

# **ARK Schools**

**Consolidated report and financial  
statements**

**31 August 2013**

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

## Contents

### Reports

Reference and administrative details	1
Directors' report	2
Governance statement	16
Statement on regularity, propriety and compliance	19
Statement of directors' responsibilities	20
Independent auditor's reports	21

### Financial statements

Consolidated statement of financial activities	25
Balance sheets	26
Consolidated cash flow statement	27
Principal accounting policies	28
Notes to the financial statements	32

**Reference and administrative details** Year to 31 August 2013

<b>Directors</b>	Ron Beller Paul Dunning Stanley Fink Gerard Griffin Lucy Heller Paul Marshall Anthony Williams
<b>Secretary</b>	Diana Gerald
<b>Managing Director</b>	Lucy Heller
<b>Registered office</b>	65 Kingsway London WC2B 6TD
<b>Company registration number</b>	05112090 (England and Wales)
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Lloyds 95 George Street Croydon CR9 2NS  Barclays Bank plc 1 Churchill Place London E14 5HP
<b>Solicitors</b>	Stone King LLP 16 St John's Lane London EC1M 4BS

## **REPORT OF THE DIRECTORS**

The directors of ARK Schools present their annual report and the audited consolidated financial statements of ARK Schools (the charitable company) for the year to 31 August 2013 and its subsidiary company, ARK Academies Projects Limited, together known as 'the group'.

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

The financial statements have been prepared in accordance with the accounting policies set out on pages 28 to 31 and comply with the company's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ('SORP 2005').

### **Overview**

Established as an education charity in 2004, ARK Schools runs a network of non-selective, high-performing schools in inner cities and coastal communities.

Every school within the ARK Schools network has its own distinctive character and ethos, but we all share the same mission: to ensure all pupils, regardless of background or prior attainment, do well enough in school to have real choices in life – to go to university or pursue the career of their choice.

### **The year in review**

In September 2012, we welcomed seven new academies into the network – our biggest annual expansion to date. With 18 schools across our three clusters in London, Birmingham and Portsmouth, ARK Schools taught over 9,000 pupils in 2012/13.

We continued to serve areas of high disadvantage: in 2012/13 almost half of our students received free school meals, nearly three times the national average, and over 45 per cent spoke English as an Additional Language. Over a quarter of students joining an ARK academy in year 7 in 2012 achieved level 3 or below at Key Stage 2 (KS2), putting them two years behind national expectations.

Despite the challenges faced by our students and teachers, we remained one of the country's top performing academy operators. Between the end of KS2 and GCSEs, our pupils made more progress than in any other academy network in 2012/13. In January 2013, the Financial Times conducted a detailed analysis of England's academy networks and rated ARK Schools as "the best performing", citing our success in raising the attainment of pupils who start secondary school furthest behind.

In July 2013, ARK Conway Primary in Hammersmith became the first free school in England to be ranked "outstanding" by Ofsted, swiftly followed by ARK Atwood Primary in North Westminster. King Solomon Academy in Westminster also secured its second Ofsted "outstanding" during the year. 11 of the 12 ARK academies so far inspected by Ofsted are now rated "good" or "outstanding".

A core priority of the year was on-going training and development of our staff. Once again, we ran twice the standard number of training days for all staff in our schools. We held two hub days for subject and job-specific roles as well as our annual summit at Central Hall in Westminster. Now in its fourth year, the summit brings together staff from across the network for a day of specialist professional seminars and training.

## **REPORT OF THE DIRECTORS** (continued)

### **The year in review** (continued)

Pupils and staff also took part in the most network-wide events we have ever run, including the fifth ARK Schools Music Gala at the Barbican Centre in July, the Shakespeare Schools Festival in November, our inaugural Spelling Bees for primary and secondary schools as well as a hotly-contested debating competition.

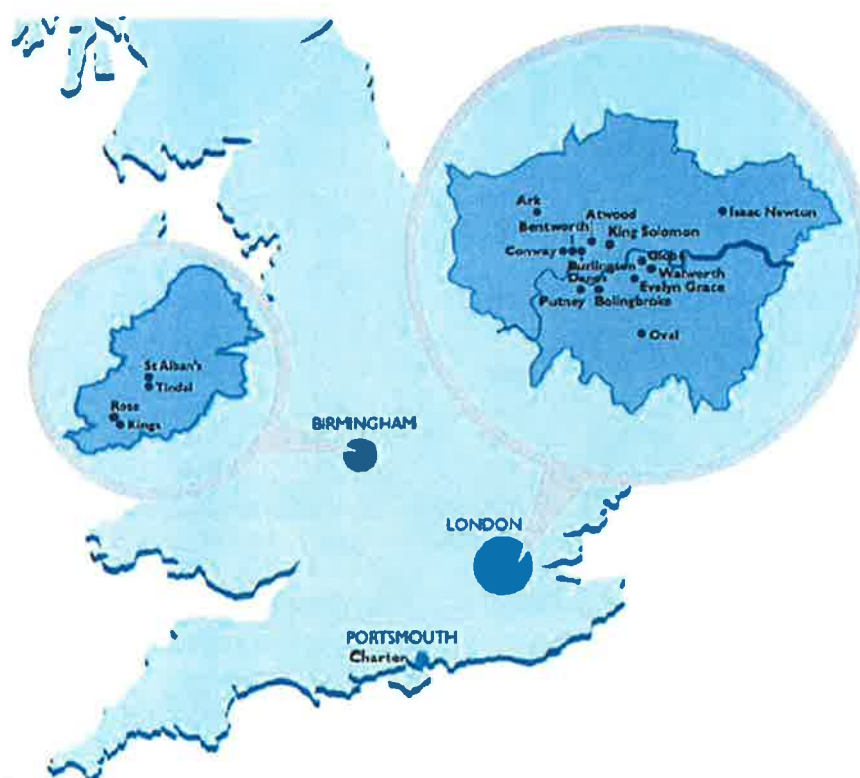
We also launched ARK Teacher Training in November 2012. An accredited one-year teacher training course in partnership with Canterbury Christchurch University, where trainees spend a year working in our schools before graduating with a Post Graduate Certificate in Education and Qualified Teacher Status.

## PRINCIPAL ACTIVITIES 2013

### Network growth

ARK Schools opened seven new academies in September 2012; four secondary schools and three primaries. ARK Kings, ARK Rose Primary and ARK Tindal Primary joined St Alban's, an existing ARK secondary academy, to create an ARK Schools cluster in Birmingham.

In London, we welcomed three secondary schools and one primary into the network. Of those, two were existing schools brought in to raise pupil attainment: ARK Putney replaced Elliot Secondary School and Hammersmith's Bentworth Primary opened as ARK Bentworth Primary in September 2012. We opened Isaac Newton Academy, a brand new six-form entry for 11-18 year olds, in Redbridge while Bolingbroke Academy opened in south Battersea under the Government's Free Schools programme.



## PRINCIPAL ACTIVITIES 2013 (continued)

### Examination performance and student attainment

#### *Primary – phonics and Key Stage 1*

ARK Schools' pupils had excellent outcomes in the 2013 phonics screening check: 86% of children reached the expected standard compared with 69% nationally. In schools that have been in the network for more than a year, 91% of children reached the standard and in newly-joined schools 71% reached it.

Key Stage 1 (KS1) results across our seven schools with pupils in this age group were also solid: 88% of children reached Level 2 for reading and 82% for writing, compared with 89% and 85% nationally. In our more established schools, there was exceptional achievement in reading, writing and maths with pupils at **Ark**, **ARK Globe** and **King Solomon** academies achieving close to 100% at Level 2 in all three disciplines – far outstripping national averages.

It was the performance in our new transition schools (ARK Rose, ARK Tindal and ARK Bentworth) that brought down overall network performance in reading and writing to matching or nearly matching, rather than exceeding, national averages. Despite this, all three transition schools made progress on previous years.

More positively, performance in mathematics was strong across the board with 95% of children reaching Level 2 and 31% excelling at Level 3, ahead of national averages of 91% and 22%.

The strength of pupil performance in more established ARK schools demonstrates the challenge of turning around previously struggling schools in a short space of time: delivering lasting results for children takes time with the first year often proving the most challenging.

#### *Primary – Key Stage 2*

The year's Key Stage 2 (KS2) results also reflect this challenge; given three of the five schools with pupils in this age group were newly arrived transition schools. As a result, overall network performance in reading, writing and mathematics was below national average. Despite this, four of our five primaries made significant progress in their combined results, with pupils from **ARK Globe** and **ARK Tindal** in particular showing exceptional improvement. The former's combined results increased by 10 percentage points while **ARK Tindal's** leapt by 18 percentage points. **ARK Globe** performed particularly well across all disciplines, with outcomes far above national average performance at Level 4+ in reading, in writing, in the new spelling, punctuation and grammar test and in mathematics.

ARK Schools coped well with the new spelling, punctuation and grammar test, with three schools at or well ahead of national average, one close and only one significantly below at Level 4, and even better results at Level 5.

#### *Secondary – GCSE performance*

Overall secondary outcomes were strong in our eight schools with GCSE results in 2012/13, with particularly impressive performances from our longest-standing schools. 58% of students achieved the headline measure of 5+ A\*-C GCSEs including English and maths, with attainment in both mathematics and English outperforming national attainment.

## PRINCIPAL ACTIVITIES 2013 (continued)

### Examination performance and student attainment (continued)

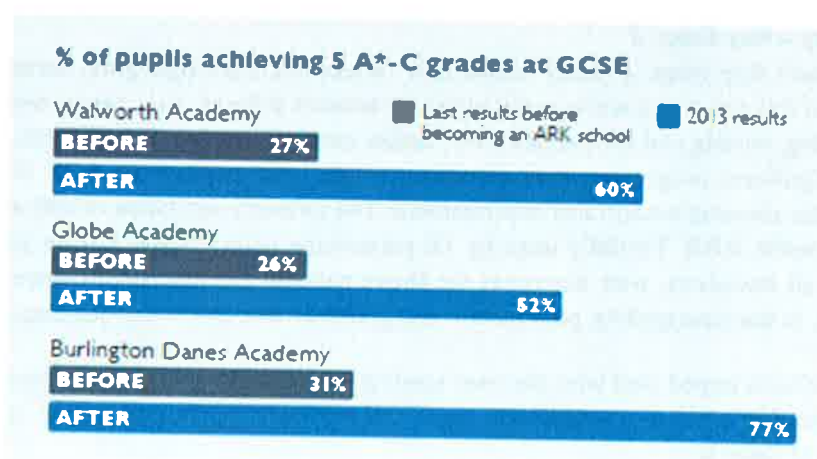
#### Secondary – GCSE performance (continued)

All schools reporting results for a second or subsequent year in the network improved outcomes significantly, bar one where results held steady. **Charter Academy** in Portsmouth reported the greatest improvement in the five GCSEs measure, up 18 percentage points to 68%, and up 65 percentage points from the 3% the school recorded in the year that discussions about becoming an ARK academy first began.

Mathematics outcomes were particularly strong. 75% of students achieved grade C or better, compared with 58% nationally in 2012. At **St Alban's Academy** 82% of students achieved A\* - C in mathematics – up 30 percentage points since the school opened as an ARK academy. 93% of students made three levels of progress in mathematics between KS2 and KS4, among the highest rates of progress in the country. At **Burlington Danes** 87% of students made three levels of progress in maths and at **Walworth Academy** 81% gained A\*-C grades in mathematics - up 44 percentage points since it opened as an academy.

In English, 65% of students achieved grade C or above, despite the disproportionately low average starting point of our students on entering year 7. Excluding the two newly arrived transition schools, **ARK Putney** and **ARK Kings**, the network pass rate for English was nearly 70%, well above national average.

The performance table analysis including the value added analysis will not be published until January 2014.





## PRINCIPAL ACTIVITIES 2013 (continued)

### Examination performance and student attainment (continued)

#### Secondary – GCSE performance (continued)

The table below summarises the percentage of pupils passing five GCSEs at A\*-C including English and mathematics in 2013 together with the comparative statistics.

School	Year opened	Final previous school (%)	2012 (%)	2013 (%)	Change 2012 – 13 (percentage points)	English Baccalaureate 2013 (2012) (%)
Burlington Danes Academy	2006	31	66	77	+11	37 (21)
Walworth Academy	2007	27	60	60	-	11 (10)
Evelyn Grace Academy	2008	-	-	58	-	19 (-)
ARK Globe Academy	2008	26	45	52	+7	15 (5)
Charter Academy	2009	21	48	68	+18	2 (5)
St Albans Academy	2009	31	51	56	+5	19 (0)
ARK Kings Academy	2012	41	41	24	-17	5 (5)
ARK Putney Academy	2012	62	62	58	-4	13 (11)
<b>Network average</b>				<b>58</b>		<b>17</b>

#### Secondary – sixth form attainment

This was our third year for A level results across our three sixth forms; **Burlington Danes**, **Walworth** (whose first year was 2012/13) and **ARK Putney**, who came into the network in September 2012. Almost three quarters of grades awarded to ARK students in 2012/13 were A\*-C (73%) and 47% were A\*-B. 80% of students in 2012/13 secured a place at university with 23% of university applicants at **Burlington Danes** winning a place at a Russell Group university, up from just 8% the previous year.

AS level results at both **Burlington Danes** and **ARK Putney** put them in the top 10% of schools in the country, while A level achievement at **Burlington Danes** last year was in the top 25% of all schools. These are outstanding scores given the complexity of the intakes and the challenges so many of our students face.

### Ofsted inspections

The effectiveness of the ARK Schools model is confirmed by the Ofsted judgements made so far. Academies are normally first inspected in their second year of operation. All but one of our new start schools have been rated "outstanding". All of the transition schools inspected have been rated at least "good", and one "outstanding".

## PRINCIPAL ACTIVITIES 2013 (continued)

### Driving pupil attainment

#### *Securing a pipeline of teaching talent*

In 2012, we launched ARK Teacher Training, our own year-long, hands-on teacher training course for career switchers and graduates. Supported by two mentors, students spend a year learning their craft in one of our schools before graduating with a Post Graduate Certificate in Education and Qualified Teacher Status. Our hope is that the course provides a reliable pipeline of exceptional teaching talent for our schools.

We received 1,000 applications for the 50 places we advertised when we launched ARK Teacher Training in November 2012. Screening down to the best 200, we ran intensive assessment days, both off site and in our schools, before identifying the final 54 candidates who started work in our schools on 1 September 2013. To find out more about the course, visit [www.arkschools.org/teachertraining](http://www.arkschools.org/teachertraining)

## STRUCTURE, GOVERNANCE AND MANAGEMENT

### Constitution and principal activities

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

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

### Members

The members of the company are the principal sponsor, Absolute Return for Kids ("ARK"), and an individual nominated by the Secretary of State for Education. Each member of the company is liable to contribute a maximum of £10 to the company's assets if it should be wound up while he or she is a member or within one year after he or she ceases to be a member, for payment of the company's debts and liabilities.

### Directors and trustees

The articles of association require at least three directors to hold office at any given time. The following directors served throughout the year.

#### Director

Ron Beller  
Paul Dunning  
Stanley Fink  
Gerard Griffin  
Lucy Heller  
Paul Marshall  
Anthony Williams

Lucy Heller also fulfils a paid role as Managing Director. Further details are provided within note 23 to the financial statements.

During the year under review, the directors held four meetings.

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

Five directors served as chairs of an ARK academy local governing body for all or part of the year.

### Method of recruitment and appointment of directors

No new directors were appointed this year. When new directors are to be appointed, the board approves at that time an appropriate process and criteria for recruitment based on a review of the skill and capability requirements of the board, the current needs of the school network and governance good practice for multi-academy trusts and the requirements of the charitable company's governing documents.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

### **Policies and procedures adopted for the induction and training of directors**

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

### **Subsidiary company**

ARK Academies Projects Limited (company registration number 04101629) is a wholly-owned trading subsidiary of ARK Schools. Its principal activity is the management of building programmes for school construction procured through ARK Schools. In the year under review, all expenditure related to work on Evelyn Grace Academy. As the building programme is now complete, the company became dormant on 31 August 2013 (see note 14).

### **Management**

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

The board delegates a number of functions to a local governing body ("LGB") at each academy. Each local governing body reviews annual school plans and budgets and recommends these to the ARK Schools board, monitors school performance and oversees parent and community liaison.

The directors delegate the day to day responsibility to the senior management team led by Managing Director, Lucy Heller. The running of each individual academy is delegated to its principal / headteacher.

### **Employee involvement**

ARK Schools is a collegiate network, encouraging staff contributions at all levels and close collaboration between the academies; principal/headteachers also meet regularly to share knowledge and best practice. ARK Schools holds an annual conference for all staff in all ARK academies, as well as network hub days. The ARK Schools intranet provides information and access to internal and external professional development and support. A monthly e-mail, *The Arrow*, is supplemented by regular bulletins and academy newsletters as well as each school's intranet. Immediate and topical news is distributed by email. Schools hold regular staff meetings and briefings. New staff are fully inducted and teachers take part in training before the start of and during each school year.

### **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.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

### **Disabled employees (continued)**

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

### **Public benefit**

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

### **Connected organisations**

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

- Absolute Return for Kids – Company no. 04589451, Charity no. 1095322 (see note 22)
- ARK UK Programmes – Company no. 05932797, Charity no. 1137932 (see note 22)
- ARK Academies Projects Ltd – Company no. 04101629 (see note 14)

## FINANCIAL REVIEW

### Financial report for the year

ARK Schools reported an underlying operating surplus for the year ended 31 August 2013 of £1.5m (2012: £3.2m). Total operating incoming resources were £86.2m (2012: £61.9m). The 2013 figures are shown on the statement of financial activities in the two columns marked unrestricted funds and restricted general funds.

Most income comes from the DfE as recurrent grants for particular purposes. These grants and the associated expenditure are shown as restricted funds in the statement of financial activities.

During the year ended 31 August 2013, total expenditure (excluding depreciation) of £84.7m (2012 - £58.7m) was more than covered by grant funding from the DfE and other income. This figure does however include grants for our academies which are intended to be spent over more than one year. Grants to individual academies from the DfE and other sources are delegated to those academies in full.

At 31 August 2013, the net book value of tangible fixed assets was £250.4m (2012 - £175.5m).

Once capital items, depreciation and pension scheme adjustments are included, the outcome for the year to 31 August 2013 was a surplus of £77.8m. (2012: deficit of £4.3m.) Incoming resources were £170.8m (2012: £65.6m). Academies are funded by the Education Funding Agency (EFA) and the Department for Education (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:

1. Capital grants receipts from the DfE are recorded as income in the income and expenditure account. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), these grants are shown in the Statement of Financial Activities as restricted income under fixed assets fund, leading to accounting surpluses in the year a grant is received.
2. ARK Schools capitalises the schools it leases on a long term basis, but does not receive recurring capital grant at levels that fully offset the depreciation charges on the whole estate. The restricted fixed assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. This leads to accounting deficits once the grant programmes are completed. These deficits do not represent a cash shortfall.

## **FINANCIAL REVIEW (continued)**

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

3. ARK Schools is required to record any change in the attributable share of local government pension scheme surpluses or deficits, although the directors have no control over the management of the pension funds, their financial arrangements or investment decisions and the network is required to remain a member of these pension schemes. Additionally ARK Schools will inherit 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 FRS17 relating to the Pensions Scheme. ARK Schools understands that in the unlikely event that an academy ceased operating altogether, the DfE would undertake discussions with the relevant pension authorities as to the best way in which the deficit could be dealt with, whilst having regard for those members of staff who are members of the scheme at the time. These discussions would also recognise that ARK Schools was never funded in order to meet any outstanding pension deficits.

### **Reserves policy**

ARK Schools continues to grow and the level of reserves held takes account of current and future income and expenditure, including future capital projects. The level of reserves is kept under review by the directors.

Included within restricted general funds is the pension reserve deficit of £6.8m (see note 20). Whilst this fund is in deficit, the local government pension schemes to which this relates to are funded schemes and therefore employers' pension contributions will increase in line with the deficit over a period of years. As mentioned previously, 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.

### **Financial position**

ARK Schools held fund total balances at 31 August 2013 of £258m (2012: £180m), being £252m of restricted funds (2012: £176m) and £6m (2012: £4m) of unrestricted general funds. Restricted funds include a pension reserve deficit of £6.8m and £250m tied up in tangible fixed assets (2012: pension reserve deficit of £4.6m and tangible fixed assets of £172m).

### **Going concern**

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

### **Future plans**

Nine academies were opened in September 2013; six transition schools (two secondaries and four primaries), one secondary converter and two new schools (one primary and one all-through).

ARK Schools expects to open a further seven to ten schools in September 2014.

## **FINANCIAL REVIEW (continued)**

### **Principal risks and uncertainties**

The directors have assessed the major risks and uncertainties to which ARK Schools is exposed, in particular those relating to development of new buildings, further school openings, post-opening management of transition schools, recruitment, provision of facilities, school finances and other school functions. Key risks and uncertainties identified include changes and reductions in funding for capital projects, uncertainties in funding due to plans for new funding formulae, and uncertainty and reductions in the funding support for schools joining the network. There is also rapid change in curriculum and qualifications, much of which ARK Schools strongly welcomes. Lastly it should be noted that ARK Schools' mission is to develop schools in the most challenging and disadvantaged communities in the UK, which is in itself a more difficult environment in which to provide excellent schools.

### **Risk management**

The directors are responsible for identifying risks faced by the 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 Charity Commission.

The directors have established systems to assess risks, especially in relation to new buildings, school operations (e.g. teaching, health and safety and school trips), and finance. They have introduced operating procedures (e.g. vetting of new staff and visitors, supervision of academy grounds) and internal controls in order to minimise risk. Where significant risk still remains and it is practically possible, they have ensured that ARK Schools has adequate insurance cover. ARK Schools has an effective system of internal financial controls and this is explained in more detail in the governance statement.

### **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 company manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing. Surplus cash is invested through appropriate use of financial instruments with our principal bankers so as to maximise interest income without incurring undue risk.

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

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

#### ***Other risks***

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



## **FINANCIAL REVIEW** (continued)

### **Auditor**

So far as the directors are aware:

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

Approved by the directors and signed on their behalf on *December 16<sup>th</sup>* 2013 by:

A handwritten signature in black ink, appearing to read 'Paul Dunning', with a stylized, wavy line extending from the end.

Paul Dunning  
Director

## Scope of responsibility

The directors are responsible for ensuring that ARK Schools has an effective and appropriate system of financial and management control. The directors have delegated to the Managing Director, as Accounting Officer, responsibility for maintaining this system and for ensuring that it meets the requirements of the funding agreement between ARK Schools and the Secretary of State for Education. They are 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 directors met four times during the year. Attendance was as follows:

Director	Number of meetings	
	attended	Out of a possible
Ron Beller	4	4
Paul Dunning	4	4
Stanley Fink	3	4
Gerard Griffin	4	4
Lucy Heller	4	4
Paul Marshall	4	4
Anthony Williams	4	4

There were no changes to board membership in 2012/13.

The Finance and Audit Committee was formed in December 2011 as a sub-committee of the main board. It helps the Board oversee financial and other controls and with risk management, in the context of the planned growth in the network. The committee exists to ensure 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 compliance with the requirements of the EFA Academies Financial Handbook. The Committee is chaired by an ARK Schools director who is an experienced investment manager. Of the two external members, one is a qualified accountant and the other is a solicitor.

Attendance at the Finance and Audit Committee meetings in the year was as follows:

Committee member	Number of meetings	
	attended	Out of a possible
Paul Dunning	4	4
Rob Brown	4	4
Amanda Spielman	4	4
Micky Sandall	4	4
Henry Raine (until 17 May 2013)	—	4

Henry Raine resigned from the Finance and Audit Committee on 17 May 2013. There were no other changes to committee membership in the year.

## **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 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 2013 and up to the date of approval of the annual report and financial statements.

## **Capacity to manage risk**

The directors have reviewed the main risks to ARK Schools together with the operating, financial and compliance controls in place to mitigate these risks. The directors are of the view that there was a robust process for identifying, evaluating and managing significant risks in place for the year to 31 August 2013 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the directors.

## **The risk and control framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports showing financial performance against budgets and 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;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The directors have considered the need for an internal audit function and have appointed the Head of Finance as the Responsible Officer ('RO') for all ARK academies. The RO has engaged Baker Tilly to perform a range of checks on each academy's financial systems and to produce a report which is made available to each Local Governing Body on the operation of the systems of control and on the discharge of the Local Governing Body's financial responsibilities, and by exception to the directors.

While improvements to procedures have been recommended, no material control weaknesses were reported this year.

The RO function for the year has been fully delivered in line with the requirements of the Financial Handbook.

## Review of effectiveness

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

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

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

Approved by the directors on *December 16<sup>th</sup>* 2013 and signed on their behalf on by:



Paul Dunning  
(Director)



Lucy Heller  
(Accounting Officer)

**Statement on regularity, propriety and compliance 31 August 2013**

As Accounting Officer for ARK Schools I have considered my responsibility to notify the board and the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between ARK Schools and the Secretary of State. In this I have had due regard to the requirements of the Academies Financial Handbook.

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

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

A handwritten signature in black ink that reads 'Lucy Heller'.

Lucy Heller  
Accounting Officer

Date: December 16<sup>th</sup> 2013

## Statement of directors' responsibilities 31 August 2013

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 Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

The directors are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA 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.

Approved by order of the members of the board of directors on *December 16<sup>th</sup>* 2013 and signed on its behalf by:



Director

Date: *December 16<sup>th</sup> 2013*

## **Independent auditor's report on the financial statements to the members of ARK Schools**

We have audited the financial statements of ARK Schools for the year ended 31 August 2013 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 issued by the EFA.

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.

## **Respective responsibilities of directors and auditor**

The directors are also the trustees for the charitable activities of ARK Schools for the purpose of charity law.

As explained more fully in the statement of directors' responsibilities set out in the directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 August 2013 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the Academies Accounts Direction 2013 issued by the EFA.

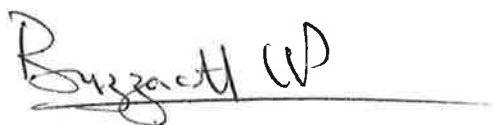
## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where 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 schools not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

18 December 2013



## **Independent reporting auditor's assurance report on regularity to ARK Schools and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 28 September 2009 and its addendum dated 28 August 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013, 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 2012 to 31 August 2013 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 EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the ARK Schools and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the ARK Schools and the EFA, for our work, for this report, or for the conclusion we have formed.

## **Respective responsibilities of ARK Schools' Accounting Officer and the reporting auditor**

The Accounting Officer is responsible, under the requirements of ARK Schools' master funding agreement dated 28 August 2013 with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2012, 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 2013. 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 2012 to 31 August 2013 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

## **Approach**

We conducted our engagement in accordance with the Academies: Accounts Direction 2013 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

### Approach (continued)

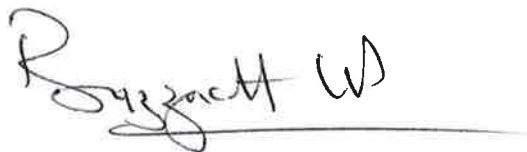
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the charitable company's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2012 to 31 August 2013 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

18 December 2013

**Consolidated statement of financial activities** Year to 31 August 2013  
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

		Unrestricted funds £'000	Restricted General funds £'000	Fixed assets fund £'000	2013 Total funds £'000	2012 Total funds £'000
<b>Incoming resources</b>						
Income from generated funds						
. Voluntary income	2	4,546	1,843	30,090	36,479	4,714
. Transfer from Local Authority on conversion	19	744	(1,988)	45,854	44,610	2,189
. Activities for generating funds	3	385	—	—	385	399
. Interest receivable		113	—	—	113	38
Income from charitable activities						
. Funding for ARK Schools' educational operations	4	—	78,171	8,652	86,823	56,255
. Project management grants	5	—	510	—	510	708
Other incoming resources	6	1,503	349	—	1,852	1,280
<b>Total incoming resources</b>		<b>7,291</b>	<b>78,885</b>	<b>84,596</b>	<b>170,772</b>	<b>65,583</b>
<b>Resources expended</b>						
Charitable activities						
. ARK Schools' educational operations	8	2,395	78,932	8,710	90,037	65,939
. Development costs	9	652	2,466	—	3,118	2,232
Governance costs	10	—	184	—	184	194
<b>Total resources expended</b>		<b>3,047</b>	<b>81,582</b>	<b>8,710</b>	<b>93,339</b>	<b>68,365</b>
<b>Net incoming (outgoing) resources before transfers and other recognised gains and losses</b>		<b>4,244</b>	<b>(2,697)</b>	<b>75,886</b>	<b>77,433</b>	<b>(2,782)</b>
<b>Gross transfers between funds</b>	17	<b>(2,589)</b>	<b>—</b>	<b>2,589</b>	<b>—</b>	<b>—</b>
<b>Net income (expenditure)</b>		<b>1,655</b>	<b>(2,697)</b>	<b>78,475</b>	<b>77,433</b>	<b>(2,782)</b>
<b>Other recognised gains and losses</b>						
Actuarial gains (losses) on defined benefit pension schemes	20	—	409	—	409	(1,490)
Past service loss in respect of defined benefit pension scheme	20	—	—	—	—	(5)
<b>Net movement in funds/net income (expenditure)</b>		<b>1,655</b>	<b>(2,288)</b>	<b>78,475</b>	<b>77,842</b>	<b>(4,277)</b>
Fund balances brought forward at 1 September 2012		4,125	4,191	171,891	180,207	184,484
<b>Fund balances carried forward at 31 August 2013</b>		<b>5,780</b>	<b>1,903</b>	<b>250,366</b>	<b>258,049</b>	<b>180,207</b>

All of the charitable company's activities derived from continuing operations. There is no difference between the net movement in funds stated above and the historical cost equivalent.

## Balance sheets 31 August 2013

		2013		2012	
		Group £'000	Schools £'000	Group £'000	Schools £'000
<b>Fixed assets</b>					
Tangible assets	13	250,366	250,366	175,468	175,468
Investments	22	750	750	750	750
		<b>251,116</b>	<b>251,116</b>	<b>176,218</b>	<b>176,218</b>
<b>Current assets</b>					
Debtors	15	7,480	7,480	12,297	12,366
Short term deposits		2,103	2,103	4,077	4,077
Cash at bank and in hand		13,848	13,848	20,096	20,019
		<b>23,431</b>	<b>23,431</b>	<b>36,470</b>	<b>36,462</b>
<b>Creditors:</b> amounts falling due within one year	16	<b>(9,720)</b>	<b>(9,720)</b>	<b>(27,867)</b>	<b>(27,859)</b>
<b>Net current assets</b>		<b>13,711</b>	<b>13,711</b>	<b>8,603</b>	<b>8,603</b>
<b>Net assets excluding pension liability</b>		<b>264,827</b>	<b>264,827</b>	<b>184,821</b>	<b>184,821</b>
Pension scheme liability	20	<b>(6,778)</b>	<b>(6,778)</b>	<b>(4,614)</b>	<b>(4,614)</b>
<b>Net assets including pension liability</b>		<b>258,049</b>	<b>258,049</b>	<b>180,207</b>	<b>180,207</b>

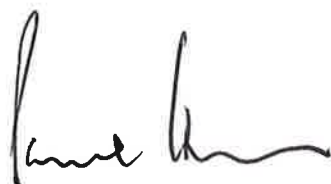
### Represented by:

#### Funds and reserves

##### Income funds

Restricted funds	17				
. Fixed assets fund		250,366	250,366	171,891	171,891
. General restricted fund		8,681	8,681	8,805	8,805
. Pension reserve		<b>(6,778)</b>	<b>(6,778)</b>	<b>(4,614)</b>	<b>(4,614)</b>
		<b>252,269</b>	<b>252,269</b>	<b>176,082</b>	<b>176,082</b>
Unrestricted funds					
. General funds	17	5,780	5,780	4,125	4,125
		<b>258,049</b>	<b>258,049</b>	<b>180,207</b>	<b>180,207</b>

Approved by the directors on *December 16<sup>th</sup>* 2013 and signed on their behalf by:



Paul Dunning  
Director

Company registration number: 05112090 (England and Wales)

## Consolidated cash flow statement Year to 31 August 2013

	Notes	2013 £'000	2012 £'000
<b>Net cash (outflow) inflow from operating activities</b>	A	<b>(9,323)</b>	15,923
<b>Return on investments and servicing of finance</b>			
Interest received		113	38
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets		(7,664)	(2,064)
Capital grants received		<b>8,652</b>	1,243
		<b>(8,222)</b>	15,140
<b>Management of liquid resources</b>			
Short term deposit transfers		<b>1,974</b>	(4,077)
<b>(Decrease) increase in cash</b>		<b>(6,248)</b>	11,063

### A Reconciliation of net incoming (outgoing) resources to net cash (outflow) inflow from operating activities

	2013 £'000	2012 £'000
Net incoming (outgoing) resources	<b>77,433</b>	(2,782)
Capital funding grants	<b>(8,652)</b>	(1,243)
Buildings brought in at valuation	<b>(75,944)</b>	(2,418)
FRS 17 pension costs less contributions payable (note 20)	<b>517</b>	241
FRS 17 pension finance cost (note 20)	<b>68</b>	44
Opening deficit on FRS 17 liability acquired on conversion (note 20)	<b>1,988</b>	211
Depreciation	<b>8,710</b>	9,605
Deficit on disposal of tangible fixed assets	<b>—</b>	49
Interest receivable	<b>(113)</b>	(38)
Decrease (increase) in debtors	<b>4,817</b>	(3,000)
(Decrease) increase in creditors	<b>(18,147)</b>	15,254
<b>Net cash (outflow) inflow from operating activities</b>	<b>(9,323)</b>	15,923

### Analysis of changes in net funds

	At 1 September 2012 £'000	Cash flows £'000	At 31 August 2013 £'000
Cash at bank and in hand	20,096	(6,248)	<b>13,848</b>
Short term deposits	4,077	(1,974)	<b>2,103</b>
	<b>24,173</b>	<b>(8,222)</b>	<b>15,951</b>

## **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice', Accounting and Reporting by Charities ('SORP 2005') the Academies Accounts Direction issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies is set out below.

## **Basis of consolidation**

The consolidated statement of financial activities and group balance sheet includes the financial statements of the charitable company and its trading subsidiary ARK Academy 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 and paragraph 397 of SORP 2005.

## **Going concern**

The directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The directors make this assessment in respect of a period of one year from the date of approval of the financial statements.

## **Incoming resources**

All incoming resources are recognised when the charitable company has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

## **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 year is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed assets fund.

## **Donations**

Donations are included in the statement of financial activities on an accruals basis where they are assured with certainty and receivable by the balance sheet date

## **Sponsorship**

Sponsorship provided to the company is recognised in the statement of financial activities in the period when receivable. Sponsorship that relates to future years is carried forward in deferred income.

### **Interest receivable**

Interest receivable is included within the statement of financial activities on an accruals basis.

### **Resources expended**

Resources expended are recognised in the period in which they are incurred. They have been classified under headings that aggregate all costs relating to that activity. Costs are stated net of recoverable VAT.

### **Allocation of costs**

In accordance with the Charities' SORP, expenditure has been analysed between the group's charitable activities, development work and governance.

### **Development costs**

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.

### **Charitable activities**

These are costs incurred in relation to the educational operations of the academies.

### **Governance costs**

Governance costs include the costs attributable to the group's compliance with constitutional and statutory requirements, including audit, strategic management and directors' meetings.

### **Tangible fixed assets**

All assets costing more than £2,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is charged on a straight line basis beginning in the year in which the asset is brought into use at the following annual rates:

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

Assets under construction include direct costs incurred to date on building work that is in progress at the year end. This includes professional costs. These are not depreciated until the asset is brought into use.

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

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

The cost of buildings constructed under the UK Government's National Framework programme 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.

### **Investments**

The company's shareholding in its wholly owned subsidiary, ARK Academies Projects Limited is included in the charitable company's balance sheet at the cost of the share capital owned.

Other investments are included on the balance sheet at fair value.

### **Fund accounting**

The unrestricted general fund represents monies which may be applied for any purpose within the charitable company's 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 of resources which are to be applied to specific capital purposes imposed by the EFA and other funders where the asset acquired or created is held for a specific purpose.

### **Leased assets**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

### **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 potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### **Pensions**

Some of the academies' based staff are members of one of two types of multi-employer defined benefit pension schemes. More details of the schemes are given in note 20.



## Defined Benefit Schemes

### ***Teachers' Pension Scheme (TPS)***

As the charitable company is unable to identify its share of the underlying (notional) assets and liabilities of the TPS, the charitable company has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the charitable company in the year.

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

Each LGPS is a defined benefit pension scheme and the company is able to identify its share of assets and liabilities within the scheme. Therefore, the requirements of the FRS 17, Retirement Benefits, have been followed.

The charitable company's share of the LGPS assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

## Schools joining the ARK Schools network

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. Their fair value is in accordance with the accounting policies set out for the charitable company. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

## Notes to the financial statements 31 August 2013

### 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 2013 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises / capital purposes.

No schools within the ARK Schools network exceeded these limits during the year ended 31 August 2013.

### 2. Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
Donation towards core costs by ARK (note 22)	4,546	—	4,546	4,349
Donations – capital	—	30,090	30,090	107
Donations – other	—	1,396	1,396	258
Grant from ARK UK Programmes	—	447	447	—
	4,546	31,933	36,479	4,714

### 3. Activities for generating funds

	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
Hire of facilities	385	—	385	399

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

	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
<b>DfE/EFA capital grant</b>				
Devolved formula capital allocations	—	76	<b>76</b>	123
Academy main building grants	—	8,427	<b>8,427</b>	799
Local authority ICT capital grants	—	149	<b>149</b>	232
	<u>—</u>	<u>8,652</u>	<u><b>8,652</b></u>	<u>1,154</u>
<b>DfE revenue grants</b>				
General annual grant (GAG)	—	64,600	<b>64,600</b>	47,385
Start up A	—	1,022	<b>1,022</b>	412
Start up B	—	3,587	<b>3,587</b>	2,812
DfE Lead in and implementation income	—	1,413	<b>1,413</b>	914
Other DfE grants	—	5,500	<b>5,500</b>	2,059
School standards fund (DfE)	—	—	<b>—</b>	124
	<u>—</u>	<u>76,122</u>	<u><b>76,122</b></u>	<u>53,706</u>
<b>Other grants</b>				
Local authority funding	—	1,786	<b>1,786</b>	1,103
Extended schools programme	—	76	<b>76</b>	292
Miscellaneous grants	—	187	<b>187</b>	—
	<u>—</u>	<u>2,049</u>	<u><b>2,049</b></u>	<u>1,395</u>
	<u>—</u>	<u>86,823</u>	<u><b>86,823</b></u>	<u>56,255</u>

#### 5. Project management grants

	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
Academies programme	—	510	<b>510</b>	708

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

	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
School meals income	1,041	—	<b>1,041</b>	518
Profit from subsidiary	—	—	<b>—</b>	48
Individual school support	—	100	<b>100</b>	425
Miscellaneous income	462	249	<b>711</b>	289
	<u>1,503</u>	<u>349</u>	<u><b>1,852</b></u>	<u>1,280</u>

## 7. Resources expended

	Staff costs £'000	Premises £'000	Other costs £'000	Total 2013 £'000	Total 2012 £'000
Academy's educational operations					
· Direct costs	48,749	8,710	5,766	<b>63,225</b>	41,269
· Educational support costs	11,922	7,309	7,581	<b>26,812</b>	24,670
Development costs	652	335	2,131	<b>3,118</b>	2,232
	<u>61,323</u>	<u>16,354</u>	<u>15,478</u>	<u><b>93,155</b></u>	<u>68,171</u>
Governance costs including allocated support costs	—	—	184	<b>184</b>	194
	<u>61,323</u>	<u>16,354</u>	<u>15,662</u>	<u><b>93,339</b></u>	<u>68,365</u>

## 8. ARK Schools' educational operations

	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
<b>Direct costs</b>				
Staff costs (note 11)	—	48,749	<b>48,749</b>	28,068
Depreciation (note 13)	—	8,710	<b>8,710</b>	9,605
Educational supplies	—	2,472	<b>2,472</b>	1,452
Examination fees	—	605	<b>605</b>	420
Transport	—	48	<b>48</b>	300
Other pupil support costs	1,154	596	<b>1,750</b>	601
	<u>1,154</u>	<u>61,180</u>	<u><b>62,334</b></u>	<u>40,446</u>
Extended schools programme	42	849	<b>891</b>	823
<b>Educational support costs</b>				
Staff costs (note 11)	—	11,922	<b>11,922</b>	16,202
Recruitment and other staff costs	—	1,188	<b>1,188</b>	1,198
Catering contract	1,041	1,210	<b>2,251</b>	1,419
Printing and stationery	—	529	<b>529</b>	230
Office overheads	—	212	<b>212</b>	216
Heat and light	—	1,500	<b>1,500</b>	902
Premises (including buildings insurance)	11	5,809	<b>5,820</b>	3,615
Technology costs	—	1,875	<b>1,875</b>	1,218
Other insurance costs	—	289	<b>289</b>	18
Finance costs and interest/charges payable	—	76	<b>76</b>	62
Other expenses including release of provision	147	1,003	<b>1,150</b>	44
Retrospective VAT claim as a consequence of s33(B) VAT Act introduced by Finance Bill 2011	—	—	—	(454)
	<u>1,199</u>	<u>25,613</u>	<u><b>26,812</b></u>	<u>24,670</u>
	<u>2,395</u>	<u>87,642</u>	<u><b>90,037</b></u>	<u>65,939</u>

## 9. Development costs

	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
Staff costs (note 11)	652	—	652	415
Project implementation	—	178	178	202
Education development	—	152	152	537
Staff training and induction	—	901	901	590
Building costs	—	335	335	161
Research and marketing	—	534	534	188
Set up and launch costs	—	351	351	74
Miscellaneous	—	15	15	65
	652	2,466	3,118	2,232

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.

## 10. Governance costs

	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
Legal and other professional fees	—	—	—	100
External auditor's remuneration	—	—	—	—
.. Audit of group financial statements*	—	—	—	—
.. Current year	—	83	83	58
.. Prior year under provision	—	12	12	—
Other compliance costs	—	49	49	30
Other expenses	—	40	40	6
	—	184	184	194

\* This includes regularity, statutory and TPS audits.

## 11. Staff costs

Staff costs during the period were as follows:

	2013 £'000	2012 £'000
Wages and salaries	49,028	36,386
Social security costs	4,098	3,136
Pension contributions	5,794	4,010
	58,920	43,532
Supply staff costs	1,961	1,072
Compensation payments	442	81
	61,323	44,685

## Notes to the financial statements 31 August 2013

### 11. Staff costs (continued)

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:

	2013 Number	2012 Number
£60,001 - £70,000	29	29
£70,001 - £80,000	23	18
£80,001 - £90,000	8	6
£90,001 - £100,000	6	2
£100,001 - £110,000	4	2
£110,001 - £120,000	1	—
£120,001 - £130,000	2	1
£130,001 - £140,000	1	2
£140,001 - £150,000	1	1
£150,001 - £160,000	2	3
	<b>77</b>	<b>64</b>

Employer pension contributions to the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) or the Pensions Trust relating to the above staff during the year amounted to £691,708 (2011/12 £560,479).

The average full time equivalent number of persons employed by the group during the year ended 31 August 2013, analysed by function, were as follows:

	2013 FTE	2012 FTE
<b>Charitable activities</b>		
Teachers	684	502
Education support and administration staff	740	528
Projects and management staff	37	30
	<b>1,461</b>	<b>1,060</b>

### 12. Central services

The central team at ARK Schools fulfils a number of functions. These include:

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

It also provides services to schools, including education support, training/CPD co-ordination, HR, financial and management accounting, IT co-ordination, legal support and governance services.

**12. Central services (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. Some IT services are charged to schools on a per pupil basis. Other costs attributable to open schools are funded by a charge deducted from their GAG income. The actual amounts charged during the year were as follows:

	2013 £'000
Ark Academy	223
ARK Atwood Primary Academy	47
ARK Bentworth Primary Academy	75
ARK Conway Primary Academy	24
ARK Globe Academy	396
ARK Kings Academy	101
ARK Oval Academy	134
ARK Putney Academy	270
ARK Rose Primary Academy	58
ARK Tindal Primary Academy	119
Bolingbroke Academy	65
Burlington Danes Academy	351
Charter Academy	152
Evelyn Grace Academy	277
Isaac Newton Academy	72
King Solomon Academy	176
St Alban's Academy	142
Walworth Academy	474
	3,156

### 13. Tangible fixed assets

Group and schools	Leasehold buildings and improvements £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
<b>Cost</b>						
At 1 September 2012	179,792	7,833	120	10,360	—	198,105
Additions	76,261	585	—	2,298	4,475	83,619
Disposals	—	—	(11)	—	—	(11)
At 31 August 2013	256,053	8,418	109	12,658	4,475	281,713
<b>Depreciation</b>						
At 1 September 2012	8,121	4,438	102	9,976	—	22,637
Charge for the year	5,213	1,994	5	1,498	—	8,710
At 31 August 2013	13,334	6,432	107	11,474	—	31,347
<b>Net book value</b>						
At 31 August 2013	242,719	1,986	2	1,184	4,475	250,366
At 31 August 2012	171,671	3,395	18	384	—	175,468

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.

Seven schools joined the network during 2012/13. The Bolingbroke Academy building is on a short term lease until the building of the school is completed and so no value has been placed on it. The value of the buildings transferred on conversion for the other six schools were as follows:

	£'000
Isaac Newton Academy	31,182
ARK King's Academy	5,365
ARK Rose Primary Academy	1,001
ARK Tindal Primary Academy	1,560
ARK Putney Academy	5,729
ARK Bentworth Primary Academy	1,017
	<b>45,854</b>

The total value of £45,854,000 has been included in the tangible fixed assets as a leasehold buildings and improvements addition during the year.

The building programme at St Alban's Academy was completed during the year ended 31 August 2013. The buildings were transferred to ARK Schools on a long lease and an amount of £16,340,000 has been capitalised in the financial statements. The building work at Charter Academy has not yet been completed and costs incurred to date in relation to its capital programme are included within assets under construction. Once completed, the buildings will be transferred to ARK Schools on a long lease and the value will be capitalised in the financial statements.

Existing school buildings are leased on a short term basis until new buildings are ready. No value has been placed on existing buildings.



## Notes to the financial statements 31 August 2013

### 14. Wholly owned trading subsidiary

The issued share capital of ARK Academies Projects Limited was transferred to the charitable company on 3 July 2007 and ARK Academies Projects Limited began trading on that date.

The following is a summary of the financial statements of ARK Academies Projects Limited for the year ended 31 August 2013, which have been included in the consolidated financial statements. ARK Academies Project Limited became dormant on 31 August 2013.

	2013 £'000	2012 £'000
Turnover	39	119
Cost of sales	(47)	(68)
Gross profit	(8)	51
Administrative expenses	(2)	(3)
Other income	10	—
Retained profit before charitable donation under Gift Aid at 31 August 2013	—	48
Charitable donation under Gift Aid	—	(48)
Retained profit after charitable donation under Gift Aid at 31 August 2013	—	—
Called up share capital	—	—
Net assets at 31 August 2013	—	—

The £1 issued share capital equalled the net assets of ARK Academies Projects Limited at 31 August 2013.

### 15. Debtors

	Group 2013 £'000	Schools 2013 £'000	Group 2012 £'000	Schools 2012 £'000
Trade debtors	1,165	1,165	1,135	1,135
Amounts due from DfE/EFA	718	718	1,688	1,688
Sponsorship due from ARK	2,435	2,435	6,899	6,899
Other debtors	56	56	151	151
Prepayments and accrued income	1,880	1,880	1,474	1,474
Amounts due from subsidiary	—	—	—	48
VAT recoverable	1,226	1,226	950	971
	<b>7,480</b>	<b>7,480</b>	<b>12,297</b>	<b>12,366</b>

## Notes to the financial statements 31 August 2013

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

	Group 2013 £'000	Schools 2013 £'000	Group 2012 £'000	Schools 2012 £'000
Trade creditors	2,012	2,012	1,559	1,554
Taxation and social security	1,263	1,263	1,059	1,059
Accruals	3,396	3,396	1,016	1,013
Deferred income	2,063	2,063	8,978	8,978
EFA creditor – abatement of GAG	833	833	200	200
Other creditors	153	153	14,186	14,186
Amounts due to ARK UK Programmes	—	—	869	869
	<b>9,720</b>	<b>9,720</b>	<b>27,867</b>	<b>27,859</b>

### 17. Funds

	At 1 September 2012 £'000	Incoming resources £'000	Resources expended £'000	Transfers and other gains and losses £'000	At 31 August 2013 £'000
<b>Restricted funds</b>					
<b>DfE revenue grant funds</b>					
General Annual Grant (GAG) (note 1)	—	64,600	(63,308)	—	<b>1,292</b>
Start up and lead in (note 4)	3,577	6,022	(8,021)	—	<b>1,578</b>
Other DfE/EFA (note 4)	2,758	5,500	(5,500)	—	<b>2,758</b>
DfE project management grants (note 5)	—	510	(510)	—	<b>—</b>
	6,335	76,632	(77,339)	—	<b>5,628</b>
Pension reserve	(4,614)	(1,988)	(585)	409	<b>(6,778)</b>
	1,721	74,644	(77,924)	409	<b>(1,150)</b>
<b>Other</b>					
Local authority grants	402	1,786	(1,786)	—	<b>402</b>
Extended schools programme	1,343	76	(972)	—	<b>447</b>
Other donations	725	2,130	(667)	—	<b>2,188</b>
Miscellaneous income	—	249	(233)	—	<b>16</b>
	2,470	4,241	(3,658)	—	<b>3,053</b>
<b>Fixed assets fund</b>					
DfE fixed assets fund	162,184	8,503	(5,465)	—	<b>165,222</b>
ARK sponsorship fixed assets fund	6,650	—	(1,662)	—	<b>4,988</b>
Other sponsorship fixed assets fund	3,057	76,093	(1,583)	—	<b>77,567</b>
Fixed asset fund - other	—	—	—	2,589	<b>2,589</b>
	171,891	84,596	(8,710)	2,589	<b>250,366</b>
<b>Total restricted funds</b>	<b>176,082</b>	<b>163,481</b>	<b>(90,292)</b>	<b>2,998</b>	<b>252,269</b>
<b>Unrestricted funds</b>					
Sponsorship of core costs by ARK	2,846	4,546	(652)	—	<b>6,740</b>
Other unrestricted funds	1,279	2,745	(2,395)	—	<b>1,629</b>
Fixed asset fund – other*	—	—	—	(2,589)	<b>(2,589)</b>
<b>Total unrestricted funds</b>	<b>4,125</b>	<b>7,291</b>	<b>(3,047)</b>	<b>(2,589)</b>	<b>5,780</b>
<b>Total funds</b>	<b>180,207</b>	<b>170,772</b>	<b>(93,339)</b>	<b>409</b>	<b>258,049</b>

## 17. Funds (continued)

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

### **General Annual Grant**

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 2013. Note 1 discloses that these limits were not exceeded.

### **DfE revenue grant fund and other restricted funds**

These grants relate to the charitable company's development and operational activities.

### **Pension reserve**

The pension reserve relates to the open academies share of the deficit of the Local Government Pension Schemes overseen by their respective Local Authorities.

### **Fixed assets fund**

This fund equates to the net book value of fixed assets. It includes grant funding received from DfE and sponsorship from Absolute Return for Kids (ARK) and other third parties to carry out capital works as well as school buildings transferred on conversion.

\*Unrestricted funds include a deficit balance of £2,589,000 arising as a result of a transfer to the fixed assets fund balance. The transfer relates to unrestricted funds used in prior periods to fund the purchase of fixed assets.

### **Analysis of academies by fund balance**

Fund balances at 31 August 2013 were allocated as follows:

	2013 £'000
Ark Academy	1,756
ARK Atwood Primary Academy	58
ARK Bentworth Primary Academy	97
ARK Conway Primary Academy	77
ARK Globe Academy	499
ARK Kings Academy	267
ARK Oval Academy	285
ARK Putney Academy	(191)
ARK Rose Primary Academy	83
ARK Tindal Primary Academy	668
Bolingbroke Academy	(100)
Burlington Danes Academy	1,927
Charter Academy	135
Evelyn Grace Academy	634
Isaac Newton Academy	126
King Solomon Academy	2,709
St Alban's Academy	374
Walworth Academy	2,333
ARK Schools Central	2,724
Total before fixed assets and pension reserve	14,461

## Notes to the financial statements 31 August 2013

### 17. Funds (continued)

	2013 £'000
Total before fixed assets and pension reserve	14,461
Restricted fixed assets fund	250,366
Pension reserve	(6,778)
<b>Total</b>	<b>258,049</b>

Bolingbroke Academy had a net funds deficit of £100k at 31 August 2013. The academy was opened on 1 September 2012 with only one year group. It is expected that, as the year groups fill up, a surplus will be achieved in the third year. Until this time, ARK Schools will work with the academy to monitor costs closely.

ARK Putney Academy also had a net funds deficit of £191k at 31 August 2013 on these funds due to the lower level of pupil numbers than expected. A review is currently being undertaken jointly by ARK Schools and the academy to ensure a surplus is achieved in future years.

### Analysis of academies by cost

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) £'000	Total £'000
Ark Academy	4,180	974	180	1,050	6,384
ARK Atwood Primary Academy	465	110	108	164	847
ARK Bentworth Primary Academy	905	106	71	372	1,454
ARK Conway Primary Academy	237	73	47	135	492
ARK Globe Academy	7,158	73	285	1,956	9,472
ARK Kings Academy	1,888	309	100	819	3,116
ARK Oval Academy	1,478	327	5	343	2,153
ARK Putney Academy	3,273	483	174	972	4,902
ARK Rose Primary Academy	795	140	48	376	1,359
ARK Tindal Primary Academy	1,306	207	50	636	2,199
Bolingbroke Academy	950	195	84	361	1,590
Burlington Danes Academy	5,578	1,015	336	1,951	8,880
Charter Academy	2,666	586	113	726	4,091
Evelyn Grace Academy	4,042	649	454	1,562	6,707
Isaac Newton Academy	1,105	270	322	645	2,342
King Solomon Academy	3,192	414	177	1,091	4,874
St Alban's Academy	2,934	733	158	692	4,517
Walworth Academy	5,911	708	370	1,800	8,789
ARK Schools Central	598	4,891	519	4,453	10,461
<b>ARK Schools excluding subsidiaries</b>	<b>48,661</b>	<b>12,263</b>	<b>3,601</b>	<b>20,104</b>	<b>84,629</b>

## Notes to the financial statements 31 August 2013

### 18. Analysis of net assets between funds

Group and Schools	Unrestricted funds £'000	General restricted funds £'000	Restricted fixed assets fund £'000	Total funds 2013 £'000
<b>Fund balances at 31 August 2013 are represented by:</b>				
Tangible fixed and investment assets	—	750	250,366	<b>251,116</b>
Current assets	5,780	17,651	—	<b>23,431</b>
Creditors: amounts falling due within one year	—	(9,720)	—	<b>(9,720)</b>
Pension scheme liability	—	(6,778)	—	<b>(6,778)</b>
<b>Total net assets</b>	<b>5,780</b>	<b>1,903</b>	<b>250,366</b>	<b>258,049</b>

### 19. Transfer from Local Authority on conversion

During the year ended 31 August 2013, seven academies joined the ARK Schools network. These were ARK Bentworth Academy, ARK Kings Academy, ARK Putney Academy, ARK Rose Primary Academy, ARK Tindal Primary Academy, Bolingbroke Academy and Isaac Newton Academy. Except for Isaac Newton Academy and Bolingbroke Academy, which were newly formed academies, the remaining five schools were previously under the control of the Local Authority (LA).

All schools achieved academy status under the Academies Act 2010 on joining the ARK Schools network and the operations together with any assets and liabilities of predecessor Local Authority controlled schools were transferred from the relevant Local Authority to ARK Schools at that date except for the accumulated deficits in respect of three schools which were retained by the Local Authority as agreed. These transfers have been accounted for using the acquisition method. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

The following table sets out the identifiable assets and liabilities transferred from the Local Authority and an analysis of their recognition in the statement of financial activities.

	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	Total 2013 £'000	Total 2012 £'000
Leasehold land and buildings (note 13)	—	—	45,854	<b>45,854</b>	2,400
Budget surplus on LA funds	744	—	—	<b>744</b>	—
LGPS pension deficit (note 20)	—	(1,988)	—	<b>(1,988)</b>	(211)
<b>Net assets (liabilities)</b>	<b>744</b>	<b>(1,988)</b>	<b>45,854</b>	<b>44,610</b>	2,189

## **20. Pensions and similar obligations**

School based employees belong to one of two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and Local Government Pensions Scheme (LGPS) for non-teaching staff. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

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

### **Teachers' Pension Scheme**

#### ***Introduction***

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools that are maintained by local authorities and other educational establishments, including academies, in England and Wales. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

#### ***The Teachers' Pension Budgeting and Valuation Account***

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

#### ***The Teachers' Pension Budgeting and Valuation Account (continued)***

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

#### ***Valuation of the Teachers' Pension Scheme***

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

## 20. Pensions and similar obligations (continued)

### Teachers' Pension Scheme (continued)

#### **Valuation of the Teachers' Pension Scheme (continued)**

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced- effective for the first time for the 2008 valuation- a 14% cap on employer contribution payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Service Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

#### **Teachers' Pension Scheme Changes**

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015. The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall just outside of the 10 year protection.

## 20. Pensions and similar obligations (continued)

### Teachers' Pension Scheme (continued)

#### *Teachers' Pension Scheme Changes (continued)*

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases were to be phased in from April 2012 on a 40:80:100% basis.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

### Local Government Pension Scheme (LGPS)

Each Local Government Pension Scheme is a multi employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The charitable company is currently part of ten different funds. The total contribution made for the year ended 31 August 2013 was £2,016,000, of which employees' contributions totalled £581,000 and employers' contributions totalled £1,435,000. The agreed contribution rates for future years are between 14% and 19.1% for employers and between 5.8% and 7.5% for employees.

The funds that the charitable company is part of are: London Borough of Hammersmith and Fulham Pension Fund (Burlington Danes , Bentworth and Conway); City of Westminster Pension Fund (King Solomon and Atwood); London Borough of Southwark Pension Fund (Walworth and Globe); London Borough of Lambeth Pension Fund (Evelyn Grace); London Borough of Brent Pension Fund (Ark); London Borough of Croydon (Oval); Portsmouth City Council Pension Fund (Charter); London Borough of Redbridge Pension Fund (Isaac Newton); London Borough of Wandsworth Pension Fund (Bolingbroke and ARK Putney) and West Midlands Pension Fund (St Alban's, Kings, Tindal and Rose Primaries).

#### *Principal actuarial assumptions*

	2013 %	2012 %
Rate of increase in salaries	4.1	4.4
Rate of increase in pension payments	2.3	2.2
Discount rates	4.1	4.2
Inflation assumptions	2.6	2.1



## 20. Pensions and similar obligations (continued)

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

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

	2013	2012
<b>Retiring today</b>		
Males	18.4	21.8
Females	20.9	24.9
<b>Retiring in 20 years</b>		
Males	19.9	23.6
Females	22.5	26.9

The estimated share of the assets in the schemes attributable to the company and the average expected rates of return across the schemes were:

	Expected return at 31 August 2013 %	Value at 31 August 2013 £'000	Expected return at 31 August 2012 %	Value at 31 August 2012 £'000
Equities	6.8%	10,688	6.5	6,893
Corporate bonds	3.5%	1,575	3.1	1,090
Government bonds	3.1%	1,899	2.6	1,543
Property	6.2%	1,466	5.0	1,172
Cash	0.8%	388	1.5	182
Other	4.8%	1,618	7.3	927
<b>Total market value of assets</b>		<b>17,634</b>		<b>11,807</b>
Present value of scheme liabilities		(24,412)		(16,421)
<b>Net deficit in scheme</b>		<b>(6,778)</b>		<b>(4,614)</b>

### Amounts recognised in the statement of financial activities:

	At 31 August 2013 £'000	At 31 August 2012 £'000
Current service cost (net of employee contributions)	1,952	1,163
Past service costs	—	5
<b>Total operating charge</b>	<b>1,952</b>	<b>1,168</b>
<b>Analysis of pension finance costs</b>		
Interest on pension liabilities	911	702
Expected return on pension scheme assets	(843)	(658)
<b>Net finance cost</b>	<b>68</b>	<b>44</b>

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS17 is a deficit of £1,909,000 (2012 – deficit of £2,318,000).

## 20. Pensions and similar obligations (continued)

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

#### Movement in deficit during the year

	2013 £'000	2012 £'000
Deficit at 1 September	(4,614)	(2,623)
Current service cost	(1,952)	(1,163)
Past service loss	—	(5)
Employer contributions	1,435	922
Net return on assets	(68)	(44)
Brought forward pension scheme liability (note 19)	(1,988)	(211)
Actuarial gain/(loss)	409	(1,490)
<b>Liabilities at 31 August</b>	<b>(6,778)</b>	<b>(4,614)</b>

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

	2013 £'000	2012 £'000
At 1 September	16,421	11,988
Current service cost	1,952	1,163
Interest cost	911	702
Employee contributions	581	397
Actuarial loss	671	1,736
Benefits paid	35	(27)
Past service loss	—	5
Brought forward pension scheme obligation	3,841	457
<b>At 31 August</b>	<b>24,412</b>	<b>16,421</b>

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

	2013 £'000	2012 £'000
At 1 September	11,807	9,365
Expected return on assets	843	658
Actuarial gain	1,080	246
Employer contributions	1,435	922
Employee contributions	581	397
Benefits paid	35	(27)
Brought forward pension scheme asset	1,853	246
<b>At 31 August</b>	<b>17,634</b>	<b>11,807</b>

The brought forward defined benefit pension scheme represents the net liability acquired by the group totalling £1,988,000, comprising £606,000 for ARK Kings Academy, £450,000 for ARK Tindal Primary Academy, £351,000 for ARK Bentworth Primary Academy, £329,000 for ARK Putney Academy and £252,000 for ARK Rose Primary Academy (2012 - liability of £211,000; £27,000 for Ark Academy and £184,000 for ARK Oval Academy).

## 20. Pensions and similar obligations (continued)

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

The five year history of experience adjustments is as follows:

	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Fair value of assets	(24,412)	(16,421)	(11,988)	(9,129)	(5,246)
Present value of scheme liabilities	17,634	11,807	9,365	5,862	3,249
Deficit in scheme	(6,778)	(4,614)	(2,623)	(3,267)	(1,997)
Experience gains on scheme assets	1,080	246	1,835	128	(437)
Experience gains on scheme liabilities	(671)	(1,736)	(1,558)	—	—

## 21. Lease commitments

At 31 August 2013, the group had annual commitments under non-cancellable operating leases as follows:

	2013 £'000	2012 £'000
Expiring in under one year	15	79
Expiring within two to five years	220	140

## 22. Related party transactions

ARK Schools is sponsored by Absolute Return for Kids (ARK), which is also the principal member of ARK Schools. ARK is also a charitable company and has four directors in common with ARK Schools.

During the year, ARK Schools was awarded £4.55m sponsorship from ARK.

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

The amounts recharged by ARK to ARK Schools during the year were:

	2013 £'000	2012 £'000
Staff costs	194	78
Rent and service charges	209	77
Other costs	72	74

## 22. Related party transactions (continued)

ARK has a charitable subsidiary, ARK UK Programmes which carries out educational work in the UK, principally in relation to provision of extended school programmes at the schools operated by ARK Schools. ARK UK Programmes staff are paid through the ARK Schools payroll and the relevant costs are recharged to ARK UK Programmes.

The amounts recharged by ARK Schools to ARK UK Programmes during the year were:

	2013 £'000	2012 £'000
Salaries recharged	1,271	1,875
Grants	148	124

Donations from ARK UK Programmes to ARK Schools during the year were:

	2013 £'000	2012 £'000
In respect of enrichment programmes which have been transferred to ARK Schools from ARK UK Programmes	265	207

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.

As at 31 August 2013, £5.767m (2011/12 - £5.767m) had been paid over by ARK into the endowment funds held by ARK UK Programmes. £265k (2011/12 - £100k) was withdrawn from the endowments during the year and paid to St. Alban's Academy as agreed by the Trustees. The endowments were valued at year end at £6.2m (2011/12 - £5.752m).

The endowment amounts paid over included £750,000 of reserves from one of the open academies, as part of their investment strategy. This amount is owed by ARK UK Programmes.

## 23. Directors' emoluments

The Managing Director is a director of the company. In the year ended 31 August 2012, she was Managing Director of ARK Schools, ARK Academies Projects Ltd and ARK UK Programmes. From October 2012 she also became Chief Executive of ARK. As such, from October 2012 50% of her salary has been charged to ARK, meaning that the remuneration charged to ARK Schools has decreased significantly.

## Notes to the financial statements 31 August 2013

### 23. Directors' emoluments (continued)

The Managing Director's remuneration in relation to her role in ARK Schools and ARK Academies Projects Ltd (including performance related bonus) for the year ended 31 August 2013 was £76,355 (2011/12 - £141,150). In addition, £8,484 was paid by ARK UK Programmes (£2011/12 £23,850), to reflect time spent as Managing Director of that charity. ARK Schools made employer's pension contributions of £9,430 for the benefit of the Managing Director during the year (2011/12 - £15,527). ARK UK Programmes made employers contributions of £1,048 (2012 - £2,624). No other directors of the company received any payment or other emoluments from the charitable company in the period. No director had any beneficial interest in any contract with the company during the year.

### 24. 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.

