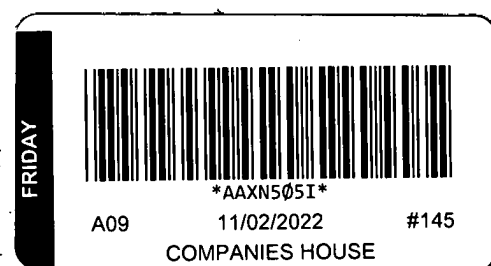


# Ark Schools



## **Consolidated annual report and financial statements**

31 August 2021

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

# Contents

Reference and administrative details	1
Foreword	2
Directors' report	3
Governance statement	21
Statement of regularity, propriety compliance	26
Statement of directors' responsibilities	27
Independent auditor's report on the financial statements	28
Independent reporting accountant's report on regularity	34

## **Financial statements**

Consolidated statement of financial activities	36
Balance sheets	37
Consolidated cash flow statement	38
Principal accounting policies	40
Notes to the financial statements	48

## Reference and administrative details

<b>Member</b>	Absolute Return for Kids (ARK)
<b>Trustees</b>	Christina Alexandrou Ron Beller (Resigned 22 September 2021) Lord Fink Joanna Greenslade Gerard Griffin Lucy Heller Daniel Labbad Sir Paul Marshall Riaz Shah Anthony Williams
<b>Company Secretary</b>	Elizabeth Dawson
<b>Senior Management Team</b>	Lucy Heller Jacqueline Russell Rebecca Boomer-Clark (Resigned 28 May 2021) Venessa Willms Elizabeth Dawson Laurie Grist Ed Owen Lauren Thorpe (Appointed 1 June 2021) Jerry Collins (Appointed 1 June 2021)
<b>Registered office</b>	The Yellow Building 1 Nicholas Road London W11 4AN
<b>Registration number</b>	05112090 (England and Wales)
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Lloyds Bank plc 95 George Street Croydon CR9 2NS
<b>Solicitors</b>	Stone King LLP Boundary House 91 Charterhouse Street London EC1M 6HR

## Foreword

Despite our hopes that the effect of the pandemic would have weakened over the 2020/21 academic year, our schools continued to suffer significant disruption.

There is now increasing evidence, across the education sector, that the pandemic has reversed the gains made over recent years to close the attainment gap that holds back those children from disadvantaged backgrounds. We strongly believe that significant, long-term investment is needed to support recovery and we have worked with other school leaders to make this case to the Government.

We know from our schools that the impact, in terms of learning loss resulting from national lockdowns and rising cases necessitating that we sometimes send whole classes home, has been significant with many children falling behind in key subject areas. We also saw through the year a demonstrable increase in the number of our students requiring mental health and wellbeing support.

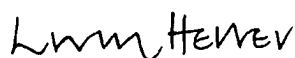
Our staff responded to this continuing and unpredictable crisis with extraordinary dedication and commitment to their students, as they had done in the previous academic year. This included undertaking painstaking risk assessments, setting up new rules to govern movement in and around school buildings, creating class and year bubbles, and managing extensive testing regimes.

Our schools were better prepared for the national lockdown in January 2021 because of the experience of 2020, not least in being able to support remote learning. This was helped by the distribution of thousands of Chromebooks to those students in most need made possible by philanthropic support and DfE grants.

A further positive development of the period was the closer relationship between our schools and parents and the wider community. We launched the SPArk platform for parents and students and conducted our first online survey to gauge engagement. The response to both has been positive and further improving engagement with parents is a key priority for us.

We began the 2021/22 academic year with renewed confidence and hope underpinned by a new strategy to support the network over the next three years. This strategy re-emphasises our commitment to deliver excellent schools, maintain a sustainable network, and share knowledge and expertise with the wider education system. With the opening of Ark Soane Academy, a new secondary school in West London, there are now 39 Ark academy schools, and we will continue to explore opportunities to grow the network further in a sustainable way.

Finally, I want to thank all Ark Schools' staff, our students, and parents as well as our school governors, trustees and all those who helped ensure our schools continued to operate and to thrive through this particularly challenging period. The last 12 months has seen many within our network lose loved ones and I would like to pay a particular tribute to Dave Allen, our longstanding Head of Estates, who lost his life to Covid-19 in January 2021. His work was critical in helping our schools cope with the pandemic when it struck, and we will forever be grateful for his work.



Lucy Heller,

Managing Director, Ark Schools

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

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 2021 and its subsidiary company, Ark Academies Projects Limited (registered company in England and Wales number 04101629), 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 trustees for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out on pages 40 to 47 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).

### **Objectives and activities**

#### **Objects and aims**

Ark Schools' charitable objects, as laid out within our governing document, are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to, the generality of the foregoing by:

- (a) Establishing, maintaining, carrying on, managing, and developing schools offering a broad curriculum with a strong emphasis on, but in no way limited to, one or a combination of the specialisms specified in the funding agreements entered into between the Trust and the Secretary of State.
- (b) Providing childcare facilities and adult training to develop the capacity and skills of parents-to-be and parents with children primarily but not exclusively under five in a such a way that they are better able to identify and help meet the needs of children.

#### **Public benefit**

The trustees 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.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Strategic report**

##### **2020/21 academic year overview**

Ark Schools began the 2020/21 academic year with 38 schools with the opening of Ark Blake, a new secondary school in Croydon, in September 2020. Across the network, the year was marked by the continuing impact of the Covid-19 pandemic on the operation of Ark Schools and its significant impact on our students.

All our schools opened their doors for the new academic year having undertaken extensive Covid-related risk assessments, made in line with Government guidelines. Schools were required to set up new and extensive rules to govern movement in and around school buildings, the creation of class and year bubbles, and manage testing regimes.

The bursting of year group bubbles through the first term caused significant disruption and the national lockdown imposed in January 2021 caused problems, although all our schools remained open for those students in particular need or children of essential workers.

The experience of dealing with the pandemic in the previous year meant that our schools were better prepared, not least in supporting remote learning. Funding from Ark charity's Covid Appeal and Department for Education (DfE) grants enabled schools to deploy a substantial number of digital devices to students in most need at the beginning of 2021.

By the end of the 2021 summer term, more than 25,000 Chromebooks had been distributed to Ark schools to enable all students in Year 3 and above to have access to a suitable device from the start of the new academic year.

The availability of digital devices – an important part of our long-term digital strategy to support independent learning – was well received by students and parents alike and was a further element in the strengthening of our schools' relationships with the communities they serve. This improved engagement with parents has been one of the positive results of the pandemic, and we are determined to build on it.

To support this, we introduced our SPark digital platform to enable students and parents to access learning material and information and, for the first time, Ark Schools undertook an online survey of students and parents across the network. Since its launch, SPark has had over 26,000 unique visitors from within the Ark network.

GCSE, BTEC and A Levels were significantly affected again this year with the Government's decision to scrap examinations in favour of centre-assessed grades imposing a significant extra set of responsibilities on teaching staff and creating further uncertainty and worry among our students. Yet, because of significant effort across the network, we are confident that all Ark schools were able to operate a robust and fair approach that students could have full confidence in.

Our students continued to enjoy strong outcomes in terms of destinations, not least because of the success of our Professional Pathways programme to raise aspirations. Almost a third (32%) of students leaving our sixth forms progressed to Russell Group universities compared to a national average of 16% and almost a half (48%) to top third universities compared to 20% nationally. Seven Ark students accepted places at Oxford and Cambridge universities.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Strategic report (continued)**

##### **2020/21 academic year overview (continued)**

The 2020/21 year also saw a range of other key developments, including:

- The opening of a second Ark Start nursery at the Ark Oval Primary Academy site in Croydon in March 2021. Ark Start is an early years pilot run by Ark UK Programmes, providing high quality, affordable childcare to families.
- The establishment of the Ark Teaching School Hub, based in South Birmingham, as part of the DfE's national network of centres of excellence for teacher training and development. The hub will provide high-quality professional development to teachers at all stages of their careers both within our network and across the wider educational communities to which our schools belong.
- The start of the work, in partnership with Hammersmith and Fulham council, to develop the EdCity site in White City in West London. The £150m, not-for-profit project will bring significant benefits to the local community, including a new Ark primary school building, affordable housing, an OnSide Youth Zone, nursery, and adult education centre. It will also provide a new office building which will become the home of Ark Schools as well as Ark ventures and other education-related organisations.
- Ark Schools has become an accredited Living Wage employer. All school employees and contracted staff are paid the real Living Wage.

##### **Plans for future periods**

Our future plans are set out in a new strategy for our school network for the three years from 2021/22 to 2024/25. This strategy re-emphasises Ark Schools' commitment to deliver excellent schools, a sustainable network, and greater capacity to the wider education system, and identifies key areas of focus:

- Improving quality of teaching – Ark's Great Teacher Rubric will continue to underpin our approach, providing all our teachers with a shared vision and experience of what makes for excellent teaching.
- Enhancing reading skills across all schools - We know this is a key determinant of future academic success for our students.
- Implementation of the digital strategy - From 2020/21, every Ark student in Year 3 and above has access to a suitable digital device and we will ensure that these are used to increase independent learning, maximise quality teacher time in the classroom, and increase parent engagement.

Ark Schools will continue to consider opportunities to expand the network at a sustainable rate. A new-build school, Ark Soane Academy in Acton, West London, opened in September 2021 with more than 170 Year 7 students. The construction of the school will be fully completed by the end of the 2021/22 academic year. There are now 39 Ark academy schools in the network.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

## **Structure, governance and management**

### **Constitution**

Ark Schools was established in 2004. It is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The directors of Ark Schools are also the trustees of the charitable company for the purposes of charity law. Ark Schools' sponsor charity, Ark, provides a separate annual report and accounts on its work. Details of the trustees who served during the year, and to the date these accounts are approved, are included in the Reference and Administrative Details on page 1.

### **Member's liability**

The member of the charitable company is the principal sponsor, Absolute Return for Kids (referred to within these accounts as '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.

### **Trustees' indemnities**

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

The articles of association require at least three trustees to hold office at any given time. The trustees who served during the year are shown on page 1. When new trustees are to be appointed, the Board approves an appropriate process and criteria for recruitment. This includes 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.

### **Policies and procedures for the induction and training of trustees**

Trustees 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 trustees join the Board, tailored induction training is arranged to give new trustees 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 trustees 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.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Structure, governance and management (continued)**

##### **Organisational structure (continued)**

The trustees 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 each individual school is delegated to its Principal.

There is a local governing body attached to each school and their functions include the monitoring of school performance, the review of annual school plans and budgets, and the oversight of parent and community liaison.

##### **Arrangements for setting key management pay and remuneration**

The trustees 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. Lucy Heller is an employee of Ark, as disclosed in note 10. None of the trustees receive any remuneration for their services as trustees.

Ark Schools' senior management team salaries are set on appointment and follow market conditions. The Managing Director of Ark Schools approves all senior management team salaries on appointment. A remuneration committee recommends to the Board the pay assumptions to be used throughout the network. The salaries of Principals and Regional Directors are reviewed by the remuneration committee as are all central salary increases over £5k. The Managing Director's salary is paid by Ark and is decided by a subcommittee of the Ark Board.

#### **Fundraising**

Ark Schools is supported to raise funds by a small team of professional fundraisers employed by our sponsor charity, Ark. 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 may have an interest in Ark's work.

Ark does not conduct mass mailing or telephone campaign fundraising, and does not outsource fundraising activities. Our schools conduct their own fundraising and may use fundraising platforms such as Just Giving and Virgin Money to promote specific school campaigns.

Donor data is handled securely and with care in accordance with statutory obligations. Ark is a member of the Fundraising Regulator and complies with advice and guidance set by it. Ark has never received any fundraising complaints.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **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. New staff are fully inducted, and teachers take part in training before the start of and during each school year. Staff surveys are conducted on an annual basis and the feedback shared across the network and with trustees.

#### **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 their employment may continue. Some school buildings have restricted access in areas that have yet to be modernised. In such cases, the schools 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:

- Ark – Company no. 04589451, Charity no. 1095322 (see note 23)
- Ark UK Programmes – Company no. 05932797, Charity no. 1137932 (see note 23)
- Ark Academies Projects Ltd – Company no. 04101629 (see note 23 and below)
- EdCity Office – Company no. 11596797, Charity no. 1184547 (see note 23)
- EdCity Management Company Limited – Company no. 11528726 (see note 23)
- EdCity Development Limited – Company no. 1151870 (see note 23)

Ark Academies Projects Limited is a wholly owned trading subsidiary of Ark Schools. The company's principal activity is the provision of nursery education and the letting of facilities at several schools operated by Ark Schools. The results of the trading subsidiary have been consolidated in arriving at the group figures contained in these financial statements.

#### **Engagement with parents, students and the community**

Trustees see their responsibilities to understand and consider the views of students and parents as stakeholders as key to the success of individual schools and the network. Student voice is a regular part of school life and channels of communication are available to parents both at school and trust level. There are two parent governor spaces on each local governing body providing an additional layer of engagement. Consultations are held as necessary both at school and community level before decisions are taken.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Engagement with suppliers and other business relationships**

Ark Schools has a procurement code of practice which defines the processes that the organisation must follow to tender for new or existing contracts. All contracts over £50,000 must be formally tendered. Decision making follows our Scheme of Delegation, which is overseen by our Risk and Audit Committee. We follow the guidelines set out in the Academies Trust Handbook, including ensuring that all trustees and local governors fully disclose any interests with details published on our website where relevant.

#### **Promoting the success of Ark Schools**

In making decisions, the trustees and senior management team aim always to work towards giving children and young people, regardless of their circumstances, the best start in life. In doing this, we are mindful of the pressures on our teaching and operational staff at schools and in the centre. Our schools are often at the heart of our communities, and we encourage interaction at a local community level. We strive for the highest standard of conduct and are always mindful to follow the seven principles of public life.

## Directors' report (including strategic report) Year to 31 August 2021

### Streamlined energy and carbon reporting

The Energy and Carbon Reporting Regulations came into force on 1 April 2019. As the trust consumes more than 40,000 kWh of energy, we report below our energy consumption for the year to 31 August 2021.

<b>UK Greenhouse gas emissions and energy use data</b>	<b>2020/2021</b>	<b>2019/2020</b>
Energy consumption used to calculate emissions (kWh)	<b>40,403,976</b>	<b>30,745,657</b>
Energy consumption break down (kWh) (optional)		
gas	27,430,506	19,623,141
electricity	12,937,409	10,994,775
transport fuel	36,061	127,741
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	5,024.17	3,608.11
Owned transport – mini-buses	8.51	29.80
<b>Total</b>	<b>5,032.68</b>	<b>3,637.91</b>
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	2,747	2,563.32
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee-owned vehicles	0.49	2.52
<b>Total gross emissions in metric tonnes CO2e</b>	<b>7,780.16</b>	<b>6,203.75</b>
<u>Intensity ratio</u>		
Tonnes CO2e per pupil	<b>0.28</b>	<b>0.23</b>

<b>Pupil Numbers</b>	<b>28,064</b>	<b>27,325</b>
----------------------	---------------	---------------

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Streamlined energy and carbon reporting (continued)**

##### **Quantification and reporting methodology**

We follow the Government's 2019 Environmental Reporting Guidelines and 2020 Conversion Factors for Company Reporting, as well as the GHG Protocol Corporate Accounting and Reporting Standard. The chosen intensity measurement ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per pupil, the recommended ratio for the sector.

##### **Measures taken to improve energy efficiency**

The trust has been developing its overarching decarbonisation strategy since 2019 and has the ambition to reduce both its electricity and gas carbon by 75% by 2030. To develop the requirements to meet this aim, we have completed comprehensive energy surveys of our schools and are currently reviewing these to determine the projects we will take forward in future years.

##### **Trade union facility time**

There were 40 (2019/20: 40) Ark Schools' employees and 37 (2019/20: 37) expressed as full-time equivalents who were relevant trade union officials in 2020/21. One (2019/20: one) of these 40 employees spent between 51% and 99% (2019/20: 51% and 99%) of their contracted hours on facility time, 37 of these 40 employees (2019/20: 28 of 40) spent between 1% and 50% (2019/20: 1% and 50%) of their contracted hours on facility time, and two of the 40 employees (2019/20: 11 of the 40) spent none of their contracted hours on facility time. The total cost of the facility time to Ark Schools was £34k in 2020/21 (2019/20: £63k), equating to 0.019% (2019/20: 0.037%) of its total pay bill of £180.9m (2019/20: £168.4m) in the same period. The total time spent on trade union activities as a percentage of total paid facility time hours was 6% (2019/20: 6%).

##### **Going concern**

The trustees are confident that Ark Schools has sufficient resources to continue to operate for the foreseeable future. The trustees have considered the impact of the current Covid-19 pandemic on our operations, with a particular focus on its effects on the financial position, including income, expenditure and reserves, our beneficiaries, and employees. While we acknowledge the disruption caused by the pandemic to the day-to-day operations, we do not consider the pandemic to be a cause for material uncertainty in respect of Ark Schools' ability to continue as a going concern. The financial statements have therefore been prepared on a going concern basis. The principal accounting policies give further information.

## Directors' report (including strategic report)

### Year to 31 August 2021

#### Financial review

A summary of the results for the year is included in the statement of financial activities on page 36. 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:

<b>Income and expenditure</b>		
<b>Years ended 31 August</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
DfE revenue grants	206.5	182.0
Other grants and income (excluding capital)	8.1	13.6
Other trading activities	2.3	1.4
Voluntary income (excluding capital)	4.4	6.7
<b>Total operating income</b>	<b>221.3</b>	<b>203.7</b>
Academy Educational Operations		
- Direct costs excluding depreciation	107.6	103.8
- Educational support costs excluding capital	104.6	91.6
- Development, Governance and fundraising	3.0	3.5
<b>Total operating expenditure</b>	<b>215.2</b>	<b>198.9</b>
<b>Net operating income</b>	<b>6.1</b>	<b>4.8</b>

2020/21 was an incredibly challenging year as schools continued to react to changes caused by the pandemic including completing risk assessments, establishing new rules to govern staff and pupil movement, creating class and year group bubbles, and managing extensive testing regimes.

Provision transitioned quickly for our students to online lessons in the spring term, and although most of our schools remained open for community classrooms, some cost savings did inevitably result, particularly in short term supply. However, we have seen an increase in cleaning costs as we increased provision. We also moved all our cleaning and catering contracts to reflect the real Living Wage, for which we achieved accreditation from the Living Wage Foundation. While this has increased cost, we believe this is a long-term investment which will help the retention and wellbeing of colleagues who work alongside us in our schools.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Financial review (continued)**

We received additional Covid grants for testing and for specific catch-up activities, including £7m from Ark for the Ark Schools Coronavirus Appeal (ASCF), for which we are incredibly grateful. This included £3.7m from the Department of Culture, Media, and Sport (DCMS) which was part of a match funding award. These funds have been targeted to three areas: digital transformation, including ensuring that every student from Year 3 has access to a Chromebook; academic intervention, which funded more Graduate Teaching Assistants and Trainee Teachers; and for mental health provision. A further £1m is anticipated from this appeal in 2021/22.

This additional income, combined with cost savings from supply and delays in recruitment, has resulted in an unprecedented surplus. All this surplus has been invested in our estate and IT infrastructure.

Our tangible fixed assets grew by £19.8m to £500.1m (2019/20: £480.4m). This represented £39.6m of additions offset by £19.8m of depreciation. £24.6m is included for our new school, Ark Blake Academy. £6.3m was spent on IT. All our schools have 10-year IT refresh plans, and we are currently undertaking conditioning surveys to update our capital estate plans. Our digital transformation, including the provision of over 25,000 laptops for remote working, was a major success during the year. We were fortunate to receive 7,400 laptops from the DfE and funded over 17,600, from the Ark Schools Coronavirus Appeal.

The fixed asset fund represents the balance of our tangible fixed assets of £500.1m plus capital reserves of £4.5m. (2019/20: £480.4m and £3.8m). While there is a small decrease in revenue reserves of £0.5m (2019/20: increase of £0.3m), school capital reserves have increased by £0.6m (2019/20: increase of £1m). The pension deficit has increased to £90.4m from £63.9m. The increase in the pension reserve deficit of £26.5m reflects a 41% increase in the pension liability which is in line with the sector average. There is no major change in the nature of the liabilities, however, the valuation is based on spot rates at 31 August 2021 and subject to stock market fluctuations.

The outlook for the 2021/22 academic year remains highly challenging as schools continue to face the consequences of the pandemic. While network reserves remain strong, the investment needed for academic intervention and mental health support means that budgets remain under intense pressure. Utility costs are also expected to increase. While unit costs are under control, as we signed new central gas and electric contracts for our schools prior to the recent gas price increases, we expect usage to increase over the winter months as we keep our schools ventilated. The investment in our IT and capital estate will continue to ensure that our infrastructure remains fit for purpose.

A full reconciliation of the operating result is provided at note 31 to the financial statements.

## Directors' report (including strategic report)

### Year to 31 August 2021

#### Financial review (continued)

##### Summary of assets and liabilities

<b>As at 31 August</b>	<b>2021</b>	<b>2020</b>
	£m	£m
Fixed assets	500.3	481.6
Current assets	58.7	49.5
Current liabilities	(38.4)	(30.5)
<b>Total assets less current liabilities</b>	<b>520.6</b>	<b>500.6</b>
Liabilities due after one year	(1.8)	(1.8)
Pension deficit	(90.4)	(63.9)
<b>Net assets</b>	<b>428.4</b>	<b>434.9</b>

##### Represented by:

Fixed assets fund	504.6	484.1
Pension reserve	(90.4)	(63.9)
Revenue reserves		
- Restricted	12.4	7.2
- Unrestricted	1.8	7.5
<b>Grand total</b>	<b>428.4</b>	<b>434.9</b>

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. These have reduced from £5.9m to £0.2m this year following investment in our estate and IT infrastructure.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Financial report for the year**

##### **Operating income**

Total operating income was £221.3m (2019/20: £203.7m). Approximately 89% of operating income comes from the DfE as recurrent grants (2019/20: 89%). These grants and the associated expenditure are included within restricted funds in the statement of financial activities. For the year ended 31 August 2021, DfE/ESFA revenue grants were £206.5m (2019/20: £182.0m) which are all restricted to core school activities.

Non-core activity is funded separately. For the year ended 31 August 2021, other grants and income were £8.1m (2020: £13.6m), which included income of £1.1m (2019/20: £0.7m) for additional programmes, exceptional government funding for Coronavirus of £3.5m (2019/20: £0.6m), and £nil (2019/20: £0.3m) in respect of EdCity. Lettings income and Ark Ayrton nursery generated £0.8m (2019/20: £1.4m). Additional voluntary income from the sponsor organisation, Ark, and others amounted to £4.4m (2019/20: £6.7m).

##### **Operating expenditure**

Total operating expenditure for the year ended 31 August 2021 was £215.2m (2019/20: £198.9m). Direct costs excluding depreciation accounted for 50% (2019/20: 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 2021 was a net decrease in funds of £6.6m (2019/20: decrease of £17.5m). Total income was £255.1m (2019/20: £211.5m), which included £26.4m of school buildings transferred from the DfE in respect of Ark Blake Academy. Total income also includes coronavirus funding for mass testing £0.9m (2019/20:nil), catch-up premium funding from the ESFA of £1.5m (2019/20:nil) and a new £7m grant from Ark for the Ark School Coronavirus Fund, £3.7m of which relates to match funding from the DCMS.

Academies are funded by the 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 grant 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.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Financial report for the year (continued)**

##### **Impact of capital items, depreciation, and pension scheme adjustments (continued)**

- Ark Schools capitalises the school buildings it leases on a long-term basis but does not receive recurring capital grants 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 trustees 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 DfE would meet any outstanding pension liability.

##### **Net assets**

At 31 August 2021, net assets were £428.3m (2019/20: £435.0m).

At 31 August 2021, the net book value of tangible fixed assets was £500.2m (2019/20: £480.4m). Most 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 2021, investments were £0.141m (2019/20: £1.2m). Investments related to surplus school funds that are invested with a fund manager (see note 23).

##### **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 2021 were £428.3m (2019/20: £435.0m), which consisted of £426.6m restricted funds (2019/20: £427.4m) and £1.8m unrestricted funds (2019/20: £7.6m). Of the total restricted funds, £12.4m (2019/20: £7.1m) represents revenue reserves which are restricted by the donor for specific schools or projects.

The level of available reserves, defined as unrestricted reserves plus restricted GAG and other donations, is kept under close review by the directors as there is a need for schools to continue investing in their capital and infrastructure while holding adequate working capital.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Financial report for the year (continued)**

##### **Reserves policy and financial position (continued)**

The directors believe that schools should target an amount, equivalent to at least 3% of their annual operating income, for capital and infrastructure projects to ensure our school estate remains fit for purpose. We allow schools to include their capital and IT reserves in this target. Currently, 10 (2019/20: 12) schools fail to meet this threshold and we are working with them as part of our long-term planning process to improve the level of reserves they hold.

During the year, we transferred £5.6m (2019/20: £5.1m) from designated unrestricted funds to fund in year capital expenditure. The balance on our designated unrestricted fund is now £245k (2019/20: £5.9m). Each school is encouraged to have a dedicated IT reserve. These total £2.7m (2019/20: £2.2m) and this amount, alongside capital reserves, is included in the restricted fixed assets fund (see note 16 to the financial statements). This is to ensure that schools have adequate funds available to invest in updating their IT infrastructure.

£1.6m (2019/20: £0m) was transferred in year to restricted funds following a review of donations and the conditions stipulated for the specific grants.

Included within restricted funds is the pension reserve deficit of £90.4m (see note 20) (2019/20: £63.9m). The local government pension schemes to which this relates 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**

Nine schools in the network had a deficit in their revenue reserve at the end of the academic year (2019/20: 10). Arrangements are in place to support these schools through this difficult period by way of intra-academy loans with careful and strict monitoring of their financial budget and performance. All schools have detailed five-year plans and we expect all to return to financial sustainability over the medium term. The reserves of all schools are detailed in note 16.

##### **Investment policy**

All surplus funds are invested 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 can invest funds via Ark UK Programmes 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 2021**

#### **Risks and uncertainties**

The trustees 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 risks around schools re-opening, staff wellbeing, learning loss, and cyber risks.

Trustees also reviewed and discussed both the general and specific Covid-19 risk registers and focused throughout the year on the implications of external changes to regulation and statutory guidance for our schools, particularly in relation to safeguarding, finance, governance, and data protection.

#### **Risk management**

The trustees 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 trustees 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 control, 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 trustees in response to ongoing delivery and in line with all relevant guidance. Internal audit reports are used to inform Ark Schools' risk register and the internal audit programme for the year.

During the 2020/21 financial year, trustees continued to review the internal control environment across the education, operations, and finance teams. The trustees also continued to receive regular reports according to the Board assurance framework that had been broadened during the previous year to encompass oversight of provision across safeguarding, HR, finance, procurement, health and safety, fire safety, IT, data protection and information 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. The trustees assessed the major risks and uncertainties to which Ark Schools is exposed including:

- The effect of Covid-19 on our schools. At all times, trustees were concerned that our schools were safe, the impact on learning minimised, and that adequate measures were in place to protect our staff and students.
- The long-term effects of Covid-19 on our students and on staff wellbeing. As a result of this, specific long-term measures were put in place to support academic intervention, improve access to remote learning opportunities, and enhance the mental health of our students.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Risks and uncertainties (continued)**

##### **Risk management (continued)**

- The effect of the Covid-19 pandemic on our infrastructure and capital projects. Several capital projects were either delayed or have incurred additional costs due to shortages of materials in the supply chain.
- The risk of a failure of safeguarding and pastoral systems. We have dedicated training for our Designated Safeguarding Leads, safeguarding governors and wider staff. The Ark Schools Board has also appointed a safeguarding link trustee. Regular school audits are undertaken by the Head of Safeguarding and regular reporting and analysis of trends ensures we constantly review the effectiveness of our systems of control. We have implemented SENSO software monitoring on our pupil devices.
- The shortage of qualified teachers with many of our schools working hard to recruit the specialisms they require. We are concerned that there will be a high turnover of staff post-Covid. We are looking to expand the Ark Teacher Training programme and continue to invest in our teachers at all levels to minimise the effects and improve retention within our schools.
- Demographic trends that, despite the overall increase in the school population, means that some Ark schools are at risk of being undersubscribed. Ark Schools continues to work with local communities and encourages schools to work together to mitigate the impact of these changes.
- The risk of reserves being depleted due to financial overspends. All schools have sustainable business plans. Any item of exceptional spend, including spend on capital, must be authorised via a project expenditure request which itemises how the project is to be funded.
- Supplier fraud, especially due to the increased sophistication of attempts, continues to concern the trustees. Multi-factor authentication has been implemented to further protect the network. We remain vigilant and continue to train and re-train our staff around phishing activity to ensure everyone remains alert to the risks.
- Cyber-attack, given the increasing number of attacks within the sector. We have worked with our suppliers to ensure our systems are protected and backed up and that if we need to restore systems that can be done quickly and efficiently. We are constantly reviewing our set up and procedures to ensure our systems are as robust as they can be.

#### **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.

## **Directors' report (including strategic report)**

### **Year to 31 August 2021**

#### **Risks and uncertainties (continued)**

##### **Interest rate risk**

In accordance with ESFA's requirements, Ark Schools is not able to enter debt finance arrangements without the prior approval of the ESFA. In any case, with low prevailing interest rates, the trustees do not believe the charitable company is exposed to significant interest rate risk.

##### **Other risks**

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

##### **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 trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees' report, incorporating a strategic report, was approved by order of the Board of trustees, as the company trustees, on 16/12/2021 and signed on the Board's behalf by:

*Paul Marshall*

Sir Paul Marshall

Trustee

## **Governance statement Year to 31 August 2021**

### **Scope of responsibility**

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

The trustees 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 remotely five times during the last year and continued to operate effectively, reviewing a full range of reports as set out in the annual agenda plan and to respond to Covid-19.

The Board maintains additional oversight of Ark Schools' education and financial delivery and public funds in between meetings, including the review of management accounts, through updates on key strategic projects provided by correspondence, and regular meetings between the Chair and Managing Director.

Director	Number of meetings attended	Out of a possible
Christina Alexandrou	5	5
Ron Beller	3	5
Lord Fink	4	5
Gerard Griffin	3	5
Joanna Greenslade	5	5
Lucy Heller	5	5
Daniel Labbad	4	5
Sir Paul Marshall (Chair)	5	5
Riaz Shah	4	5
Anthony Williams	3	5

In addition to the Board meetings, Ark Schools operates a Risk and Audit Committee which is chaired by one of the trustees. This provides significant scrutiny outside of Board meetings, and regular updates on significant matters are shared by the Committee to the Board.

## Governance statement Year to 31 August 2021

### Committees

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 and investment and commercial income, and review compliance with the ESFA Academy Trust Handbook. Attendance at the Risk and Audit Committee meetings in the year was as follows:

Committee member	Number of meetings attended	Out of a possible
Riaz Shah (Chair)	5	5
Joanna Greenslade (Resigned August 2021)	5	5
*Steve Maslin (Resigned July 2021)	4	5
*Lucy Slinger	4	5

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

Gerard Griffin was appointed to the Risk and Audit Committee on 1 September 2021, following Joanna Greenslade's resignation.

### Governance reviews

The Board has implemented the recommendations of a self-evaluation exercise which took place in December 2019. We continue to review the skills on an annual basis across our Board, committee, and 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 of trustees where value for money can be improved, including the use of benchmarking data where available.

Ark Schools has delivered and improved value for money during the year by:

#### 1) Delivering results

Our schools provide a rich education across all subjects. Music, sport, learning outdoors and other activities are offered alongside the core curriculum. We are particularly proud of the strong support students receive as they make decisions about careers and higher education with more than 80% of our sixth formers going on to university this year and almost half going to a "top-third" university or a "top 100" apprenticeship provider. Our vision remains to ensure that all children, regardless of their background, have access to a great education and real choices in life.

## **Governance statement Year to 31 August 2021**

### **Review of value for money (continued)**

#### **2) Cost & budget management**

We have invested in strong regional finance teams to improve the quality of our budgeting and forecasting in schools, not only to ensure our schools break-even but to ensure those surpluses are targeted to ensure ongoing investment in infrastructure. Working closely with our Principals and Regional Directors, we have implemented a curriculum-led finance model to assess the efficiency of our staffing structures, concentrating on our priority schools. All our schools have five-year plans, and the expectation is that all our schools will be financially sustainable over the medium term.

#### **3) Procurement & financial controls**

The Ark Schools procurement policy requires schools to make purchases from approved suppliers to guarantee the best possible value for money. We have a central procurement team who support our schools in achieving value for money, either through organising centralised or regionalised procurements or via establishing framework deals. We are particularly pleased to have agreed new fixed unit price contracts for gas and electricity for our schools until 2023 prior to the recent price rises.

#### **4) The effects of the Covid-19 pandemic**

We worked with our suppliers when the Covid-19 pandemic initially struck, amending our contracts in line with guidance from the Cabinet Office and they continued to honour contracts in line with this guidance. Inevitably, schools have incurred additional costs around cleaning provision, and this will continue into the new academic year. Lettings activity has remained low within our schools as we actively encouraged visitors to stay away to protect the school environment.

#### **5) Increased Fundraising**

Ark have raised £8m for the Ark Schools Coronavirus Appeal. These funds will be targeted to digital transformation, academic intervention and mental health. £4.3m was raised from our trustees and other donors. We applied and were awarded match funding of £3.7m from the DCMS. £7m was received in the year to 31 August 2021, with £1m due in 2022. All costs of fundraising are covered by Ark.

### **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 2021 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The trustees have reviewed the main risks to Ark Schools together with the operating, financial and compliance controls in place to mitigate these risks. The trustees 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 2021 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the trustees.

## **Governance statement Year to 31 August 2021**

### **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. 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 trustees approved an extension to the Buzzacott contract to enable them to complete the programme of internal scrutiny for 2020/21 to provide independent assurance to the Board that its financial and other controls and risk management procedures were operating effectively. Reports are made available to the Board, Risk and Audit Committee, and local governing bodies of relevant schools. This year, the full schedule of visits was completed with 12 schools visited and data analytics completed for three schools and the Head Office. While some improvements to procedures have been recommended, no material control weaknesses were reported this year. As Buzzacott are also our external auditors, following the new ethical guidelines, we have retendered our internal audit for the 2021/22 academic year.

Detailed internal control checks are performed as part of the programme of visits and include the following:

- Detailed internal control checks on key areas of the Balance Sheet and Income and Expenditure Account.
- Budget setting and monitoring to include evidence of proper presentation to the local governing body and the scrutiny applied.
- Review of conflicts of interest to ensure that declarations of interest are being completed.
- Observation as to whether the school has entered into any education service level agreements with suppliers and the controls over those contracts.

## **Governance statement Year to 31 August 2021**

### **The Risk and Control Framework (continued)**

The Buzzacott internal audit report is one of several sources of assurance obtained by the Risk and Audit Committee from internal and external sources. Other reports include, but are not limited to, compliance of our Single Central Register, the condition of our buildings from independent building surveyors, and on fire safety and health and safety compliance from external consultants.

Ark Schools has implemented Multi-Factor Authentication to further protect our network against fraud. We had one instance of fraud during the year which resulted in a loss of £14,850, which required reporting to the ESFA. A full investigation, complete with learning lessons, took place.

### **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 and 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.

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 order of the Board of trustees on 16 December 2021 and signed on its behalf by:

*Paul Marshall*

Sir Paul Marshall  
Trustee

*Lucy Heller*

Lucy Heller  
Accounting Officer

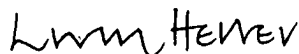
## **Statement of regularity, propriety, and compliance**

### **31 August 2021**

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 2020.

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 2020.

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



Lucy Heller  
Accounting Officer

Date: 16 December 2021

## Statement of directors' responsibilities 31 August 2021

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 which give a true and fair view of the state of affairs of the charitable company and the group and of the income and expenditure of the group 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 2020 to 2021.
- 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.
- 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 and group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and group 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 the group 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 and 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:

*Paul Marshall*

Sir Paul Marshall  
Trustee  
Date: 16 December 2021

## **Independent auditor's report on the financial statements 31 August 2021**

### **Independent auditor's report to the member of Ark Schools**

#### **Opinion**

We have audited the financial statements of Ark Schools (the 'charitable parent company') and its subsidiary (the 'group') for the year ended 31 August 2021 which comprise the group statement of financial activities, the group and charitable parent company balance sheets, the group 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, 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 2019) and the Academies Accounts Direction 2020 to 2021.

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group's and of the charitable parent company's affairs as at 31 August 2021, and of the group's income and expenditure for the period 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.
- ◆ have been prepared in accordance with the Charities SORP 2019 and Academies Accounts Direction 2020 to 2021.

#### **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 group 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 2021**

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or charitable parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the 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 trustees' report, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

## **Independent auditor's report on the financial statements**

### **31 August 2021**

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of directors**

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

In preparing the financial statements, the trustees are responsible for assessing the group's and the charitable parent 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 trustees either intend to liquidate the group or the charitable parent company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report on the financial statements**

### **31 August 2021**

#### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities, and skills to identify or recognise non-compliance with applicable laws and regulations.
- ◆ we identified the laws and regulations applicable to the group through discussions with management, and from our knowledge of the academy trust sector.
- ◆ the identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- ◆ we considered the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Companies Act 2006, the Charities SORP 2019, the Academies Accounts Direction 2020 to 2021, the Academies Financial Handbook 2020, and the academy trust's funding agreement with the ESFA as well as legislation pertaining to safeguarding in the UK.
- ◆ we understood how the group is complying with those legal and regulatory frameworks by making inquiries to management and those responsible for legal, compliance, and governance procedures. We corroborated our inquiries through our review of the minutes of trustees' meetings and the subsidiary company directors' meetings and papers provided to the trustees and directors.
- ◆ we planned and carried out a separate limited assurance engagement in respect of regularity, propriety, and compliance in accordance with the Framework and Guide for External Auditors and Reporting Accountants of Academy Trusts issued by the ESFA, as set out in our separate independent reporting accountant's assurance report on regularity.

## **Independent auditor's report on the financial statements**

### **31 August 2021**

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

We assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management and those charged with governance as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected, and alleged fraud.
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships.
- ◆ tested journal entries to identify unusual transactions.
- ◆ tested the authorisation of expenditure as part of our substantive testing thereon.
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias.
- ◆ used data analytics to identify any significant or unusual transactions and identify the rationale for them.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing financial statement disclosures to underlying supporting documentation.
- ◆ reviewing the minutes of trustees' meetings and subsidiary company directors' meetings.
- ◆ enquiring of management and those charged with governance as to actual and potential litigation and claims.
- ◆ reviewing any available correspondence with Ofsted, ESFA, and HMRC.
- ◆ the work undertaken in relation to the limited assurance engagement in respect of regularity, propriety, and compliance in accordance with the Framework and Guide for External Auditors and Reporting Accountants of Academy Trusts issued by the ESFA, as set out in our separate independent reporting accountant's assurance report on regularity.

## **Independent auditor's report on the financial statements**

### **31 August 2021**

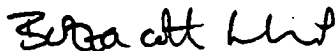
#### **Auditor's responsibilities for the audit of the financial statements** (continued)

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. International Standards on Auditing also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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



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

17 December 2021

## **Independent reporting accountant's report on regularity 31 August 2021**

### **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 2020 to 2021, 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 2020 to 31 August 2021 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 2020, 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 2020 to 2021. 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 2020 to 31 August 2021 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 Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts issued by ESFA.

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 2021**

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.
- ◆ 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 2020 to 31 August 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

17 December 2021

## Consolidated statement of financial activities

### Year to 31 August 2021

		Restricted funds					
		Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	2021 Total funds £'000	2020 Total funds £'000
<b>Income from:</b>							
Donations and capital grants							
Assets donated by DfE/LA	2	—	—	—	26,484	26,484	—
Other donations and capital grants	2	262	7,567	—	7,243	15,072	11,810
Other trading activities	3	695	—	—	—	695	1,398
Investments and interest receivable		5	—	—	—	5	15
<b>Income from charitable activities</b>							
Funding for Ark Schools' educational operations	4	2,223	205,947	—	—	208,170	193,414
Project management grants	5	—	285	—	—	285	423
Teaching School	27	—	239	—	—	239	239
Other income	6	3,909	231	—	—	4,140	4,204
<b>Total income</b>		<b>7,094</b>	<b>214,269</b>	<b>—</b>	<b>33,727</b>	<b>255,090</b>	<b>211,503</b>
<b>Expenditure on:</b>							
Raising funds	8a	335	326	—	7	668	795
<b>Charitable activities</b>							
Ark Schools' educational operations	8b	6,691	205,070	10,691	19,821	242,273	224,585
Development costs	8d	—	2,677	—	—	2,677	2,557
Teaching School	27	—	226	—	—	226	180
<b>Total expenditure</b>	7	<b>7,026</b>	<b>208,299</b>	<b>10,691</b>	<b>19,828</b>	<b>245,844</b>	<b>228,117</b>
<b>Net income (expenditure) before investment gains and losses</b>		<b>68</b>	<b>5,970</b>	<b>(10,691)</b>	<b>13,899</b>	<b>9,246</b>	<b>(16,614)</b>
Net gains on investments		—	23	—	—	23	41
<b>Net income (expenditure) before transfers</b>		<b>68</b>	<b>5,993</b>	<b>(10,691)</b>	<b>13,899</b>	<b>9,269</b>	<b>(16,573)</b>
Gross transfers between funds	16	(5,763)	(851)	—	6,614	—	—
<b>Net (expenditure) income</b>		<b>(5,695)</b>	<b>5,142</b>	<b>(10,691)</b>	<b>20,513</b>	<b>9,269</b>	<b>(16,573)</b>
<b>Other recognised gains and losses</b>							
Actuarial losses on defined benefit pension schemes	20	—	—	(15,895)	—	(15,895)	(891)
<b>Net movement in funds</b>		<b>(5,695)</b>	<b>5,142</b>	<b>(26,586)</b>	<b>20,513</b>	<b>(6,626)</b>	<b>(17,464)</b>
Fund balances brought forward at 1 September 2020	16	7,465	7,216	(63,856)	484,135	434,960	452,424
<b>Fund balances carried forward at 31 August 2021</b>		<b>1,770</b>	<b>12,358</b>	<b>(90,442)</b>	<b>504,648</b>	<b>428,334</b>	<b>434,960</b>

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. For the year ended 31 August 2021, this equated to an operational surplus of £6,061k which is made up of £68k unrestricted funds and £5,993k restricted general funds (2020: operational surplus of £4,778k) (see note 31 for a reconciliation).

## Balance sheets 31 August 2021

		2021		2020	
		Group £'000	Ark Schools £'000	Group £'000	Ark Schools £'000
<b>Fixed assets</b>					
Tangible assets	12	500,185	500,179	480,356	480,343
Investments		141	141	1,218	1,218
		<b>500,326</b>	<b>500,320</b>	<b>481,574</b>	<b>481,561</b>
<b>Current assets</b>					
Debtors	14	22,812	23,271	21,637	22,281
Short term deposits		1,288	1,288	1,287	1,287
Cash at bank and in hand		34,601	34,389	26,566	26,404
		<b>58,701</b>	<b>58,948</b>	<b>49,490</b>	<b>49,972</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(38,451)</b>	<b>(38,692)</b>	<b>(30,448)</b>	<b>(30,917)</b>
<b>Net current assets</b>		<b>20,250</b>	<b>20,256</b>	<b>19,042</b>	<b>19,055</b>
Total assets less current liabilities		<b>520,576</b>	<b>520,576</b>	<b>500,616</b>	<b>500,616</b>
<b>Creditors: amounts falling due after one year</b>	15	<b>(1,800)</b>	<b>(1,800)</b>	<b>(1,800)</b>	<b>(1,800)</b>
<b>Net assets excluding pension liability</b>		<b>518,776</b>	<b>518,776</b>	<b>498,816</b>	<b>498,816</b>
Pension scheme liability	20	<b>(90,442)</b>	<b>(90,442)</b>	<b>(63,856)</b>	<b>(63,856)</b>
<b>Net assets including pension liability</b>		<b>428,334</b>	<b>428,334</b>	<b>434,960</b>	<b>434,960</b>
<b>The funds of the charity</b>					
<b>Income funds</b>					
Restricted funds	16				
Fixed assets fund		504,648	504,648	484,135	484,135
General funds		12,358	12,358	7,216	7,216
Pension reserve		(90,442)	(90,442)	(63,856)	(63,856)
		<b>426,564</b>	<b>426,564</b>	<b>427,495</b>	<b>427,495</b>
Unrestricted funds	16				
General funds		1,525	1,525	1,507	1,507
Designated funds		245	245	5,958	5,958
		<b>1,770</b>	<b>1,770</b>	<b>7,465</b>	<b>7,465</b>
		<b>428,334</b>	<b>428,334</b>	<b>434,960</b>	<b>434,960</b>

Approved by the Board of directors and signed on their behalf by: Sir Paul Marshall

*Paul Marshall*

Date: 16<sup>th</sup> December 2021

Company registration number: 05112090 (England and Wales)

## Consolidated statement of cash flows

### Year to 31 August 2021

	Notes	2021 £'000	2020 £'000
<b>Net cash flows from operating activities</b>			
Net cash provided by operating activities	A	5,063	8,108
<b>Cash flows from investing activities</b>	B	2,973	(4,047)
<b>Change in cash and cash equivalents in the reporting period</b>		8,036	4,061
<b>Cash and cash equivalents at the start of the period</b>	C	27,853	23,792
<b>Cash and cash equivalents at the end of the period</b>	C	35,889	27,853

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

	2021 £'000	2020 £'000
<b>Net income (expenditure) (as per the statement of financial activities)</b>	9,269	(16,573)
<b>Adjustments for:</b>		
Capital funding grants	(15,072)	(7,858)
Donated tangible fixed assets recognised at valuation/cost	(26,484)	—
Defined benefit pension scheme service cost adjustment (note 20)	9,655	9,297
Defined benefit pension scheme finance cost adjustment (note 20)	1,036	935
Net gains on investments	(23)	(41)
Depreciation (note 12)	19,828	18,960
Gain on disposal of tangible fixed assets (note 12)	31	15
Interest receivable	(5)	(15)
(Increase) decrease in debtors	(1,175)	993
Increase in creditors	8,003	2,395
<b>Net cash provided by operating activities</b>	5,063	8,108

#### B Cash flows from investing activities

	2021 £'000	2020 £'000
Purchase of tangible fixed assets	(13,204)	(11,920)
Investing activities	1,100	—
Capital grants received	15,072	7,858
Investment income received	5	15
<b>Net cash used in investment activities</b>	2,973	(4,047)

#### C Analysis of cash and cash equivalents

	At 31 August 2021 £'000	At 31 August 2020 £'000
Cash at bank and in hand	34,601	26,566
Short term deposits	1,288	1,287
<b>Total cash and cash equivalents</b>	35,889	27,853

## Consolidated statement of cash flows

### Year to 31 August 2021

#### D Analysis of changes in net debt

	At 1 September 2020 £'000	Cash flows £'000	At 31 August 2021 £'000
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	26,566	8,035	<b>34,601</b>
Cash equivalents – short term deposits	1,287	1	<b>1,288</b>
	<b>27,853</b>	<b>8,036</b>	<b>35,889</b>
<b>Debt</b>			
ESFA loan	(1,800)	–	<b>(1,800)</b>
	<b>26,053</b>	<b>8,036</b>	<b>34,089</b>

## **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 FRS 102), the Academies Accounts Direction 2020 to 2021 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 have considered the impact of the Covid-19 pandemic on our operations, with a particular focus on its effects on the financial position, including income, expenditure and reserves, our beneficiaries and employees. The directors acknowledge the disruption caused by the pandemic to the day-to-day operations, but do not consider the pandemic to be a cause for material uncertainty in respect of Ark Schools' ability to continue as a going concern.

The directors make this going concern assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements. The directors have concluded that Ark Schools has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about 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 (GAG) 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 the trust is deemed to be entitled to the funds subject to any conditions being met. Such conditions may include Ark Schools approving and contractually committing to the project being funded; and sufficient funding being secured by Ark Schools to fully fund the capital project. Capital grants are not deferred over the life of the asset on which they are expended.

### **Sponsorship income**

Sponsorship income provided to 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 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 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 or where they are gifted, 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 (or original valuation, taken subsequently to be the deemed 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.
♦ Freehold & leasehold buildings	2% p.a.
♦ Leasehold improvements	2% to 25% 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**

### **Tangible fixed assets (continued)**

As Ark Schools only enjoys the benefits of the premises subject to the restrictions under the PFI agreement over the initial 25-year 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 funds represent 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 at 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 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 either to LGPS or TPS depending on their role unless they opt out and request to join TPT. 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 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**

### **Critical accounting estimates and areas of judgement (continued)**

- ◆ 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 2019 has been used by the actuary in valuing the pensions liability at 31 August 2021. 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.
- ◆ The values attributed to donated assets (other than properties) are initially recognised based on the estimated commercial value of the asset at the time of the donation.

## Notes to the financial statements 31 August 2021

### 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 2021 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 current or prior years.

### 2. Donations and capital grants

	Unrestricted general funds £'000	Restricted general funds £'000	Restricted fixed assets fund £'000	2021 Total funds £'000	2020 Total funds £'000
<b>2021</b>					
Donations – capital grant ESFA	—	—	2,278	<b>2,278</b>	2,495
Devolved formula capital allocations	—	—	575	<b>575</b>	549
Academy main building grants	—	—	2,359	<b>2,359</b>	3,372
Tangible fixed assets donated by DfE/local authorities (note 12)	—	—	24,869	<b>24,869</b>	—
Digital Devices donated by DfE	—	—	1,615	<b>1,615</b>	—
Local authority ICT capital grants	—	—	338	<b>338</b>	353
Donations – other	217	1,064	—	<b>1,281</b>	1,219
Donations – Ark (note 23)	45	1,120	2	<b>1,167</b>	3,329
Ark Schools Coronavirus Fund					
Ark	—	1,670	1,691	<b>3,361</b>	—
DCMS grant via Ark	—	3,713	—	<b>3,713</b>	—
Endowment withdrawal from Ark UK Programmes (note 24)	—	—	—	—	493
	<b>262</b>	<b>7,567</b>	<b>33,727</b>	<b>41,556</b>	<b>11,810</b>

	Unrestricted general funds £'000	Restricted general funds £'000	Restricted fixed assets fund £'000	2020 Total funds £'000
<b>2020</b>				
Donations – capital grant ESFA	—	—	2,495	2,495
Devolved formula capital allocations	—	—	549	549
Academy main building grants	—	—	3,372	3,372
Local authority ICT capital grants	—	58	295	353
Donations – other	221	344	654	1,219
Donations – Ark (note 23)	—	3,329	—	3,329
Endowment withdrawal from Ark UK Programmes (note 23)	—	—	493	493
	<b>221</b>	<b>3,731</b>	<b>7,858</b>	<b>11,810</b>

## Notes to the financial statements 31 August 2021

### 3. Other trading activities

	Unrestricted funds	
	2021 £'000	2020 £'000
Nursery fees	218	580
Hire of facilities	477	818
	<b>695</b>	<b>1,398</b>

### 4. Funding for Ark Schools' educational operations

Year to 31 August 2021	Unrestricted general funds £'000	Restricted general funds £'000	2021 Total funds £'000	2020* Total funds £'000
<b>DfE/ESFA revenue grants</b>				
General annual grant (GAG)	—	171,598	<b>171,598</b>	162,359
Other DfE / ESFA grants				
Universal Infant Free School Meals	—	1,186	<b>1,186</b>	1,325
Start up A	—	268	<b>268</b>	271
Start up B	—	240	<b>240</b>	23
Pupil Premium	—	12,225	<b>12,225</b>	11,759
Other DfE Group grants	—	8,001	<b>8,001</b>	6,055
	<b>—</b>	<b>193,518</b>	<b>193,518</b>	<b>181,792</b>
<b>Other grants</b>				
Local authority funding	—	8,555	<b>8,555</b>	8,029
Extended schools programme	219	—	<b>219</b>	317
Miscellaneous grants (Note 23)	—	332	<b>332</b>	194
	<b>219</b>	<b>8,887</b>	<b>9,106</b>	<b>8,540</b>
<b>Other income</b>				
School meals income	1,806	—	<b>1,806</b>	2,120
School uniform sales	55	—	<b>55</b>	34
Parent contributions to school trip costs	143	—	<b>143</b>	297
	<b>2,004</b>	<b>—</b>	<b>2,004</b>	<b>2,451</b>
<b>COVID-19 additional funding (DfE/ESFA)</b>				
Catch-up premium	—	1,513	<b>1,513</b>	—
Other DfE/ESFA COVID-19 funding	—	1,108	<b>1,108</b>	610
	<b>—</b>	<b>2,621</b>	<b>2,621</b>	<b>610</b>
<b>COVID-19 additional funding (non-DfE /ESFA)</b>				
Mass testing funding	—	914	<b>914</b>	—
Coronavirus Job Retention Scheme grant	—	7	<b>7</b>	21
	<b>—</b>	<b>921</b>	<b>921</b>	<b>21</b>
	<b>2,223</b>	<b>205,947</b>	<b>208,170</b>	<b>193,414</b>

All catch-up premium funding from the ESFA has been fully utilised during the year of report.

## Notes to the financial statements 31 August 2021

### 4. Funding for Ark Schools' educational operations (continued)

The trust furloughed its nursery staff under the government's Coronavirus Job Retention Scheme (CJRS). The funding received of £7,000 (2020: £21,000) relates to staff costs in respect of six staff which are included within note 9 as appropriate.

\*Following the reclassification in the Academies Accounts Direction 2020/21 of some grants received from the DfE and ESFA, the trust's funding for Universal Infant Free School Meals and Pupil Premium is no longer reported under the Other DfE Group grants heading, but as separate lines under the Other DfE/ESFA grants heading. The prior year numbers have been reclassified.

<i>Year to 31 August 2020</i>	<i>Unrestricted general funds £'000</i>	<i>Restricted general funds £'000</i>	<i>2020 Total funds £'000</i>
<b>DfE/ESFA revenue grants</b>			
General annual grant (GAG)	—	162,359	162,359
<b>Other DfE / ESFA grants</b>			
Universal Infant Free School Meals	—	1,325	1,325
Start-up A	—	271	271
Start-up B	—	23	23
Pupil Premium	—	11,759	11,759
Other DfE/ESFA grants	—	6,055	6,055
	<u>—</u>	<u>181,792</u>	<u>181,792</u>
<b>Other grants</b>			
Local authority funding	—	8,029	8,029
Extended schools programme	317	—	317
Miscellaneous grants	—	194	194
	<u>317</u>	<u>8,223</u>	<u>8,540</u>
<b>Other income</b>			
School meals income	2,120	—	2,120
School uniform sales	34	—	34
Parent contributions to school trip costs	297	—	297
	<u>2,451</u>	<u>—</u>	<u>2,451</u>
<b>COVID-19 additional funding (DfE/ESFA)</b>			
Other DfE/ESFA COVID-19 funding	—	610	610
	<u>—</u>	<u>610</u>	<u>610</u>
<b>Exceptional government funding</b>			
Coronavirus Job Retention Scheme grant	—	21	21
	<u>—</u>	<u>21</u>	<u>21</u>
	<u>2,768</u>	<u>190,646</u>	<u>193,414</u>

## Notes to the financial statements 31 August 2021

### 5. Project management grants

	Restricted general funds	
	2021 £'000	2020 £'000
Academies programme	285	423

Project management grants are received from the DfE in relation to activities in preparation for the opening of new academies and academy building projects.

### 6. Other income

	2021 £'000	2020 £'000
Miscellaneous income	4,140	4,204

Miscellaneous income comprises self-generated income including income derived from Ark Teacher Training, network programmes, and consultancy services, including £231k relating to restricted funds (2020: nil).

### 7. Expenditure

Year to 31 August 2021	Staff costs (note 9) £'000	Premises £'000	Other costs £'000	Total 2021 £'000	Total 2020 £'000
Raising funds (note 8a)					
Direct costs	383	7	—	390	83
Support costs	170	72	36	278	712
	553	79	36	668	795
Educational operations (note 8b)					
Direct costs	105,492	19,772	12,284	137,548	131,860
Educational support costs	74,180	1,682	28,732	104,594	92,554
Governance costs (note 8c)	—	—	131	131	171
	179,672	21,454	41,147	242,273	224,585
Development costs (note 8d)	549	12	2,116	2,677	2,557
Teaching School (note 27)	220	6	—	226	180
	180,994	21,551	43,299	245,844	228,117

## Notes to the financial statements 31 August 2021

### 7. Expenditure (continued)

<b>Year to 31 August 2020</b>	<b>Staff costs (note 9) £'000</b>	<b>Premises £'000</b>	<b>Other costs £'000</b>	<b>Total 2020 £'000</b>
<i>Raising funds (note 8a)</i>				
Direct costs	71	7	5	83
Support costs	568	123	21	712
	639	130	26	795
<i>Charitable activities (note 8b)</i>				
Direct costs	103,892	18,929	9,039	131,860
Educational support costs	63,478	14,827	14,249	92,554
Governance costs (note 8c)	—	—	171	171
	167,370	33,756	23,459	224,585
<i>Development costs (note 8d)</i>	210	149	2,198	2,557
<i>Teaching School (note 27)</i>	179	—	1	180
	168,398	34,035	25,684	228,117

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

	<b>2021 £'000</b>	<b>2020 £'000</b>
Operating lease rentals		
Plant and machinery	776	676
Depreciation	19,828	18,960
Loss (gain) on disposal of fixed assets	(31)	15
Fees payable to external auditor for:		
Statutory audit services	121	122
Other services	10	49
Cash losses (see below)	15	12

### Cash losses

There was one instance of fraud in the year which led to a cash loss of £14,850. This was a highly sophisticated invoice fraud, which was fully investigated, and led to our processes being reviewed across Ark Schools as we looked to further strengthen our controls.

The matter was reported to the police and the ESFA. Multi-factor authentication was rolled out throughout the network during the year, and this has reduced the number of incidents being registered.

## Notes to the financial statements 31 August 2021

### 8a. Cost of raising funds

	2021 Total funds £'000	2020 Total funds £'000
Lettings and nursery	668	795

The surplus from trading activities totalled £0.2m in the year (2020: surplus of £0.5m). See note 13.

### 8b. Ark Schools' charitable educational operations

	2021 Total funds £'000	2020 Total funds £'000
<b>Direct costs</b>		
Staff costs	105,492	103,892
Depreciation	19,828	18,929
Educational supplies	6,980	3,799
Examination fees	1,528	1,455
Transport costs	120	150
Other pupil support costs	3,100	3,061
Extended schools programme	500	574
	<b>137,548</b>	<b>131,860</b>
<b>Educational support costs</b>		
Staff costs	74,180	63,478
Recruitment and other staff costs	1,682	2,411
Catering contract	5,111	4,044
Printing and stationery	1,834	1,697
Office overhead	368	222
Heat and light	3,010	2,850
Premises (including buildings insurance)	13,398	11,574
Legal costs – conversion	–	16
Legal costs – other	51	156
Technology costs	2,502	2,461
Finance costs and interest/charges payable	1,059	1,221
Other expenses	1,311	2,241
Small equipment less than £2,000 expensed	119	168
(Gain) Loss on disposal of tangible fixed assets	(31)	15
	<b>104,594</b>	<b>92,554</b>
Governance costs (note 8c)	131	171
	<b>242,273</b>	<b>224,585</b>

## Notes to the financial statements 31 August 2021

### 8c. Governance costs

	2021 Total funds £'000	2020 Total funds £'000
Audit of group financial statements*		
· Current year	118	122
· Prior year under provision	3	—
· Other compliance costs	2	17
Other expenses including internal audit services	8	32
	<b>131</b>	<b>171</b>

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

### 8d. Other development costs

	2021 Total funds £'000	2020 Total funds £'000
<b>Project implementation</b>		
Staff costs	549	210
Building costs	12	149
Project implementation	44	98
Research and marketing	224	291
Miscellaneous costs	19	184
	<b>848</b>	<b>932</b>
<b>Continuing professional development</b>		
Education development	774	659
Staff training and induction	1,055	966
	<b>1,829</b>	<b>1,625</b>
	<b>2,677</b>	<b>2,557</b>

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.

## Notes to the financial statements 31 August 2021

### 9. Staff

#### a. Staff costs

Staff costs during the period were as follows:

	2021 £'000	2020 £'000
Wages and salaries	127,100	117,567
Social security costs	12,579	11,595
Pension costs	33,897	31,711
Apprenticeship levy	615	559
	<b>174,191</b>	<b>161,432</b>
Supply staff costs	6,039	6,761
Severance	215	205
Redundancy	549	—
	<b>180,994</b>	<b>168,398</b>

#### b. Staff severance payments

Included in staff reorganisation costs were non-statutory/non-contractual severance payments totalling £215,457 (2020: £205,106). Individually, the payments were: £1,796, £3,797, £4,000, £4,312, £8,309, £11,108, £15,083, £16,289, £16,889, £17,138, £27,197, £30,000, £30,000, £31,335.

There were no redundancy payments in 2020 due to the pandemic.

#### c. Staff numbers

The average full-time equivalent number of persons employed by the group during the year ended 31 August 2021, analysed by function, was as follows:

	2021 No.	2020 No.
<b>Charitable activities</b>		
Teachers	1,624	1,570
Education support and administration staff	1,532	1,535
Management	154	135
	<b>3,310</b>	<b>3,240</b>

The average gross number of persons employed by the group during the year ended 31 August 2021, analysed by function, was as follows:

	2021 No.	2020 No.
<b>Charitable activities</b>		
Teachers	1,682	1,630
Education support and administration	1,877	1,882
Management	159	140
	<b>3,718</b>	<b>3,652</b>

## Notes to the financial statements 31 August 2021

### 9. Staff (continued)

#### 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:

	2021 Number	2020 Number
£60,001 - £70,000	136	138
£70,001 - £80,000	64	47
£80,001 - £90,000	35	28
£90,001 - £100,000	16	14
£100,001 - £110,000	11	6
£110,001 - £120,000	3	4
£120,001 - £130,000	4	3
£130,001 - £140,000	4	4
£140,001 - £150,000	3	3
£160,001 - £170,000	1	1
£170,001 - £180,000	2	2
	<b>279</b>	<b>250</b>

### 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, which was paid by Ark Schools was £742,854 (2020: £699,981).

The total amount of employee benefits paid by Ark Schools received by the Managing Director, Lucy Heller, was nil (2020: nil). 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 £194,837 (2020: £191,017). There was an additional £18,078 paid in lieu of 10% pensions (2020: £19,102).

### 11. Central services/holdback

The central team at Ark Schools fulfils several functions. These include education support, training/CPD coordination, HR, financial and management accounting, 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.
- New project management service.

## **Notes to the financial statements 31 August 2021**

### **11. Central services/holdback (continued)**

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 the general annual grant 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 2021

### 11. Central services/holdback (continued)

	2021 £'000	2020 £'000
<b>All through Schools</b>		
Ark	393	380
Burlington Danes	382	408
Globe	399	385
Isaac Newton	414	384
John Keats	419	377
Kings	244	239
King Solomon	299	277
Victoria	338	329
<b>Secondary Schools</b>		
Acton	313	300
Alexandra	341	326
All Saints	242	240
Blake	52	0
Bolingbroke	199	191
Boulton	261	257
Charter	238	208
Elvin	316	280
Evelyn Grace	209	222
Greenwich	189	175
Pioneer	89	48
Putney	238	228
St Alban's	265	233
Walworth	356	343
<b>Primary Schools</b>		
Atwood	89	88
Ayrton	95	90
Bentworth	47	50
Brunel	89	88
Blacklands	101	92
Byron	70	60
Castledown	71	68
Conway	51	50
Dickens	94	91
Franklin	123	118
John Archer	66	66
Little Ridge	72	68
Oval	124	111
Priory	83	78
Swift	57	64
Tindal	89	89
<b>Total central services income</b>	<b>7,517</b>	<b>7,101</b>

## Notes to the financial statements 31 August 2021

### 12. Tangible fixed assets

Group	Freehold land and buildings £'000	Long leasehold buildings £'000	Leasehold improvements £'000	IT equipment £'000	Furniture, and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>								
At 1 September 2020	16,550	514,522	14,722	25,384	23,977	114	2,930	598,199
Reclassifications	—	—	393	—	—	—	(393)	—
Additions	—	24,697	2,458	6,303	1,354	—	4,876	39,688
Disposals	—	—	(6)	(2,499)	(6)	—	(3)	(2,514)
At 31 August 2021	16,550	539,219	17,567	29,188	25,325	114	7,410	635,373
<b>Depreciation</b>								
At 1 September 2020	567	73,255	1,981	22,911	19,021	108	—	117,843
Charge for the year	331	11,185	740	5,263	2,306	3	—	19,828
Disposals	—	—	—	(2,483)	—	—	—	(2,483)
At 31 August 2021	898	84,440	2,721	25,691	21,327	111	—	135,188
<b>Net book value</b>								
At 31 August 2021	15,652	454,779	14,846	3,497	3,998	3	7,410	500,185
At 31 August 2020	15,983	441,267	12,741	2,473	4,956	6	2,930	480,356

Ark Schools	Freehold land and buildings £'000	Long leasehold buildings £'000	Leasehold improvements £'000	IT equipment £'000	Furniture, and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>								
At 1 September 2020	16,550	514,522	14,722	25,384	23,954	114	2,930	598,176
Reclassifications	—	—	393	—	—	—	(393)	—
Additions	—	24,697	2,458	6,299	1,354	—	4,876	39,684
Disposals	—	—	(6)	(2,499)	(6)	—	(3)	(2,514)
At 31 August 2021	16,550	539,219	17,567	29,184	25,302	114	7,410	635,346
<b>Depreciation</b>								
At 1 September 2020	567	73,255	1,981	22,911	19,011	108	—	117,833
Charge for the year	331	11,185	740	5,259	2,298	3	—	19,816
Disposals	—	—	—	(2,482)	—	—	—	(2,482)
At 31 August 2021	898	84,440	2,721	25,688	21,309	111	—	135,167
<b>Net book value</b>								
At 31 August 2021	15,652	454,779	14,846	3,496	3,993	3	7,410	500,179
At 31 August 2020	15,983	441,267	12,741	2,473	4,943	6	2,930	480,343

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.

Ark Blake Academy, a new free school, opened to students on 1 September 2020. The school acquired a new building developed by the DfE and provided to the trust under a long-term lease arrangement. An amount of £24,697,000 has been included within additions above in respect of this donated asset. A corresponding amount is included within income – see note 2.

## Notes to the financial statements 31 August 2021

### 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 2021, which has been included in the consolidated financial statements.

During the year ended 31 August 2021, the company's principal activities were the provision of nursery education, fees for licence to occupy land, and the letting of facilities through a number of schools operated by Ark Schools.

	2021 £'000	2020 £'000
Turnover	886	1,262
Cost of sales	(666)	(793)
Gross profit	220	469
Administrative expenses	(2)	(2)
Other income	—	—
Retained profit before charitable donation under Gift Aid at 31 August	218	467
Charitable donation under Gift Aid	(218)	(467)
Retained profit after charitable donation under Gift Aid at 31 August	—	—
Retained earnings brought forward at 1 September 2020	—	—
Retained earnings carry forward at 31 August 2021	—	—

The £1 issued share capital of Ark Academies Projects Limited is wholly owned by Ark Schools.

### 14. Debtors

	Group 2021 £'000	Ark Schools 2021 £'000	Group 2020 £'000	Ark Schools 2020 £'000
Trade debtors	714	716	2,034	2,034
Amounts due from DfE/ESFA	4,412	4,412	3,794	3,794
Sponsorship due from Ark	11,037	11,037	10,566	10,566
Other debtors	157	157	69	58
Prepayments and accrued income	4,426	4,406	3,396	3,396
Amounts due from subsidiary	—	477	—	655
VAT recoverable	2,066	2,066	1,778	1,778
	22,812	23,271	21,637	22,281

## Notes to the financial statements 31 August 2021

### 15. Creditors: amounts falling due within one year

	Group 2021 £'000	Ark Schools 2021 £'000	Group 2020 £'000	Ark Schools 2020 £'000
Trade creditors	4,496	4,496	3,961	3,961
Taxation and social security	3,579	3,579	3,000	3,000
Accruals	9,021	9,007	6,639	6,639
Deferred income	19,248	19,242	13,867	13,867
ESFA creditor – abatement of GAG	485	485	857	857
Other creditors	1,622	1,622	2,124	2,040
Amounts owed to subsidiary	—	261	—	553
	<b>38,451</b>	<b>38,692</b>	<b>30,448</b>	<b>30,917</b>

	2021 £'000	2020 £'000
<b>Deferred income</b>		
Deferred income at 1 September	13,867	9,316
Amounts deferred in the year	9,720	7,739
Amounts released from previous years	(4,339)	(3,188)
Deferred income at 31 August	<b>19,248</b>	<b>13,867</b>

During the year ended 31 August 2021, Ark Schools received funding in advance for Universal Infant Free School Meals for the period September 2021 to March 2022 and from local authority sources (Special Educational Needs, Early Years and Foundation Stage and other local authority income). The balance of deferred income also includes capital grant funding which has not yet been recognised as income due to conditions of entitlement not being met at the balance sheet date.

### Creditors: amounts falling due after one year

	Group 2021 £'000	Ark Schools 2021 £'000	Group 2020 £'000	Ark Schools 2020 £'000
ESFA loan	1,800	1,800	1,800	1,800
	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>

The above loan relates to an advance made by the ESFA to Ark Schools in 2018/19 for Ark William Parker Academy, which merged with Ark Helenswood Academy to become Ark Alexandra Academy on 1 September 2019. In line with the proposed repayment schedule, this loan has been classified as a long-term liability.

## Notes to the financial statements 31 August 2021

### 16. Funds

Group	At 1 September 2020 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2021 £'000
<b>Restricted fixed assets fund</b>					
DfE fixed assets fund	193,948	26,484	(5,404)	—	215,028
Ark sponsorship fixed assets fund	1,747	2	(59)	—	1,690
Devolved Formula Capital and School Condition Allocation	4,277	2,853	(4,663)	—	2,467
Other fixed assets funds	284,163	2,697	(8,856)	6,614	284,618
Ark Schools Coronavirus Fund	—	1,691	(846)	—	845
	<u>484,135</u>	<u>33,727</u>	<u>(19,828)</u>	<u>6,614</u>	<u>504,648</u>
<b>Restricted general funds</b>					
General Annual Grant (GAG) (note 4)	4,110	171,598	(165,428)	(1,399)	8,881
Start up and lead in (note 4)	213	508	(721)	—	—
Pupil Premium	—	12,225	(12,225)	—	—
Universal Infant Free School Meals	—	1,186	(1,186)	—	—
Catch-up premium	—	1,513	(1,513)	—	—
Other DfE/ESFA grants (note 4)	—	8,001	(8,001)	—	—
Coronavirus Job Retention Scheme grant	—	7	(7)	—	—
Other DfE/ESFA COVID-19 funding	—	1,108	(1,108)	—	—
Other non-DfE/ESFA COVID-19 funding	—	914	(914)	—	—
Donations from Ark					
Ark Schools Coronavirus Fund	—	1,670	(1,670)	—	—
DCMS Grant	—	3,713	(3,713)	—	—
Ark Program Grants	—	1,120	(1,120)	1,482	1,482
Teaching School	—	239	(226)	—	13
UK programmes – grants	1,218	—	—	(767)	451
Local authority grants	343	8,555	(8,555)	(232)	111
Other donations	1,332	1,912	(1,912)	88	1,420
	<u>7,216</u>	<u>214,269</u>	<u>(208,299)</u>	<u>(828)</u>	<u>12,358</u>
<b>Pension reserve</b>	<u>(63,856)</u>	<u>—</u>	<u>(10,691)</u>	<u>(15,895)</u>	<u>(90,442)</u>
<b>Total restricted funds</b>	<u>427,495</u>	<u>247,996</u>	<u>(238,818)</u>	<u>(10,109)</u>	<u>426,564</u>
<b>Unrestricted funds</b>					
Unrestricted general funds					
Other unrestricted funds	1,507	7,094	(6,926)	(150)	1,525
Designated funds	5,958	—	(100)	(5,613)	245
<b>Total unrestricted funds</b>	<u>7,465</u>	<u>7,094</u>	<u>(7,026)</u>	<u>(5,763)</u>	<u>1,770</u>
<b>Total funds</b>	<u>434,960</u>	<u>255,090</u>	<u>(245,844)</u>	<u>(15,872)</u>	<u>428,334</u>

## Notes to the financial statements 31 August 2021

### 16. Funds (continued)

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 funding received from central/local government and other donors for capital 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 general funds or unrestricted funds to the restricted fixed assets fund are made where a shortfall exists in the capital reserves available to fully fund the cost of tangible fixed assets owned by Ark Schools.

#### **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 2021. 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 balances relate to amounts set aside for specific future projects. During the year, we transferred £5.6m (2020: £5.1m) from designated unrestricted funds to fund in year capital expenditure. The balance on our designated unrestricted fund is now £245k (2020: £5.9m).

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 2021

### 16. Funds (continued)

#### Unrestricted funds (continued)

#### Analysis of fund balance by academy

The table below provides further analysis of the fund balances attributable to each school and the central function including:

- ◆ **Revenue reserves**, comprising the aggregate balance of the restricted general funds and unrestricted funds.
- ◆ **Capital reserves** being funding received by schools to address their own priorities but unspent at the balance sheet date. The funds will be used for improvements to buildings and other facilities including repairs, refurbishment, and minor works.
- ◆ **General Capital reserves** representing funds set aside for specific contractual reasons (maintenance on sports facilities etc.) These balances are included as part of Ark Schools' restricted fixed assets fund.
- ◆ **IT reserves**, being other amounts designated as at the balance sheet date for future expenditure on IT equipment and upgrades.

## Notes to the financial statements 31 August 2021

### 16. Funds (continued)

#### Analysis of fund balance by academy (continued)

	2021 Revenue reserves £'000	2021 Capital reserves £'000	2021 General Capital reserves £'000	2021 IT reserves £'000	2021 Total reserves £'000	2020 Total reserves £'000
<b>All through Schools</b>						
Ark	1,417	23	30	46	1,516	1,062
Burlington Danes	556	—	—	34	590	528
Globe	603	73	—	80	756	975
Isaac Newton	461	106	—	40	607	127
John Keats	520	39	—	267	826	690
Kings	1,347	92	—	214	1,653	1,397
King Solomon	1,180	6	—	112	1,298	2,248
Victoria	633	49	—	209	891	913
<b>Secondary Schools</b>						
Acton	11	38	—	90	139	(44)
All Saints	731	41	—	95	867	1,049
Alexandra	(5,084)	33	41	75	(4,935)	(4,114)
Blake	(411)	—	—	—	(411)	—
Bolingbroke	(894)	14	—	8	(872)	(1,382)
Boulton	1,383	84	—	222	1,689	1,377
Charter	(901)	4	—	210	(687)	(940)
Elvin	968	151	—	106	1,225	884
Evelyn Grace	715	123	—	143	981	1,102
Greenwich	950	39	—	65	1,054	1,132
Pioneer	(145)	7	—	—	(138)	(235)
Putney	(1,417)	37	—	42	(1,338)	(1,543)
St Alban's	(159)	55	—	54	(50)	(279)
Walworth	415	25	—	284	724	640
<b>Primary Schools</b>						
Atwood	561	57	—	16	634	604
Ayrton	488	14	—	4	506	465
Bentworth	20	12	—	28	60	36
Brunel	306	16	—	—	322	184
Blacklands	426	50	—	45	521	379
Byron	115	63	—	—	178	172
Castledown	457	44	—	11	512	451
Conway	82	31	—	19	132	212
Dickens	386	46	—	15	447	421
Franklin	1,362	69	—	—	1,431	1,229
John Archer	(368)	28	—	22	(318)	(205)
Little Ridge	121	2	—	38	161	88
Oval	(101)	35	—	91	25	(195)
Priory	294	54	—	8	356	354
Swift	(679)	17	—	33	(629)	(333)
Tindal	1,071	14	—	36	1,121	1,400
Birmingham Teaching School	113	—	—	—	113	100
Ark Schools Central	6,595	39	—	—	6,634	7,524
	14,128	1,630	71	2,762	18,591	18,473

## Notes to the financial statements 31 August 2021

### 16. Funds (continued)

#### Analysis of fund balance by academy (continued)

	2021 £'000	2020 £'000
Total revenue reserves (as per above)	14,128	14,681
Fixed asset fund (including unspent capital reserves above)	504,648	484,135
Pension reserve	(90,442)	(63,856)
<b>Total</b>	<b>428,334</b>	<b>434,960</b>

- ◆ Alexandra Academy had a net funds deficit of £4,935k as at the 31 August 2021 (2020: deficit of £4,115k). This new school was created through the merger of William Parker with Helenswood from September 2019. The school is expected to move to sustainability in the medium term. It continues to be supported by Ark Schools and by a £1.8m loan from the DFE.
- ◆ Blake Academy had a net funds deficit of £411k at 31 August 2021 (2020: n/a). Blake is a new start school in the year and as pupil numbers grow through the secondary phase, it will recover to achieve a balance of its funds.
- ◆ Bolingbroke Academy had a net funds deficit of £872k at 31 August 2021 (2020: deficit of £1,382k). Bolingbroke is now generating in year surpluses and is expected to return to a financial equilibrium in the medium term.
- ◆ Charter Academy had a net funds deficit of £687k at 31 August 2021 (2020: deficit of £940k). Charter is now generating in year surpluses and is expected to return to financial equilibrium in the medium term.
- ◆ Pioneer had a net funds deficit of £138k at 31 August 2021 (2020: 235k). The academy was opened on 1 September 2018 with only one year group and as pupil numbers grow through the secondary phase, it will recover to achieve a balance of its funds.
- ◆ Putney Academy had a net funds deficit of £1338k at 31 August 2021 (2020: deficit of £1,543k). Putney is now generating in year surpluses and is expected to return to financial equilibrium in the medium term.
- ◆ St Alban's Academy had a net funds deficit of £50k at 31 August 2021 (2020: deficit of £279k). The academy is expected to return to a financial equilibrium in the current financial year.
- ◆ John Archer has a net funds deficit of £318k at 31 August 2021 (2020: deficit of £205k). John Archer has a sustainable business plan and is expected to start generating surpluses within the next three years.
- ◆ Swift Academy had a net funds deficit of £629k at 31 August 2021 (2020: deficit of £333k). Swift will benefit from a new building in the next couple of years as it is part of the development of the EdCity site in White City. The long-term outlook for the school is positive.

# Notes to the financial statements 31 August 2021

## 16. Funds (continued)

### Comparative information

<b>Group</b>	<b>At 1 September 2019 £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Transfers and other gains and losses £'000</b>	<b>At 31 August 2020 £'000</b>
<b>Restricted fixed assets fund</b>					
DfE fixed assets fund	200,330	2,021	(8,403)	—	193,948
Ark sponsorship fixed assets fund	1,837	493	(583)	—	1,747
Devolved Formula Capital and School Condition Allocation	2,900	3,044	(1,583)	(84)	4,277
Other fixed assets funds	285,064	2,300	(8,408)	5,207	284,163
	<u>490,131</u>	<u>7,858</u>	<u>(18,977)</u>	<u>5,123</u>	<u>484,135</u>
<b>Restricted general funds</b>					
General Annual Grant (GAG) (note 4)	665	162,359	(158,914)	—	4,110
Start up and lead in (note 4)	213	294	(294)	—	213
Universal Infant Free School Meals	—	1,325	(1,325)	—	—
Pupil Premium	—	11,759	(11,759)	—	—
Other DfE/ESFA (note 4)	—	6,055	(6,055)	—	—
Coronavirus Job Retention Scheme grant	—	21	(21)	—	—
Other DfE/ESFA COVID-19 funding	—	610	(610)	—	—
Local authority grants	185	8,086	(7,928)	—	343
UK programmes – grants	1,177	—	—	41	1,218
Other donations	1,705	3,918	(4,291)	—	1,332
DfE project management grants	—	423	(423)	—	—
	<u>3,945</u>	<u>194,850</u>	<u>(191,620)</u>	<u>41</u>	<u>7,216</u>
<b>Pension reserve</b>	<u>(52,733)</u>	<u>—</u>	<u>(10,232)</u>	<u>(891)</u>	<u>(63,856)</u>
<b>Total restricted funds</b>	<u>441,343</u>	<u>202,708</u>	<u>(220,829)</u>	<u>4,273</u>	<u>427,495</u>
<b>Unrestricted funds</b>					
Unrestricted general funds	—	8,795	(7,288)	—	1,507
Other unrestricted funds	11,081	—	—	(5,123)	5,958
Designated funds	11,081	8,795	(7,288)	(5,123)	7,465
<b>Total unrestricted funds</b>	<u>11,081</u>	<u>8,795</u>	<u>(7,288)</u>	<u>(5,123)</u>	<u>7,465</u>
<b>Total funds</b>	<u>452,424</u>	<u>211,503</u>	<u>(228,117)</u>	<u>(850)</u>	<u>434,960</u>

## Notes to the financial statements 31 August 2021

### 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	2021 Total £'000	2020 Total £'000
<b>All through Schools</b>						
Ark	8,678	1,153	118	1,727	11,676	11,072
Burlington Danes	7,229	917	213	2,436	10,795	10,930
Globe	7,608	1,087	194	2,534	11,423	10,667
Isaac Newton	7,800	1,151	71	1,895	10,917	10,485
John Keats	8,281	935	211	2,025	11,452	10,106
Kings	4,420	680	108	1,799	7,007	6,340
King Solomon	6,209	597	142	2,241	9,189	8,591
Victoria	6,369	904	127	2,082	9,482	8,772
<b>Secondary Schools</b>						
Acton	5,906	373	182	2,609	9,070	8,936
All Saints	4,494	962	60	1,429	6,945	6,543
Alexandra	6,737	1,147	248	2,104	10,236	10,051
Blake	1,097	272	110	625	2,104	—
Bolingbroke	3,644	592	216	1,226	5,678	5,578
Boulton	4,356	592	70	1,673	6,691	5,926
Charter	4,342	701	121	1,426	6,590	6,202
Elvin	5,811	809	147	1,538	8,305	7,393
Evelyn Grace	3,674	719	87	1,523	6,003	6,020
Greenwich	3,306	427	121	1,263	5,117	4,590
Pioneer	1,924	247	87	594	2,852	1,864
Putney	5,253	571	100	1,385	7,309	6,856
St Alban's	4,714	719	153	1,332	6,918	6,423
Walworth	6,516	983	150	1,942	9,591	9,201
<b>Primary Schools</b>						
Atwood	2,210	331	62	538	3,141	2,825
Ayrton	1,976	293	48	468	2,785	2,670
Bentworth	1,131	189	34	309	1,663	1,596
Brunel	2,085	179	65	560	2,889	2,960
Blacklands	1,956	270	59	447	2,732	2,585
Byron	1,474	224	65	483	2,246	1,793
Castledown	1,554	218	64	347	2,183	1,950
Chamberlain						
Conway	1,125	248	38	316	1,727	1,592
Dickens	1,995	307	118	512	2,932	2,931
Franklin	2,526	369	52	569	3,516	3,465
John Archer	1,458	197	55	423	2,133	2,411
Little Ridge	1,589	182	27	363	2,161	2,002
Oval	2,408	453	80	646	3,587	3,682
Priory	1,996	257	82	454	2,789	2,397
Swift	1,524	232	80	411	2,247	2,351
Tindal	1,591	236	41	599	2,467	2,237
Birmingham Teaching School	190	32	—	4	226	180
Ark Schools Central	426	4,441	3,048	616	8,531	6,178
<b>Ark Schools excluding subsidiaries</b>	<b>147,582</b>	<b>25,196</b>	<b>7,054</b>	<b>45,473</b>	<b>225,305</b>	<b>208,351</b>

## Notes to the financial statements 31 August 2021

### 18. Analysis of net assets between funds

Group	Unrestricted funds £'000	Restricted funds			Total funds 2021 £'000
		General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
<b>Fund balances at 31 August 2021 are represented by:</b>					
Tangible and investment assets	—	141	—	500,185	<b>500,326</b>
Current assets	1,770	39,297	—	17,634	<b>58,701</b>
Creditors: amounts falling due within one year	—	(25,280)	—	(13,171)	<b>(38,451)</b>
Creditors: amounts due after one year	—	(1,800)	—	—	<b>(1,800)</b>
Pension scheme liability	—	—	(90,442)	—	<b>(90,442)</b>
	<u>1,770</u>	<u>12,358</u>	<u>(90,442)</u>	<u>504,648</u>	<u><b>428,334</b></u>

Ark Schools	Unrestricted funds £'000	Restricted funds			Total funds 2021 £'000
		General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
<b>Fund balances at 31 August 2021 are represented by:</b>					
Tangible and investment assets	—	141	—	500,179	<b>500,320</b>
Current assets	1,770	39,538	—	17,640	<b>58,948</b>
Creditors: amounts falling due within one year	—	(25,521)	—	(13,171)	<b>(38,692)</b>
Creditors: amounts due after one year	—	(1,800)	—	—	<b>(1,800)</b>
Pension scheme liability	—	—	(90,442)	—	<b>(90,442)</b>
	<u>1,770</u>	<u>12,358</u>	<u>(90,442)</u>	<u>504,648</u>	<u><b>428,334</b></u>

### 19. 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

### 20. Pensions and similar obligations

Ark Schools' employees belong to one of 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, who have opted out of the LGPS.

## Notes to the financial statements 31 August 2021

### 20. Pensions and similar obligations (continued)

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was as at 31 March 2016 and the LGPS as at 31 March 2019. There were no outstanding or prepaid contributions at either the beginning or the end of the financial period.

#### Central Office Money Purchase Scheme

Ark Schools' staff employed in the central office who do not work directly or specifically for any school, and who have opted not to join the Local Government Pension Scheme, have the option to join a non-contributory scheme administered by The Pensions Trust.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for teachers in academies. All teachers have the option to opt-out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary - these contributions 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 every four years. 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 2016. The valuation report was published by the DfE on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- ♦ employer contribution rates set at 23.68% of pensionable pay (including a 0.08% administration levy).
- ♦ total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million, giving a notional past service deficit of £22,000 million.
- ♦ the SCAPE rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 2.4% above the rate of CPI. The assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return including earnings growth is 4.45%.

The next valuation result is due to be implemented from 1 April 2023.

The employer's pension costs paid to TPS in the period amounted to £16,545,000 (2020: £16,278,000).

## Notes to the financial statements 31 August 2021

### 20. Pensions and similar obligations (continued)

#### Teachers' Pension Scheme (continued)

A copy of the valuation report and supporting documentation is on the [Teachers' Pension Scheme website](#).

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

#### Local Government Pension Scheme (LGPS)

Each LGPS is a multi-employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The charitable company is currently part of sixteen different funds. The total contribution made (as referenced by the scheme actuaries) for the year ended 31 August 2021 was £7,828k (2020: £7,244k), of which employees' contributions totalled £1,843k (2020: £1,799k) and employers' contributions totalled £5,985k (2020: £5,445k). 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 LGPS liabilities would be met by the DfE. The guarantee came into effect on 18 July 2013.

## Notes to the financial statements 31 August 2021

### 20. Pensions and similar obligations (continued)

#### Local Government Pension Scheme (LGPS) (continued)

Pension Fund – Administering Authority	Academies
<b>Greater London</b>	
City of Westminster	Atwood
	King Solomon
London Borough of Brent	Ark
	Elvin
	Franklin
London Borough of Barnet	Pioneer
London Borough of Croydon	Blake
	Oval
London Borough of Ealing	Acton
	Byron
	Priory
London Borough of Enfield	John Keats
London Borough of Greenwich	Greenwich
London Borough of Hammersmith and Fulham	Bentworth
	Burlington Danes
	Conway
	Swift
London Borough of Lambeth	Evelyn Grace
London Borough of Redbridge	Isaac Newton
London Borough of Southwark	All Saints
	Globe
	Walworth
Royal Borough of Kensington & Chelsea	Brunel
London Borough of Wandsworth	Bolingbroke
	Putney
	John Archer
<b>East Sussex</b>	
East Sussex County Council	Alexandra
	Blacklands
	Little Ridge
	Castledown
<b>Hampshire</b>	
Hampshire County Council	Ayrton
	Charter
	Dickens
<b>West Midlands</b>	
West Midlands Fund	Boulton
	Kings
	St Alban's
	Tindal
	Victoria

## Notes to the financial statements 31 August 2021

### 20. Pensions and similar obligations (continued)

#### Local Government Pension Scheme (LGPS) (continued)

Range of principal actuarial assumptions:

	2021 % Average	2020 % Average
Rate of increase in salaries	4.0	3.2
Rate of increase in pension payments	3.0	2.2
Discount rates	1.8	1.7
Inflation assumptions	3.0	2.2

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:

	2021 Lowest	2021 Highest	2020 Lowest	2020 Highest
<b>Retiring today</b>				
Males	20.4	22.6	19.2	22.2
Females	23.2	25.1	22.3	24.4
<b>Retiring in 20 years</b>				
Males	21.9	24.0	20.7	23.6
Females	24.3	26.5	23.5	25.8

	At 31 August 2021 £'000	At 31 August 2020 £'000
<b>Sensitivity analysis – increase (decrease) in overall deficit</b>		
Discount rate +0.1%	(5,156)	(3,740)
Discount rate -0.1%	5,297	3,840
Mortality assumption – 1 year increase	5,777	4,261
Mortality assumption – 1 year decrease	(5,145)	(3,798)
CPI rate +0.1%	4,468	3,223
CPI rate -0.1%	(4,364)	(3,150)

	Fair value at 31 August 2021 £'000	Fair value at 31 August 2020 £'000
<b>Ark Schools' share of the assets in the schemes was as follows:</b>		
Equities	67,579	45,327
Corporate/government bonds	18,097	20,779
Property	9,587	6,471
Cash	2,135	2,132
Other	13,724	10,052
<b>Total market value of assets</b>	<b>111,122</b>	<b>84,761</b>

## Notes to the financial statements 31 August 2021

### 20. Pensions and similar obligations (continued)

#### Local Government Pension Scheme (LGPS) (continued)

The amounts recognised in statement of financial activities were as follows:	2021 £'000	2020 £'000
Current service cost	15,450	14,434
Past service cost	—	125
Net finance cost	1,036	935
Admin expenses	190	183
<b>Total amount recognised in the SOFA</b>	<b>16,676</b>	<b>15,677</b>

Movements on the overall deficit during the year was as follows:	2021 £'000	2020 £'000
Deficit at 1 September 2020	(63,856)	(52,733)
Current service cost	(15,450)	(14,434)
Past service cost	—	(125)
Administration cost	(190)	(183)
Employer contributions	5,985	5,445
Net finance cost	(1,036)	(935)
Actuarial loss	(15,895)	(891)
<b>At 31 August 2021</b>	<b>(90,442)</b>	<b>(63,856)</b>

Changes in the present value of defined benefit obligations were as follows:	2021 £'000	2020 £'000
At 1 September 2020	148,617	129,716
Current service cost	15,450	14,434
Past service cost	—	125
Interest cost	2,533	2,421
Employee contributions	1,843	1,799
Actuarial loss	34,225	1,205
Benefits paid	(1,103)	(1,083)
<b>At 31 August 2021</b>	<b>201,565</b>	<b>148,617</b>

Movements in the present value of defined benefit assets were as follows:	2021 £'000	2020 £'000
At 1 September 2020	84,761	76,983
Expected return on assets	1,497	1,486
Administration expenses	(190)	(183)
Employer contributions	5,985	5,445
Employee contributions	1,843	1,799
Actuarial gain	18,330	314
Benefits paid	(1,103)	(1,083)
<b>At 31 August 2021</b>	<b>111,123</b>	<b>84,761</b>

## Notes to the financial statements 31 August 2021

### 20. Pensions and similar obligations (continued)

#### Local Government Pension Scheme (LGPS) (continued)

The five years history of experience adjustments is as follows:

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Present value of scheme obligations	(201,565)	(148,617)	(129,716)	(91,803)	(86,046)
Fair value of assets	111,123	84,761	76,983	66,316	56,323
Net deficit in schemes	(90,442)	(63,856)	(52,733)	(25,487)	(29,723)
Experience gains on scheme assets	18,330	314	2,599	3,106	3,444
Experience gains on scheme liabilities	(34,225)	(1,205)	(20,546)	9,191	8,731

### 21. Lease commitments

At 31 August 2021, the total of Ark Schools' future minimum lease payments under non-cancellable operating leases in relation to plant and machinery was:

	2021 £'000	2020 £'000
Amounts due within one year	396	406
Amounts due between one and five years	358	270
Amounts due after five years	22	—
	<u>776</u>	<u>676</u>

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 2021, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

Property occupied by Ark Kings Academy	2021 £'000	2020 £'000
Amounts due within one year	79	79
Amounts due between one and five years	316	316
Amounts due after five years	1,264	1,343
	<u>1,659</u>	<u>1,738</u>

## Notes to the financial statements 31 August 2021

### 21. Lease commitments (continued)

The property occupied by Ark Acton 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 13 years expiring on 31 July 2032. At 31 August 2021, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

<b>Property occupied by Ark Acton Academy</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Amounts due within one year	573	573
Amounts due between one and five years	2,294	2,294
Amounts due after five years	3,393	3,966
	<b>6,260</b>	<b>6,833</b>

### 22. Capital commitments

At 31 August 2021, the group had capital commitments as follows:

	<b>2021 £'000</b>	<b>2020 £'000</b>
Contracted for but not provided in the financial statements	1,506	1440

### 23. Related party transactions

#### Transactions with Ark

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

During the year, Ark donated £0.4m (2020: £3.3m), all of which is included in donations from Ark in note 2, for specific projects and ventures, including our Projects team, and for our extracurricular programmes, music and pathways and enrichment. In addition to this, £0.8m donations were received for Ventures (2020: £1.1m). During the year, Ark raised £7m of funds for the Ark Schools Coronavirus Appeal, £3.3m from trustees, sponsors, and corporates and £3.7m by way of match funding from the DCMS, all of which was received via Ark in the year. All these transactions are included in note 2 of the financial statements. There were £11m of sponsorship due from Ark included in the debtors note 14.

## Notes to the financial statements 31 August 2021

### 23. Related party transactions (continued)

#### Transactions with Ark (continued)

Ark Schools' central team shares offices with Ark. Ark Schools has made payments on behalf of Ark. These are recharged to Ark based on an agreed apportionment of actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each entity's staff. The amounts recharged in respect of the year ended 31 August 2021 to Ark are included in the table below. £176k of the recharges were included in 'Other Creditors' (note 15). Similar recharges are also made to Ark UK Programmes, a related party (see below). The amounts charged to Ark UK Programmes are also included in the table below which were fully paid.

	2021 £'000	2020 £'000
<b>Recharged to Ark</b>		
Rent and service charges	176	173
Technology services	20	30
	<u>196</u>	<u>203</u>
<b>Recharged to Ark UK Programmes</b>		
Rent and service charges	212	180
Technology services	32	55
	<u>244</u>	<u>235</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 Schools made payments of £272k (2020: £152k) to Ark UK Programmes for the provision of Mathematics Mastery and English Mastery resources and training, Now Teach recruitment fees 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.

At 31 August 2021, the value of the amounts held by Ark UK Programmes in relation to the above endowments was £5.7m (2020: £6.2m). During the year, £nil (2020: £626k) of the endowment was withdrawn. There were no further withdrawals from endowments in the year ended 31 August 2021 or balances owed in respect of withdrawals as at 31 August 2021.

## Notes to the financial statements 31 August 2021

### 23. Related party transactions (continued)

#### Transactions with Ark UK Programmes (continued)

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 2021, Ark UK Programmes had invested a cumulative amount of £278k in respect of Ark King Solomon Academy (2020: £750k in respect of Ark King Solomon Academy) as part of their investment strategy. During the year ended 31 August 2021, £1.1m of the Ark King Solomon endowment was withdrawn from Ark UK Programmes (2020: £nil). The total market value of such investments at the balance sheet date was £0.1m (2020: £1.2m) and the cumulative unrealised gains amount £141k (2020: £468k) has been recognised through Ark Schools' statement of financial activities. The investment balance is owed to Ark Schools by Ark UK Programmes and included on the balance sheet.

#### Transactions with other related parties

The total amount of donations from other related parties not separately disclosed above was £0.4m from Jagclif Charitable Trust (2020: £0.5m).

The academy trust conducted the above related party transactions in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2020 and obtaining their approval where required, and with their financial regulations and procurement procedures.

### 24. Directors' emoluments

The Managing Director is also a statutory director of Ark Schools. The total amount of employee benefits paid by Ark Schools received by the Managing Director, Lucy Heller, was nil (2020: nil). The total paid to the Managing Director, Ark as the CEO of Ark, was £194,837 (2020: £191,017). There was an additional £19,484 paid in lieu of 10% pensions (2020: £19,102). This is also disclosed in note 10.

No directors of the company received any payment or other emoluments from Ark Schools in the reporting period (2020: none). No directors had any beneficial interest in any contract with Ark Schools during the year (2020: none).

### 25. 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 2021, the premium is £11,293 (2020: £10,784). The cost of this insurance is included in the total insurance cost.

## Notes to the financial statements 31 August 2021

### 26. Agency arrangements

The trust receives and distributes bursaries as agent for the DfE:

	2021 £'000	2020 £'000
16-19 bursaries	222	229
Teacher training bursaries	744	1,483
	<b>966</b>	<b>1,712</b>

An amount of £nil is held in other creditors at the end of the year repayable to the DfE (2020: £73,100).

### 27. Teaching School trading account

	2021 £'000	2020 £'000
<b>Income</b>		
Direct income (restricted)	120	50
Other income (unrestricted)	119	189
	<b>239</b>	<b>239</b>
<b>Expenditure</b>		
Direct staff costs	220	178
Support staff costs	2	1
Recruitment and support	2	1
Other support costs	2	—
	<b>226</b>	<b>180</b>
<b>Surplus for all services</b>	<b>13</b>	<b>59</b>
Teaching Schools balance at 1 September 2021	100	41
<b>Teaching Schools balance at 31 August 2021</b>	<b>113</b>	<b>100</b>

### 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 1 September 2021, Ark Soane joined the trust as a new start school with 180 students admitted. The assets and liabilities will be recognised within the financial statements ending 31 August 2022.

## Notes to the financial statements 31 August 2021

### 30. Comparative statement of financial activities

	Unrestricted funds £'000	Restricted funds			2020 Total funds £'000
		General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
<b>Income from:</b>					
Donations and capital grants	221	3,731	—	7,858	11,810
Other trading activities	1,398	—	—	—	1,398
Investments and interest receivable	15	—	—	—	15
Income from charitable activities					
Funding for Ark Schools' educational operations	2,768	190,646	—	—	193,414
Project management grants	—	423	—	—	423
Teaching School	189	50	—	—	239
Other income	4,204	—	—	—	4,204
<b>Total income</b>	<b>8,795</b>	<b>194,850</b>	<b>—</b>	<b>7,858</b>	<b>211,503</b>
<b>Expenditure on:</b>					
Raising funds	788	—	—	7	795
Charitable activities					
Ark Schools' educational operations	6,160	189,223	10,232	18,970	224,585
Development costs	210	2,347	—	—	2,557
Teaching School	130	50	—	—	180
<b>Total expenditure</b>	<b>7,288</b>	<b>191,620</b>	<b>10,232</b>	<b>18,977</b>	<b>228,117</b>
<b>Net income (expenditure) before investment gains and losses</b>	<b>1,507</b>	<b>3,230</b>	<b>(10,232)</b>	<b>(11,119)</b>	<b>(16,614)</b>
Net gains on investments	—	41	—	—	41
<b>Net income (expenditure) before transfers</b>	<b>1,507</b>	<b>3,271</b>	<b>(10,232)</b>	<b>(11,119)</b>	<b>(16,573)</b>
<b>Gross transfers between funds</b>	<b>(5,123)</b>	<b>—</b>	<b>—</b>	<b>5,123</b>	<b>—</b>
<b>Net (expenditure) income</b>	<b>(3,616)</b>	<b>3,271</b>	<b>(10,232)</b>	<b>(5,996)</b>	<b>(16,573)</b>
<b>Other recognised gains and losses</b>					
Actuarial losses on defined benefit pension schemes	—	—	(891)	—	(891)
<b>Net movement in funds</b>	<b>(3,616)</b>	<b>3,271</b>	<b>(11,123)</b>	<b>(5,996)</b>	<b>(17,464)</b>
Fund balances brought forward at 1 September 2019	11,081	3,945	(52,733)	490,131	452,424
<b>Fund balances carried forward at 31 August 2020</b>	<b>7,465</b>	<b>7,216</b>	<b>(63,856)</b>	<b>484,135</b>	<b>434,960</b>

## Notes to the financial statements 31 August 2020

### 31. Reconciliation of operating position

#### Year ended 31 August 2021

	General funds			Other funds		Total funds £'000
	Unrestricted funds £'000	Restricted funds £'000	Total Revenue Reserves £'000	Pension Reserve £'000	Fixed assets fund £'000	
Fund balance brought forward	7,465	7,216	14,681	(63,856)	484,135	434,960
Fund balance carried forward	1,770	12,358	14,128	(90,442)	504,648	428,334
Net (decrease) / increase in funds (as per the statement of financial activities)	(5,695)	5,142	(553)	(26,586)	20,513	(6,626)
<b>Add:</b>						
Transfer of revenue to fixed assets fund.			6,614			
<b>Operational surplus</b>			<b>6,061</b>			

The operating surplus 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, non-cash pension adjustments in respect of defined benefit schemes, and any inherited revenue reserves.

#### Year ended 31 August 2020

	General funds			Other funds		Total funds £'000
	Unrestricted funds £'000	Restricted funds £'000	Total Revenue Reserves £'000	Pension Reserve £'000	Fixed assets fund £'000	
Fund balance brought forward	11,081	3,945	15,026	(52,733)	490,131	452,424
Fund balance carried forward	7,465	7,216	14,681	(63,856)	484,135	434,960
Net (decrease) / increase in funds (as per the statement of financial activities)	(3,616)	3,271	(345)	(11,123)	(5,996)	(17,464)
<b>Add:</b>						
Transfer of revenue to fixed assets fund			5,123			
<b>Operational surplus</b>			<b>4,778</b>			