School Condition Allocation	1,139	2,661	(950)	(50)	2,800
Other fixed assets funds	215,202	50,944	(5,323)	2,929	263,752
	<u>376,851</u>	<u>80,178</u>	<u>(17,176)</u>	<u>2,879</u>	<u>442,732</u>
Restricted general funds					
General Annual Grant (GAG) (note 4)	—	135,369	(146,142)	10,773	—
Start up and lead in (note 4)	265	507	(558)	—	214
Other DfE/ESFA (note 4)	—	11,114	(11,164)	50	—
Local authority grants	216	5,529	(5,529)	—	216
UK programmes – grants	1,103	—	—	74	1,177
UK Programmes – other	—	232	(232)	—	—
Other donations	2,492	9,253	(7,161)	(2,265)	2,319
	<u>4,076</u>	<u>162,004</u>	<u>(170,786)</u>	<u>8,632</u>	<u>3,926</u>
Pension reserve	<u>(29,723)</u>	<u>(2,198)</u>	<u>(5,863)</u>	<u>12,297</u>	<u>(25,487)</u>
Total restricted funds	<u>351,204</u>	<u>239,984</u>	<u>(193,825)</u>	<u>23,808</u>	<u>421,171</u>
Unrestricted funds					
Unrestricted general funds					
· Sponsorship of core costs by Ark	913	1,907	(1,909)	(911)	—
· Other unrestricted funds	—	10,586	(3,108)	(7,478)	—
Designated fund	11,377	—	—	(3,048)	8,329
Total unrestricted funds	<u>12,290</u>	<u>12,493</u>	<u>(5,017)</u>	<u>(11,437)</u>	<u>8,329</u>
Total funds	<u>363,494</u>	<u>252,477</u>	<u>(198,842)</u>	<u>12,371</u>	<u>429,500</u>

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

Restricted fixed assets fund

This fund equates to the net book value of Ark Schools' tangible fixed assets plus any capital funding received from central/ local government and other donors which has not been expended by the balance sheet date. The capital funding may be used to complete capital projects or undertaken maintenance works on existing tangible fixed assets.

The fund balance includes the carrying value of school buildings (and other tangible fixed assets) inherited by Ark Schools where a school has converted or joined Ark Schools from another Academy Trust.

Transfers from either restricted general funds or unrestricted funds to the restricted fixed assets fund are made where a shortfall exists the in capital reserves available to fully fund the cost of tangible fixed assets owned by Ark Schools.

Notes to the financial statements 31 August 2018

16. Funds (continued)

Restricted general funds

Restricted general funds represent the balance of funds available from revenue grants received from local/central government and other donors, the application of which is limited to the conditions imposed by the grantor / donor.

The principal funding receivable from the government is the General Annual Grant (GAG) provided by the ESFA. Under the funding agreement with the Secretary of State, Ark Schools was subject to limits on the amount of GAG that it could carry forward at 31 August 2018. Note 1 discloses that these limits were not exceeded. Transfers from other restricted funds or unrestricted funds to the GAG fund have been made in order to cover the deficit which would otherwise have existed in this fund.

Pension reserve

The pension reserve is equal to Ark Schools' share of the deficit within the various Local Government Pension Schemes in which Ark Schools participates.

Unrestricted funds

The unrestricted general funds represent monies which may be applied for any purpose within the Ark Schools' objects.

The designated fund balance relates to amounts earmarked by the directors of Ark Schools for specific future projects which will need to be met either in part or fully from Ark Schools' unrestricted funds. The directors of Ark Schools have designated £8.5m (2017: £11.4m) of unrestricted reserves for the upgrade of capital assets and building works that will be required over the next 3 – 5 years.

Transfers from unrestricted general funds to restricted general funds are made in order to cover any shortfall which would otherwise exist on restricted general funds due to insufficient funding being receivable.

Notes to the financial statements 31 August 2018

16. Funds (continued)

Analysis of fund balance by academy

	2018 Total revenue* reserves £'000	2018 Total capital** reserves £'000	2018 Total reserves £'000
All through Schools			
Ark	128	19	147
Burlington Danes	1,467	38	1,505
Globe	947	7	954
Isaac Newton	121	42	163
John Keats	205	16	221
Kings	330	75	405
King Solomon	2,602	28	2,630
Victoria	(656)	11	(645)
Secondary Schools			
All Saints	888	31	919
Bolingbroke	(772)	6	(766)
Boulton	748	47	795
Charter	(459)	(3)	(462)
Elvin	433	107	540
Evelyn Grace	869	39	908
Helenswood	(364)	41	(323)
Putney	(1,627)	35	(1,592)
St Alban's	(478)	78	(400)
Walworth	771	41	812
William Parker	(1,068)	47	(1,021)
Primary Schools			
Atwood	355	31	386
Ayrton	529	(4)	525
Bentworth	14	10	24
Brunel	280	23	303
Blacklands	355	28	383
Byron	11	10	21
Castledown	141	9	150
Chamberlain	985	74	1,059
Conway	69	10	79
Dickens	474	13	487
Franklin	705	31	736
Little Ridge	186	(15)	171
Oval	149	29	178
Paddington Green	245	13	258
Priory	50	20	70
Swift	(69)	52	(17)
Tindal	1,131	12	1,143
Ark Schools Central	2,560	39	2,599
	12,255	1,090	13,345

* Comprising both restricted general funds and unrestricted funds

** Comprises capital funding received remains unspent at the balance sheet date. The unspent balance is included as part of Ark Schools' restricted fixed assets fund.

Notes to the financial statements 31 August 2018

16. Funds (continued)

Analysis of fund balance by academy (continued)

	2018 £'000
Total revenue reserves (as per above)	12,255
Fixed asset fund (including unspent capital reserves above)	442,732
Pension reserve	(25,487)
Total	429,500

Victoria Academy had a net funds deficit of £645k as at 31 August 2018. The academy was opened on 1 March 2018 and on 1st September 2018, Ark Victoria and Ark Chamberlain Academies became one all through school. In 2017-18, Victoria was a growing all-through school, with 673 pupils across years Reception to 2 and 7 to 9. Chamberlain had 595 pupils across years 3 to 6 only. The bringing together of these schools will result in a four form entry all-through which will help to achieve a balance in funds.

Bolingbroke Academy had a net funds deficit of £766k as at 31 August 2018. The academy was opened on 1 September 2012 with only one year group. It is expected that, as the school increases its pupils and reaching capacity it will achieve a balance of its funds.

Charter Academy had a net funds deficit of £462k as at 31 August 2018. Ark Schools is supporting the academy to restore financial balance in the medium term.

Helenswood Academy had a net funds deficit of £323k as at 31 August 2018. Ark Schools is supporting the academy to restore financial balance in the medium term.

Putney Academy had a net funds deficit of £1,592k as at 31 August 2018. Ark Schools is continuing to work closely with the academy to ensure a restoration of financial balance in the medium term.

St Albans Academy had a net funds deficit of £400k as at 31 August 2018. Ark Schools is supporting the academy to restore the financial balance in the medium term.

William Parker Academy had a net funds deficit of £1021k as at the 31 August 2018. Ark Schools is supporting the academy to restore financial balance in the medium term.

Swift Academy had a net funds deficit of £17k as at the 31 August 2018. Ark Schools is supporting the academy to restore financial balance in the medium term.

Notes to the financial statements 31 August 2018

16. Funds (continued)

Comparative information

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

	At 1 September 2016 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2017 £'000
Restricted fixed assets fund					
DfE fixed assets fund	164,780	—	(9,699)	2,683	157,764
Ark sponsorship fixed assets fund	3,661	—	(915)	—	2,746
Devolved Formula Capital and School Condition Allocation	1,496	3,853	(1,527)	(2,683)	1,139
Other fixed assets funds	202,560	17,023	(4,381)	—	215,202
	<u>372,497</u>	<u>20,876</u>	<u>(16,522)</u>	<u>—</u>	<u>376,851</u>
Restricted general funds					
General Annual Grant (GAG) (note 4)	—	129,675	(141,514)	11,839	—
Start up and lead in (note 4)	832	1,160	(1,160)	(567)	265
Other DfE/ESFA (note 4)	—	10,616	(10,616)	—	—
Local authority grants	220	4,884	(4,888)	—	216
UK Programmes – grants	927	1,200	(1,095)	71	1,103
UK Programmes – other					
Other donations	2,284	6,102	(6,031)	137	2,492
	<u>4,263</u>	<u>153,637</u>	<u>(165,304)</u>	<u>11,480</u>	<u>4,076</u>
Pension reserve	<u>(36,946)</u>	<u>—</u>	<u>(4,952)</u>	<u>12,175</u>	<u>(29,723)</u>
Total restricted funds	<u>339,814</u>	<u>174,513</u>	<u>(186,778)</u>	<u>23,655</u>	<u>351,204</u>
Unrestricted funds					
Unrestricted general funds					
• Sponsorship of core costs by Ark	5,684	3,844	(143)	(8,472)	913
• Other unrestricted funds	—	6,647	(5,833)	(814)	—
Designated fund	13,500	—	—	(2,123)	11,377
Total unrestricted funds	<u>19,184</u>	<u>10,491</u>	<u>(5,976)</u>	<u>(11,409)</u>	<u>12,290</u>
Total funds	<u>358,998</u>	<u>185,004</u>	<u>(192,754)</u>	<u>12,246</u>	<u>363,494</u>

Notes to the financial statements 31 August 2018

17. Expenditure Analysis – analysis of cost by academy

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

	Teaching and educational support costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation and losses on disposal of assets) £'000	2018 Total £'000
All through Schools					
Ark	7,242	1,190	140	2,085	10,657
Burlington Danes	7,009	1,540	294	2,732	11,575
Globe	6,791	989	186	2,569	10,535
Isaac Newton	5,602	1,188	117	1,792	8,699
John Keats	4,438	781	134	1,264	6,617
Kings	3,370	497	122	1,571	5,560
King Solomon	4,107	452	111	1,897	6,567
Victoria	1,411	185	64	1,172	2,832
Secondary Schools					
All Saints	3,512	724	65	1,165	5,466
Bolingbroke	3,394	603	96	1,146	5,239
Boulton	3,624	751	138	1,742	6,255
Charter	3,492	709	82	1,289	5,572
Elvin	4,813	978	83	1,589	7,463
Evelyn Grace	4,237	794	95	2,002	7,128
Helenswood	3,396	1,031	153	1,050	5,630
Putney	3,474	738	105	1,145	5,462
St Alban's	3,612	942	106	1,273	5,933
Walworth	5,385	718	198	2,422	8,723
William Parker	2,981	664	240	1,086	4,971
Primary Schools					
Atwood	1,685	346	64	628	2,723
Ayrton	1,627	255	48	556	2,486
Bentworth	949	171	35	324	1,479
Brunel	2,067	94	39	588	2,788
Blacklands	1,537	235	37	448	2,257
Byron	742	175	34	244	1,195
Castledown	1,457	157	43	405	2,062
Chamberlain	1,058	331	48	903	2,340
Conway	816	136	17	375	1,344
Dickens	1,725	324	40	579	2,668
Franklin	2,434	524	89	814	3,861
Little Ridge	1,312	190	39	355	1,896
Oval	2,175	490	87	671	3,423
Paddington Green	1,296	213	37	511	2,057
Priory	1,135	235	37	383	1,790
Swift	1,438	271	50	515	2,274
Tindal	1,208	216	59	600	2,083
Ark Schools Central	90	10,321	261	497	11,169
Ark Schools excluding subsidiaries	106,641	30,158	3,593	40,387	180,779

Notes to the financial statements 31 August 2018

18. Analysis of net assets between funds

Group	Unrestricted funds £'000	Restricted funds			Total funds 2018 £'000
		General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
Fund balances at 31 August 2018 are represented by:					
Tangible and investment assets	—	1,177	—	441,642	442,819
Current assets	8,329	33,017	—	1,090	42,436
Creditors: amounts falling due within one year	—	(30,268)	—	—	(30,268)
Pension scheme liability	—	—	(25,487)	—	(25,487)
	8,329	3,926	(25,487)	442,732	429,500

	Restricted funds				Total funds 2018
	Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	£'000
Ark Schools					
Fund balances at 31 August 2018 are represented by:					
Tangible and investment assets	—	1,177	—	441,642	442,819
Current assets	8,329	34,146	—	1,090	43,565
Creditors: amounts falling due within one year	—	(31,397)	—	—	(31,397)
Pension scheme liability	—	—	(25,487)	—	(25,487)
	8,329	3,926	(25,487)	442,732	429,500

19. (a) Transfer from local authorities on conversion

During the year ended 31 August 2018, Ark Castledown joined the Ark Schools network. The school was previously under local authority control and converted to academy status immediately prior to joining the network. The transfer to Ark Schools (for £nil consideration) has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

The following table sets out the identifiable assets and liabilities transferred in relation to each school and an analysis of their recognition in the statement of financial activities.

Overall position	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	Total 2018 £'000	Total 2017 £'000
Leasehold land and buildings	—	—	3,500	3,500	1,964
Other fixed assets	—	—	—	—	—
Budget surplus on LA funds	—	—	—	—	—
LGPS pension deficit	—	(2,041)	—	(2,041)	—
Net assets (liabilities)	—	(2,041)	3,500	1,459	1,964

Notes to the financial statements 31 August 2018

19. (a) Transfer from local authorities on conversion (continued)

Included as part of the LGPS pension deficit amount in the above table is £1,357,000 of inherited deficit in respect of Ark Elvin which converted to academy status on 1 September 2014. No actuarial estimate of Elvin's liability was available until the current financial year. Their report shows the movement in liability for the current and prior financial years and the actuary has estimated Elvin's net deficit in the scheme as at 1 September 2016 (the earliest available period) as being £1,357,000 which has been accounted for as part of the total in-year liability transferred on conversion.

Similarly, £471,000 of inherited deficit included in the above table is in respect of Ark Paddington Green, which converted to academy status on 1 September 2016. No actuarial estimate of Paddington Green's liability was available until the current financial year. Therefore, the estimated deficit as at 1 September 2016 (the earliest available period) has been accounted for as part of the total in-year liability transferred on conversion.

Year ended 31 August 2018:	Unrestricted	Restricted	Restricted	Total
Ark Castledown Primary	funds	general	fixed assets	2018
	£'000	fund	fund	£'000
Leasehold buildings	—	—	3,500	3,500
Other fixed assets	—	—	—	—
Budget surplus on transfer	—	—	—	—
LGPS pensions deficit	—	(213)	—	(213)
Net assets	—	(213)	3,500	3,287

Year ended 31 August 2017:	Unrestricted	Restricted	Restricted	Total
Ark Paddington Green	funds	general	fixed assets	2017
	£'000	fund	fund	£'000
Leasehold buildings	—	—	1,964	1,964
Other fixed assets	—	—	—	—
Budget surplus on transfer	—	—	—	—
LGPS pensions deficit	—	—	—	—
Net assets	—	—	1,964	1,964

(b) Transfer from an existing multi-academy trust

During the year ended 31 August 2018, Ark Victoria joined the Ark Schools network. The school was previously transferred from Local Authority control and was a rebrokerage of an existing academy. The transfer to Ark Schools (for £nil consideration) has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

The following table sets out the identifiable assets and liabilities transferred in relation to each school and an analysis of their recognition in the statement of financial activities.

Notes to the financial statements 31 August 2018

19. (b) Transfer from an existing multi-academy trust (continued)

Overall position	Value reported by transferring trust £'000	Fair value adjustments £'000	Total 2018 £'000	Total 2017 £'000
Tangible fixed assets				
. Leasehold land and buildings	18,000	—	18,000	—
. Furniture and equipment	970	—	970	—
. IT equipment	870	—	870	—
LGPS pension deficit	(157)	—	(157)	—
Net assets	19,683	—	19,683	—

Ark Victoria	Value reported by transferring trust £'000	Fair value adjustments £'000	Total 2018 £'000	Total 2017 £'000
Tangible fixed assets				
. Leasehold land and buildings	18,000	—	18,000	—
. Furniture and equipment	970	—	970	—
. IT equipment	870	—	870	—
LGPS pension deficit	(157)	—	(157)	—
Net assets	19,683	—	19,683	—

20. Member Liability

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

21. Pensions and similar obligations

Ark School's employees belong to three principal pension arrangements: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; the Local Government Pensions Scheme (LGPS) for non-teaching staff (both are defined benefit schemes) and a money purchase arrangement for Ark Schools employees employed by the central office who do not work directly and specifically for any academy.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

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

Notes to the financial statements 31 August 2018

21. Pensions and similar obligations (continued)

Central Office Money Purchase Scheme

Ark School's staff employed in the central office, who do not work directly or specifically for any academy, are auto-enrolled on a non-contributory scheme administered by The Pensions Trust.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 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; and
- 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%.

Notes to the financial statements 31 August 2018

21. Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed. Initial indications are that the employer's contribution rate will increase to 23.6% from September 2019 and that government funding will be made available to cover the increased costs.

The pension costs paid to TPS in the period amounted to £9,309,720 (2017: £8,893,594).

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

Under the definitions set out in Financial Reporting Standard (FRS 102) Retirement Benefits, 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 (LGPS)

Each Local Government Pension Scheme is a multi-employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The charitable company is currently part of fourteen different funds. The total contribution made (as referenced by the scheme actuaries) for the year ended 31 August 2018 was £5,807k (2017: £4,950k), of which employees' contributions totalled £1,509k (2017: £1,325k) and employers' contributions totalled £4,176k (2017: £3,625k). The agreed contribution rates for future years are between 14% and 29.4% for employers and between 5.8% and 9.9% for employees.

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

Pension Fund – Administering Authority

Greater London

City of Westminster

London Borough of Brent

London Borough of Croydon

London Borough of Ealing

London Borough of Enfield

Academies

Atwood

King Solomon

Paddington Green

Ark

Elvin

Franklin

Oval

Priory

Byron

John Keats

Swift

Notes to the financial statements 31 August 2018

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Pension Fund – Administering Authority	Academies
London Borough of Hammersmith and Fulham	Bentworth Burlington Danes Conway Evelyn Grace Isaac Newton All Saints Globe Walworth Bolingbroke Putney Brunel
London Borough of Lambeth	
London Borough of Redbridge	
London Borough of Southwark	
London Borough of Wandsworth	
Royal Borough of Kensington & Chelsea	
East Sussex	
East Sussex County Council	Blacklands Helenswood Little Ridge William Parker Castledown
Hampshire	
Hampshire County Council	Ayrton Charter Dickens
West Midlands	
West Midlands Fund	Boulton Chamberlain Kings St Alban's Tindal Victoria

Range of principal actuarial assumptions

	2018 %	2018 %	2017 %	2017 %
	Lowest	Highest	Lowest	Highest
Rate of increase in salaries	2.3	3.8	2.4	4.2
Rate of increase in pension payments	2.0	2.4	1.9	2.7
Discount rates	2.7	2.9	2.5	2.6
Inflation assumptions	2.0	2.4	1.9	2.7

Notes to the financial statements 31 August 2018

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

The current mortality assumptions included sufficient allowance for future improvements in mortality rates. The range of assumed life expectations in years beyond the retirement age 65 across the funds are:

	2018 Lowest	2018 Highest	2017 Lowest	2017 Highest
Retiring today				
Males	21.6	24.5	21.6	24.4
Females	23.9	27.2	23.9	27.0
Retiring in 20 years				
Males	23.8	26.8	23.8	26.7
Females	26.0	29.4	26.0	29.3

	At 31 August 2018 £'000	At 31 August 2017 £'000
Sensitivity analysis – increase (decrease) in overall deficit		
Discount rate +0.1%	(2,365)	(2,090)
Discount rate -0.1%	2,400	2,128
Mortality assumption – 1 year increase	1,631	2,784
Mortality assumption – 1 year decrease	(1,610)	(2,742)
CPI rate +0.1%	1,987	1,726
CPI rate -0.1%	(1,961)	(1,695)

	Fair value at 31 August 2018 £'000	Fair value at 31 August 2017 £'000
Ark Schools' share of the assets in the schemes was as follows:		
Equities	44,256	35,569
Corporate/government bonds	9,274	8,437
Property	6,622	5,353
Cash	1,848	1,453
Other	4,316	5,511
Total market value of assets	66,316	56,323

	2018 £'000	2017 £'000
The amounts recognised in statement of financial activities were as follows:		
Current service cost	9,228	7,713
Past service cost	50	65
Interest income	(1,570)	(1,020)
Interest cost	2,492	1,742
Admin expenses	77	77
Total amount recognised in the SOFA	10,277	8,577

Notes to the financial statements 31 August 2018

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements on the overall deficit during the year was as follows:	2018 £'000	2017 £'000
Deficit at 1 September	(29,723)	(36,946)
Transferred in on conversion (note 19(a))	(2,041)	—
Transferred in on existing academies joining the trust (note 19(b))	(157)	—
Current service cost	(9,228)	(7,843)
Administration cost	(11)	(12)
Employer contributions	4,298	3,625
Net finance cost	(922)	(722)
Actuarial gain	12,297	12,175
At 31 August 2018	(25,487)	(29,723)

Changes in the present value of defined benefit obligations were as follows:	2018 £'000	2017 £'000
At 1 September 2017	86,046	84,528
Transferred in on conversion (note 19(a))	2,749	—
Transferred in on existing academies joining the trust (note 19(b))	234	—
Current service cost	9,228	7,843
Interest cost	2,492	1,742
Employee contributions	1,509	1,325
Actuarial gain	(9,191)	(8,731)
Benefits paid	(1,264)	(661)
At 31 August 2018	91,803	86,046

Movements in the present value of defined benefit assets were as follows:	2018 £'000	2017 £'000
At 1 September 2017	56,323	47,582
Transferred in on conversion (note 19(a))	708	—
Transferred in on existing academies joining the trust (note 19(b))	77	—
Expected return on assets	1,570	1,020
Administration expenses	(11)	(12)
Employer contributions	4,298	3,625
Employee contributions	1,509	1,325
Actuarial gain	3,106	3,444
Benefits paid	(1,264)	(661)
At 31 August 2018	66,316	56,323

Notes to the financial statements 31 August 2018

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

The five years history of experience adjustments is as follows:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Present value of scheme obligations	(91,803)	(86,046)	(84,528)	(50,155)	(42,099)
Fair value of assets	66,316	56,323	47,582	35,215	28,933
Net deficit in schemes	(25,487)	(29,723)	(36,946)	(14,940)	(13,166)
Experience gains on scheme assets	3,106	3,444	5,439	218	1,082
Experience gains on scheme liabilities	9,191	8,731	(24,883)	717	(3,224)

22. Lease commitments

At 31 August 2018, the total of Ark Schools' future minimum lease payments under non-cancellable operating leases in relation to plant and machinery was:

	2018 £'000	2017 £'000
Amounts due within one year	370	414
Amounts due between one and five years	447	450
Amounts due after five years	—	3
	817	867

The property occupied by Ark Kings Academy was financed by a Private Finance Initiative agreement between the PFI contractor and the local authority (the owner of the freehold). Ark Schools is subject to a sub-agreement with the Local Authority which requires Ark Schools to make an annual contribution towards facilities management for a period of 25 years expiring on 30 April 2042. At 31 August 2017, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

	2018 £'000	2017 £'000
Amounts due within one year	79	79
Amounts due between one and five years	316	316
Amounts due after five years	1,501	1,580
	1,896	1,975

23. Capital commitments

At 31 August 2018, the group had capital commitments as follows:

	2018 £'000	2017 £'000
Contracted for but not provided in the financial statements	18,610	1,217

Notes to the financial statements 31 August 2018

24. Related party transactions

Transactions with Absolute Return for Kids (Ark)

Ark Schools is sponsored Ark, which is also the principal member of Ark Schools. Ark is a charitable company and has four directors in common with Ark Schools.

During the year, Ark Schools was awarded £1.7m (2017: £3.8m) sponsorship from Ark.

Ark Schools' central team shares offices with Ark. Ark has made payments on behalf of Ark Schools for general office overheads. These are recharged to Ark Schools based on an agreed apportionment. Where costs have been apportioned between Ark and Ark Schools this has been done on the basis of actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each company's staff.

From 1 September 2017, the outsourced IT services with Civica were brought in-house. Part of the service provision is for the benefit of Ark and Ark Schools therefore recharges for this. The total amount payable by Ark to Ark Schools was £37k.

The total amount payable by Ark to Ark Schools in respect of the rent during the year was £201k (2017: nil) as detailed below:

	2018 £'000	2017 £'000
Rent and service charges	164	—
Technology services	37	—
	<u>201</u>	<u>—</u>

Transactions with Ark UK Programmes

Ark has a charitable subsidiary, Ark UK Programmes which carries out educational work in the UK, principally in relation to provision of extended school programmes at the schools operated by Ark Schools.

Ark UK Programmes made grants of £232k (2017: £1.2m) to Ark Schools during the course of the year. Ark Schools made payments of £102k (2017: £166k) to Ark UK Programmes for the provision of Maths Mastery resources and training, Now Teach recruitment fee and shared supplier accounts.

Ark UK Programmes administers the endowment funds for the benefit of certain Ark academies. Each of the academies run by Ark Schools and opened pre-September 2011 was granted an endowment to support the academy in the future. For some of the academies this was a condition of the funding agreement, but for four, this is in addition to the sponsor capital contribution stipulated in the funding agreement. The initial endowments were received by Ark UK Programmes via Ark and invested as part of a listed investment portfolio.

Notes to the financial statements 31 August 2018

24. Related party transactions (continued)

Transactions with Ark UK Programmes (continued)

At 31 August 2018, the value of the amounts held by Ark UK Programmes in relation to the above endowments was £6.4m (2017: £6.3m). During the year there was no withdrawal from such endowments to recognise as donations income in Ark Schools' financial statements (2017: £110k for Ark Charter).

In addition to the endowments above, surplus funds earned by certain schools within the network may be transferred to Ark UK Programmes for investment in the same listed investments portfolio. At 31 August 2018, Ark UK Programmes had invested a cumulative amount of £750k in respect of King Solomon Academy (2017: £750k in respect of King Solomon Academy) as part of their investment strategy. The total market value of such investments at the balance sheet date was £1.2m (2017: £1.1m) and the cumulative unrealised gains of £427k (2017: £353k) has been recognised through Ark Schools' statement of financial activities. The investment balance is owed to Ark Schools by Ark UK Programmes and included within year end debtors.

From 1 September 2017, the outsourced IT services with Civica were brought in-house. Part of the service provision is for the benefit of Ark UK Programmes and Ark Schools therefore recharges for this. The total amount payable by Ark UK Programmes to Ark Schools was £64k.

Transactions with other related parties

One of the directors of Ark Schools, Lord Fink, is the Chairman of Zenith Hygiene Systems which provided cleaning services to 11 Ark schools (2017: six schools). The total amount payable to Zenith Hygiene Systems during the year was £18,207 (2017: £17,336).

The total amount of donations received by Ark Schools from other related parties not separately disclosed above were £0.5m (2017: £1.7m) of which £0.5m (2017: £0.3m) has been recognised as income within 2017/18 and the balance included within deferred income.

25. Directors' emoluments

The Managing Director is also a statutory director of Ark Schools. In the year ended 31 August 2018, she was the Managing Director of Ark Academies Projects Ltd, Ark UK Programmes and Chief Executive of Ark. Her total remuneration for services rendered across all of the aforementioned legal entities was £236,601 (2017: £237,493) and 100% paid by Ark. No direct costs has been charged to Ark Schools (2017: £118,747). This is also disclosed in note 10.

No other directors of the company received any payment or other emoluments from Ark Schools in the reporting period (2017: none). No director had any beneficial interest in any contract with Ark Schools during the year (2017: none).

26. Directors', Governors' and Officers' insurance

In accordance with normal commercial practice, the trust has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business with cover up to £2m in the aggregate inclusive of costs. The insurance additionally provides for corporate legal liability and employment practices liability. For the year ended 31 August 2018, the premium is £7,560 (2017: £7,700). The cost of this insurance is included in the total insurance cost.

Notes to the financial statements 31 August 2018

27. Agency arrangements

The trust receives and distributes bursaries as agent for the ESFA and National College for Teaching and Leadership:

	2018 £'000	2017 £'000
16-19 bursaries for ESFA	119	182
Teacher training bursaries for NCTL	922	523
	1,041	705

An amount of £92,000 is held in other creditors at the end of the year repayable to NCTL (2017: £31,900).

28. Taxation

Ark Schools is a charity (by statute) and therefore is not liable to income tax or corporation tax on income from charitable activities, as it falls within the exemptions available to registered charities.

29. Post balance sheet events

On 1st September 2018, three new academies Ark Acton, Ark Greenwich Free School, Ark John Archer, joined the trust. Their assets and liabilities will be recognised within the financial statements ending 31 August 2019.

On 1st September 2018, Ark Victoria and Ark Chamberlain academies became one all through school, 'Ark Victoria Academy' based across the two current sites. In 2017-18, Victoria was a growing all-through school, with 673 pupils across years Reception to 2 and 7 to 9. Chamberlain had 595 pupils across years 3 to 6 only. The bringing together of these schools has created some bulge classes in the interim but will be moving towards being a four form entry all-through.

Notes to the financial statements 31 August 2018

30. Prior year comparative figures

		Restricted funds				
	Unrestricted funds £'000	General funds £'000	Pension Reserve £'000	Fixed assets fund £'000	2017 Total funds £'000	2016 Total funds £'000
Income from:						
Donations and capital grants	3,844	4,309	—	18,912	27,065	15,941
Transfer from Local Authority	—	—	—	1,964	1,964	14,763
Other trading activities	1,747	—	—	—	1,747	1,718
Investments	91	—	—	—	91	101
Income from charitable activities						
· Funding for Ark Schools' educational operations	3,372	149,328	—	—	152,700	147,401
· Project management grants	—	—	—	—	—	37
Other income	1,437	—	—	—	1,437	729
Total income	10,491	153,637		20,876	185,004	180,690
Expenditure on:						
Raising funds	908	—	—	—	908	907
Charitable activities						
· Ark Schools' educational operations	4,925	161,718	4,952	16,522	188,117	168,107
· Development costs	143	3,586	—	—	3,729	2,773
Total expenditure	5,976	165,304	4,952	16,522	192,754	171,787
Net gains on investments	—	71	—	—	71	—
Net income (expenditure) before transfers	4,515	(11,596)	(4,952)	4,354	(7,679)	8,903
Gross transfers between funds	(11,409)	11,409	—	—	—	—
Net (expenditure) income	(6,894)	(187)	(4,952)	4,354	(7,679)	8,903
Other recognised gains						
Actuarial gains on defined benefit pension schemes	—	—	12,175	—	12,175	(19,444)
Net movement in funds	(6,894)	(187)	7,223	4,354	4,496	(10,541)
Fund balances brought forward at 1 September 2016	19,184	4,263	(36,946)	372,497	358,998	369,539
Fund balances carried forward at 31 August 2017	12,290	4,076	(29,723)	376,851	363,494	358,998

All of the group's activities derived from continuing operations. All recognised gains and losses are included in the above statement of financial activities.

For management purposes in 2016/17 the operational loss was deemed to equal net income (expenditure) before transfers in respect of the unrestricted funds and the restricted general funds, excluding any amounts attributed to these funds upon new schools joining the network, or any small equipment purchases charged against these funds. For the year ended 31 August 2017, this equated to an operational loss of £4.1m (see note 31 for a reconciliation).

Notes to the financial statements 31 August 2018

31. Reconciliation of operating position

Year ended 31 August 2018

	General funds			Other funds		Total funds £'000
	Unrestricted funds £'000	Restricted funds £'000	Total general funds £'000	Pension Reserve £'000	Fixed assets fund £'000	
Fund balance brought forward	12,290	4,076	16,366	(29,723)	376,851	363,494
Fund balance carried forward	8,329	3,926	12,255	(25,487)	442,732	429,500
Net (decrease) / increase in funds (as per the statement of financial activities)	(3,961)	(150)	(4,111)	4,236	65,881	66,006

Add Back:

Transfer of Revenue to Fixed Asset Fund 2,879

Operational loss

(1,232)

The operating loss as disclosed is deemed to equal net income before transfers in respect of the unrestricted funds and the restricted general funds. It excludes capital income and expenditure, buildings transferred into the network, and non-cash pension adjustments in respect of defined benefit schemes. In 2016/17 it also excluded small equipment items less than £2,000 that have been expensed. It is the level to which School Principals are accountable.

Year ended 31 August 2017

	General funds			Other funds		Total funds £'000
	Unrestricted funds £'000	Restricted funds £'000	Total general funds £'000	Pension Reserve £'000	Fixed assets fund £'000	
Fund balance brought forward	19,184	4,263	23,447	(36,946)	372,497	358,998
Fund balance carried forward	12,290	4,076	16,366	(29,723)	376,851	363,494
Net (decrease) / increase in funds (as per the statement of financial activities)	(6,894)	(187)	(7,081)	7,223	4,354	4,496

Add Back:

Small equipment less than £2,000 expensed (Note 9a)

4,462

ESFA income for expensed capital items

(1,495)

Operational loss

(4,114)