

Ark Schools

**Consolidated annual report
and financial statements**

31 August 2020

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

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Reference and administrative details

Member	Absolute Return for Kids (ARK)
Trustees	Christina Alexandrou Ron Beller Lord Fink Joanna Greenslade Gerard Griffin Lucy Heller Daniel Labbad Sir Paul Marshall Riaz Shah (appointed 29 May 2020) Anthony Williams Neil Wood (resigned 10 January 2020)
Company Secretary	Michael Sandall (resigned 19 February 2020) Elizabeth Dawson (appointed 19 February 2020)
Senior Management Team	Lucy Heller, Managing Director Jacqueline Russell, Chief Finance Officer Rebecca Boomer-Clark, Director of Secondary Venessa Willms, Director of Primary Elizabeth Dawson, Director of Governance (appointed 19 February 2020) Robert Stanton, Director of People (resigned 31 July 2020) Laurie Grist, Director of People and Projects (appointed 3 August 2020) Ed Owen, Director of External Relations (appointed 3 August 2020)
Registered office	The Yellow Building 1 Nicholas Road London W11 4AN
Registration number	05112090 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Lloyds Bank plc 95 George Street Croydon CR9 2NS
Solicitors	Stone King LLP Boundary House 91 Charterhouse Street London EC1M 6HR

Foreword

The 2019/20 academic year was dominated by the Covid-19 pandemic. Most of our students were unable to attend school for almost six months and, while our schools opened their doors to all in September for the new academic year, the long-term impact of the prolonged and continuing disruption on the educational and personal development of many young people is likely to be significant.

Despite the unique and unprecedented challenges, all our school communities – staff, students, parents and others - responded with extraordinary dedication and commitment. In many ways, the pandemic has exposed more clearly the disadvantages many of our students and their families face, and illustrated the vital role that schools like ours play in their communities. There were, for example, many instances of teachers and parents delivering food and other basic supplies during the lockdown to families shielding or unable to afford them.

All our schools remained open during the national lockdown to provide education for our most vulnerable students and for the children of key workers. For those at home, our schools ensured students had access to learning through a remote offer. Drawing on the expertise of partners such as Ark Curriculum Plus (AC+), we established ABC@Home to provide our schools with structured curriculum content to share with students, and we were involved in developing materials for the Oak National Academy, which provided an online classroom, and high-quality video lessons and resources for the wider sector.

The lockdown period was particularly difficult for those students facing GCSE, A Level and BTEC examinations in the summer, and the subsequent confusion and changes to the method of awarding grades put additional pressure on all involved. Despite these enormous challenges, the achievements of our Year 11 and Year 13 students to secure the next steps of their education journeys to sixth form, higher education or into work were a testament to their resilience, and to the dedication of their teachers.

It was a joyous moment to welcome all students back to school in September for the new academic year and I am grateful for the hard work of Ark staff over the summer to ensure all our students returned to a school environment that was safe and secure. Alongside the work undertaken to meet Government health and safety requirements, our schools are also investing considerable effort and resource into a range of interventions to support all students following the lockdown. A recovery programme – funded by voluntary donations to our parent charity, Ark - includes tailored academic interventions focused on closing learning gaps; specialist mental health support to those most at risk; and new digital devices to ensure all students can access remote learning opportunities.

The pandemic will continue to impose significant pressures on our schools for some time to come. But it has served to reinforce our core purpose and mission to provide an excellent education to children in underserved communities. Our network is now made up of 38 academy schools with Ark Pioneer in Barnet, North London, having opened its doors in September 2019 and Ark Blake Academy in Croydon accepting its first students in September 2020.

Despite the pandemic, our schools will continue to provide a rich education across all subjects, alongside music, sport and other activities outside the core curriculum. There are now more than 28,000 students in our schools and, to sustain the improvements made over recent years, we will continue to seek to attract the very best staff to the network and invest in their professional development and high-quality training. We will also continue to extend our curriculum work and seek more effective and efficient ways of working.

Foreword

At Ark Schools, we are proud of how much has been achieved over the last 15 years, but we remain ambitious to do more. I recognise the extraordinary efforts everyone involved in our schools has made over the last year and for their ongoing commitment to giving children and young people – regardless of their circumstances – the very best start in life.

A handwritten signature in black ink that reads "Lucy Heller". The signature is written in a cursive style with a large initial 'L' and 'H'.

Lucy Heller
Managing Director, Ark Schools

Directors' report (including strategic report) Year to 31 August 2020

The directors who are also trustees of the charitable company, Ark Schools, present their annual report and the audited consolidated financial statements of Ark Schools for the year to 31 August 2020 and its subsidiary company, Ark Academies Projects Limited (registered company in England and Wales number 04101629), together known as 'the Group'.

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

The financial statements have been prepared in accordance with the accounting policies set out on pages 40 to 47 and comply with the charitable company's memorandum and articles of association, applicable laws and the requirements of the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

Objectives and activities

Objects and aims

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

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

Public benefit

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

Objectives, strategies and activities

There are 38 schools in Ark's network with more than 28,000 students. Located in London, Birmingham, Hastings and Portsmouth, they include newly created academy schools and those that have joined the network to support academic improvement.

All our schools operate in areas of relatively high social and educational disadvantage with just under half of our students eligible for the Pupil Premium. Students that attend Ark secondary schools are also less likely to have achieved the expected standard at primary school, and almost 50% of all our students speak English as an additional language, more than double the national average.

While each Ark school has its own ethos and character, they all draw upon the same principles – our six pillars – in support of Ark's shared mission to transform lives through education. They are:

Directors' report (including strategic report) Year to 31 August 2020

- **High expectations** - We believe that every child can achieve great things and we set high expectations for all our students, and we do whatever it takes to meet them. Our aspirations are no lower for our most vulnerable students.
- **Excellent teaching** - A teacher affects a student's achievement more than any other factor. We work side-by-side with teaching staff, supporting them with training and development so that they can deliver excellent teaching.
- **Knowing every child** - We organise our schools so that every child knows, and is known well by, every adult in the school. We also keep parents well informed about children's targets, and we involve families in all aspects of school life.
- **Depth for breadth** - When children build firm foundations in English and maths, they find it easier to do well in other subjects too. That's why we prioritise depth in these subjects, giving our pupils the best chance of success.
- **Exemplary behaviour** - Our schools are characterised by a respectful environment, where teachers can focus on teaching and pupils can focus on learning. We teach, recognise and reinforce good behaviour, and we don't tolerate poor behaviour.
- **Always learning** - To make sure children have enough time both for core subjects and for extra-curricular activities, many of our schools run a longer school day. Others are open at weekends and during school holidays, offering masterclasses and revision sessions.

Our three main strategic objectives for the network are:

- **To create excellent schools** - We aim to build a group of excellent, non-selective schools to radically improve our students' life chances.
- **To build a sustainable network** - We want our Ark model to be one that is applied across a wide network so it is important that all our schools can be maintained on government funding alone.
- **To grow capacity in the education system** – We want to support the education of children in schools beyond our network by developing programmes that provide core elements of the Ark model such as Mathematics Mastery, English Mastery and Ark Teacher Training.

Achievements and performance

The year in review

There were 37 schools in operation during 2019/20:

- Ark Pioneer, a new secondary school in Barnet, opened in September 2019.
- Ark William Parker and Ark Helenswood were brought together on 1 September 2019 to create Ark Alexandra in Hastings.
- Ark Paddington Green merged with Ark King Solomon Academy on 1 September 2019 to create an all-through academy in Westminster.

Directors' report (including strategic report) Year to 31 August 2020

Despite the significant disruption caused by the pandemic, we continued to make good progress on our objectives to improve teacher quality, curriculum development and building leadership capacity. While the decision to cancel all primary, GCSE, A Level and BTEC examinations in the summer make comparisons on academic performance more difficult, we are confident that our schools were on course to meet most of the 2020 targets.

The most important outcome we have for the 19/20 academic year is our student destinations at Key Stage 5. More than 80% of these students won a place at university, while a further 5% of students are taking a Foundation Year or a Foundation Degree.

Out of 69 applications across the network, 11 students received firm offers from Oxford and Cambridge and nine students accepted places (three at Cambridge, six at Oxford). Of the two students who chose not to accept offers, one has taken up a funded place at Harvey Mudd College in the United States and the other has accepted a place on an apprenticeship with UBS, a top 30 UK apprenticeship employer.

Half of our Year 13 students have gone on to a top-third university or top-100 apprenticeship, an increase of 2% from last year. We also awarded 53 bursaries to students going to university, all of whom have high financial need and 88% of whom are the first generation in their family to attend university.

Ofsted inspections

Four Ark schools, Ark Elvin, Ark Dickens, Ark Oval and Ark Greenwich Free School, were inspected by Ofsted before it suspended routine inspections in March due to the coronavirus outbreak. Ark Dickens and Ark Elvin received full, section 5 inspections and were judged to be Good. Ark Oval and Ark Greenwich Free School both received 'short', section 8 inspections and were judged as continuing to be Good schools.

Plans for future periods

Ark Schools will continue to expand the network at a sustainable rate. In September 2020, Ark Blake, a new secondary school in Croydon, opened its doors, which will take the number of Ark schools to 38, and other new-build schools in the pipeline include Ark Soane in Acton, West London. This is due to open in September 2021.

We are also developing early years provision connected to our primary schools. Ark Start, our new nursery school venture, run by Ark UK Programmes, opened its first nursery at Ark John Archer in South London in October 2020, and is due to open its second at Ark Oval in Croydon in January 2021.

Throughout the 2020/21 academic year, we will be investing considerable effort and resource into a range of educational and pastoral interventions to support the recovery of all our students following the lockdown. This programme – funded by voluntary donations to our sponsor charity, Ark and from match funding from the DCMS coronavirus fund - includes tailored academic interventions to close learning gaps, specialist mental health support to those most at risk and new digital devices to all students in Year 4 and above to ensure all have access to remote learning opportunities.

Directors' report (including strategic report) Year to 31 August 2020

Plans to develop EdCity, an innovative new education hub in West London will also progress, albeit later than planned due to delays caused by the pandemic. EdCity is a non-profit partnership between Ark and Hammersmith and Fulham Council and will bring social, educational and housing benefits to the local community in White City. It will include a new central office for Ark Schools and a new building and facilities for Ark Swift Primary School, as well as an improved nursery, adult education facilities and a new youth zone. The site will also include 132 new affordable homes. Ark has incorporated three Special Purpose Vehicles to oversee the construction and ongoing management of this venture. It is intended that Ark Schools will be a tenant in the new office. Any expenditure incurred by Ark Schools, in respect of Ed City, has been fully funded by Ark.

Directors' report (including strategic report)

Year to 31 August 2020

Structure, governance and management

Constitution

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

Member's liability

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

Trustees' indemnities

In accordance with normal commercial practice, Ark Schools insures its trustees against errors, negligent acts or omissions relating to their work for Ark Schools for up to £2m on any single claim. Four trustees served as Chairs or Governors of an Ark school local governing body for all or part of the year.

Method of recruitment and appointment of Trustees

The articles of association require at least three trustees to hold office at any given time. The trustees who served during the year are shown on page 1. When new trustees are to be appointed, the board approves an appropriate process and criteria for recruitment. This includes a review of the skill and capability requirements of the board, the current needs of the school network, good practice governance for multi-academy trusts, and the requirements of the charitable company's governing documents.

Policies and procedures for the induction and training of Trustees

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

Directors' report (including strategic report) Year to 31 August 2020

Organisational structure

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

The trustees delegate the day-to-day management responsibility to the senior management team, who are listed on page 1, led by the Managing Director, Lucy Heller. The running of each individual school is delegated to its Principal.

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

Arrangements for setting key management pay and remuneration

The trustees consider that they and the senior management team comprise the key management personnel of Ark Schools in charge of directing, controlling, running and operating the charitable company on a day-to-day basis. Lucy Heller is an employee of Ark, as disclosed in note 10. None of the trustees receive any remuneration for their services as trustees.

Ark Schools' senior management team salaries are set on appointment and follow market conditions. They are reviewed annually in accordance with pay review procedures operated by the sponsor charity, Ark. The Managing Director of Ark Schools approves all senior management team salaries on appointment. Annual reviews are subject to the same approval, with any exceptions over and above the agreed percentage subject to review by the Advisor to the Ark Board.

A remuneration committee reviews the salaries of Principals, Regional Directors and senior central staff. The Managing Director's salary is paid by Ark. It is decided by a subcommittee of the Ark Board made up of the Advisor to the Ark Board, the Chair of Ark Schools and the Chair of Ark.

Fundraising

Ark Schools is supported to raise funds by a small team of professional fundraisers employed by our sponsor charity, Ark. Ark fundraises from a defined list of individuals, companies and charitable trusts and foundations. This list is carefully considered, and approaches are only made to those we already have a connection to, or we think may have an interest in Ark's work.

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

Donor data is handled securely and with care in accordance with statutory obligations. Ark is a member of the Fundraising Regulator and complies with advice and guidance set by it. Ark have not received any fundraising complaints.

Directors' report (including strategic report) Year to 31 August 2020

Employee involvement

Ark Schools is a collegiate network, encouraging staff contributions at all levels and close collaboration between the academies; principals also meet regularly to share knowledge and good practice. The Ark Schools training programme provides information and access to internal and external professional development and support. Network days are held for subject specific training. New staff are fully inducted, and teachers take part in training before the start of and during each school year. Staff surveys are conducted on an annual basis and the feedback shared across the network and with trustees.

Disabled employees

Ark Schools ensures that training, career development and promotion opportunities are available to all employees. Applications for employment by disabled people are given full and fair consideration. When employees become disabled, every effort is made to meet their needs so that their employment may continue. Some school buildings have restricted access in areas that have yet to be modernised. In such cases, the schools manage access through room allocations. Modernised and new buildings are designed to comply with statutory regulations for disabled access.

Related Parties and other Connected Charities and Organisations

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

- Ark – Company no. 04589451, Charity no. 1095322 (see note 24)
- Ark UK Programmes – Company no. 05932797, Charity no. 1137932 (see note 24)
- Ark Academies Projects Ltd – Company no. 04101629 (see note 24 and below)
- EdCity Office – Company no. 11596797, Charity no. 1184547 (see note 24)
- EdCity Management Company Limited – Company no. 11528726 (see note 24)
- EdCity Development Limited – Company no. 1151870 (see note 24)

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

Following the rules set out in the Academies Financial Handbook, the Trust applied in September 2019 for permission to enter into a contract with Ark UK Programmes for the Mathematics Mastery and English Mastery curriculum programmes and for recruitment of new trainee teachers from Now Teach. As this contract did not follow a competitive process as required by the Academies Financial Handbook and our procurement policy at the time of application did not specifically allow for a waiver of competition, this contract was not formally approved by the ESFA. We were however informed by the ESFA that we could continue to work with UK Programmes. Following a revision of our procurement code of practice to allow for formal waivers of competition under specific circumstances, we applied again in September 2020 and approval has now been granted.

Directors' report (including strategic report) Year to 31 August 2020

Engagement with parents, pupils and the community

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

Engagement with suppliers and other business relationships

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

Promoting the success of Ark Schools

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

Directors' report (including strategic report) Year to 31 August 2020

Streamlined energy and carbon reporting

The new Energy and Carbon Reporting Regulations came into force on 1 April 2019. As the Trust consumes more than 40,000 kWh of energy, we report below our energy consumption for the year to 31 August 2020.

UK Greenhouse gas emissions and energy use data for the period 1 September 2019 to 31 August 2020	
Energy consumption used to calculate emissions (kWh)	30,745,657
Energy consumption break down (kWh) (optional)	
· gas,	19,623,141
· electricity,	10,994,775
· transport fuel	127,741
<u>Scope 1 emissions in metric tonnes CO₂e</u>	
Gas consumption	3,608.11
Owned transport – mini-buses	29.80
Total	3,637.91
<u>Scope 2 emissions in metric tonnes CO₂e</u>	
Purchased electricity	2,563.32
<u>Scope 3 emissions in metric tonnes CO₂e</u>	
Business travel in employee owned vehicles	2.52
Total gross emissions in metric tonnes CO₂e	6,203.75
<u>Intensity ratio</u>	
Tonnes CO ₂ e per pupil	0.23

2019-20 Pupil numbers

27,325

Quantification and reporting methodology

We follow the Government's 2019 Environmental Reporting Guidelines and 2020 Conversion Factors for Company Reporting, as well as the GHG Protocol Corporate Accounting and Reporting Standard. The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per pupil, the recommended ratio for the sector.

Measures taken to improve energy efficiency:

The trust has been developing its decarbonisation strategy since 2019 and has the ambition to reduce both its electricity and gas carbon by 75% by 2030. To develop the projects required to deliver this, we are completing comprehensive energy surveys of our 38 academy schools. Following the surveys and decarbonisation site assessments, we will:

- Assess all identified projects against cost/carbon/deliverability benchmarks and agree the priority projects.

Directors' report (including strategic report) Year to 31 August 2020

- Complete the technical assessment for each project to calculate expected carbon savings and enable benchmarking and assessment.
- Compile the technical and financial information necessary to complete the business case for each project.
- Develop a project delivery plan for each site/project including programme and risk register

Trade union facility time

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

Going concern

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

Directors' report (including strategic report) Year to 31 August 2020

Financial review

A summary of the results for the year is included in the statement of financial activities on page 36. The operational result for the year (which excludes capital income and expenditure, buildings transferred into the network, and non-cash pension adjustments in respect of defined benefit schemes) is summarised below:

Income and expenditure

Years ended 31 August	2020	2019
	£m	£m
DfE revenue grants	182.0	171.5
Other grants and income (ex. capital)	13.6	15.4
Other trading activities	1.4	2.2
Voluntary income (ex. capital)	6.7	8.4
Total operating income	203.7	197.5
Academy Educational Operations		
- Direct costs excl depreciation	103.8	100.5
- Educational support costs excl capital	91.6	90.3
- Development, Governance and fundraising	3.5	3.7
Total operating expenditure	198.9	194.5
Net operating income/(expenditure)	4.8	3.0

Ark Schools is pleased to report a £4.8m operating surplus for the year to 31 August 2020 (2019: £3.0m surplus). Despite the loss of lettings income due to the pandemic, schools have benefited from savings made from school closures for specific year groups - this was specifically from reduced supply costs and in exam invigilation.

As a network we incurred £0.7m in exceptional costs relating to Covid-19, predominately in supplying free school meals and in premises and PPE costs, of which we successfully claimed £0.6m from the DfE's exceptional Covid-19 costs fund. All the operating surplus has been invested in capital infrastructure, with £5.1m (2019: £4.9m) transferred from our revenue reserves to fund in year capital investment. After funding in year capital expenditure, total school revenue reserves decreased by £0.3m (2019: £0.3m).

All our schools have 10-year IT refresh and 10-year capital estate plans, which are compiled from condition surveys. We are committed to investment in delivering to our Ark Schools IT standard and to ensure that our school buildings remain fit for purpose.

The outlook for the 2020/21 academic year remains highly challenging as schools are now incurring additional costs in dealing with supply due to a high level of staff absence, lettings income remains at an all-time low and significant additional cleaning and PPE costs are being incurred.

A full reconciliation of the operating result is provided at note 32 to the financial statements.

Directors' report (including strategic report) Year to 31 August 2020

Summary of assets and liabilities

As at 31 August	2020	2019
	£m	£m
Fixed assets	481.6	488.6
Current assets	49.5	46.4
Current liabilities	(30.5)	(28.1)
Total assets less current liabilities	500.6	506.9
Liabilities due after one year	(1.8)	(1.8)
Pension deficit	(63.9)	(52.7)
Net assets	434.9	452.4
Represented by:		
Fixed assets fund	484.1	490.1
Pension reserve	(63.9)	(52.7)
Revenue reserves		
- Restricted	7.2	3.9
- Unrestricted	7.5	11.1
Grand total	434.9	452.4

Total net assets during the year decreased to £434.9m (2019: £452.4m) with the overall decrease in funds for the year recorded at £17.5m (2019: increase of £19.8m). The fixed asset fund decreased by £6.0m (2019: increase of £47.3m of which £31.2m related to the three new schools that joined the network, Ark Greenwich Free School, Ark John Archer and Ark Acton). Offsetting this is a small decrease in revenue reserves of £0.3m (2019: £0.3m) and an increase in the pension reserve deficit of £11.2m (2019: £27.2m).

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

Directors' report (including strategic report)

Year to 31 August 2020

Financial report for the year

Operating income

Total operating income was £203.7m (2019: £197.5m). Approximately 89% of operating income comes from the Department for Education (DfE) as recurrent grants (2019: 87%). These grants and the associated expenditure are included within restricted funds in the statement of financial activities. For the year ended 31 August 2020, DfE/ESFA revenue grants were £182.0m (2019: £171.5m) which are all restricted to core school activities.

Non-core activity is funded separately. For the year ended 31 August 2020, other grants and income were £13.6m (2019: £15.4m), which included income of £0.7m (2019: £1.1m) for additional programmes, exceptional government funding for Coronavirus of £0.6m (2019: nil) and £0.3m (2019: £2.9m) in respect of EdCity. Lettings income and Alpha nursery generated £1.4m (2019: £2.2m). Additional voluntary income from the sponsor organisation, Ark, and others amounted to £6.7m (2019: £8.4m).

Operating expenditure

Total operating expenditure for the year ended 31 August 2020 was £198.9m (2019: £194.5m). Direct costs excluding depreciation accounted for 52% (2019: 52%) of the total operating expenditure. The network continues to be supported by voluntary income for specific network programmes.

During the year ended 31 August 2019, operating expenditure included £2.9m of costs in respect of pre-planning and planning for EdCity, the new education hub in West London that will become the home of Ark Schools. There were no such costs incurred within Ark Schools during the year ended 31 August 2020.

Impact of capital items, depreciation, and pension scheme adjustments

Once voluntary income, capital grants, net asset transfers from Local Authorities or other academy trusts, depreciation and pension scheme adjustments were included, the outcome for the year to 31 August 2020 was a net decrease in funds of £17.5m (2019: increase of £19.8m). Total income was £211.5m (2019: £256.0m, which included £11.6m of net assets transferred from Local Authorities on conversion and £17.6m of net assets inherited in respect of pre-existing academies joining the Ark Schools network. These amounts related to the assignment of the leasehold for the buildings of new schools joining the Ark Schools network together with any carried forward revenue surplus less any pension scheme liabilities assumed). The total income also includes £1.0m (2019: £0.5m) in relation to additional infrastructure costs at Ark Alexandra and Ark Isaac Newton (2019: Ark Academy, Ark Atwood, Ark Elvin and Ark John Keats) which were developed by the DfE and/or local government on behalf of Ark Schools and transferred to Ark Schools on completion of the works.

Academies are funded by the Education and Skills Funding Agency (ESFA) and the DfE for both school operations and capital projects on a cash rather than an accruals basis.

Directors' report (including strategic report)

Year to 31 August 2020

This has three important consequences for Ark Schools' financial statements:

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

Net assets

At 31 August 2020, net assets were £435.0m (2019: £452.4m).

At 31 August 2020, the net book value of tangible fixed assets was £480.4m (2019: £487.4m). Most fixed assets related to long term leaseholds of school buildings that have been granted to Ark Schools by the owners of the freehold, typically the Local Authority, Diocese or Charitable Foundation.

At 31 August 2020, investments were £1.2m (2019: £1.2m). Investments related to surplus school funds that are invested with a fund manager (see note 24).

Reserves policy and financial position

Ark Schools continues to grow, and the level of reserves held takes account of current and future income and expenditure, including future capital projects. Total funds at 31 August 2020 were £435.0m (2019: £452.4m), which consisted of £427.4m restricted funds (2019: 441.3m) and £7.6m unrestricted funds (2019: £11.1m). Of the total restricted funds, £7.1m (2019: £3.9m) represents revenue reserves which are restricted by the donor for specific schools or projects.

Directors' report (including strategic report)

Year to 31 August 2020

The level of unrestricted reserves is kept under close review by the directors as there is a need for schools to continue investing in their capital and infrastructure. The directors believe that schools should target an amount, equivalent to at least 3% of their annual income, for capital and infrastructure projects to ensure our school estate remains fit for purpose. We allow schools to include their capital and IT reserves in this target, where this is not already pre allocated. Currently, 12 (2019: 11) schools fail to meet this threshold and we are working with them as part of our long-term planning process to improve the level of reserves they hold.

During the year, we assessed our future capital and infrastructure requirements and as a result we have earmarked £6.0m in total for unfunded capital projects (2019: £11.1m) and this is included within designated funds. In addition, at each school an amount has been allocated as an IT reserve totalling £2.2m (2019: £0.8m) and this amount forms part of the balance on the restricted fixed assets fund (see note 16 to the financial statements). This is to ensure that schools have adequate funds available to invest in updating their IT infrastructure.

Included within restricted funds is the pension reserve deficit of £63.9m (see note 21) (2019: £52.7m). The local government pension schemes to which this relates are funded schemes and therefore employers' pension contributions will increase in line with the deficit over a period of years. As noted in the Directors' Report of previous annual accounts, it is unlikely that Ark Schools will be liable for lump sum amounts and the increased pension contribution will be met through budgeted annual income. Accordingly, there is no direct impact on Ark Schools' free reserves in recognising the deficit.

Individual school deficits

Ten schools in the network had a deficit in their revenue reserve at the end of 2020 (2019: seven). Arrangements are in place to support these schools through this difficult period by way of intra-academy loans with careful and strict monitoring of their financial budget and performance. All schools have detailed five-year plans and there is every expectation that over the medium term they will each return to financial stability. The reserves of all schools are detailed in note 16.

Investment policy

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

Directors' report (including strategic report)

Year to 31 August 2020

Risks and uncertainties

The trustees have assessed the major risks and uncertainties to which Ark Schools is exposed. During the academic year, the Ark Schools risk register was fully updated and subject to detailed review by the Risk and Audit Committee. Particular attention was paid to long-term financial planning to ensure sustainability, amalgamation of schools in London and Hastings, and strategic allocation of capital spend. This year, in response to the pandemic, specific Covid-19 risk registers were created in all our schools as well as for the Trust. These have been regularly reviewed and updated throughout the year as guidance changed.

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

Risk management

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

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

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

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

The Trustees have assessed the major risks and uncertainties to which Ark Schools is exposed in particular:

- The effect of Covid-19 on our schools. At all times, Trustees were concerned that our schools were safe, the impact on learning minimised and that adequate measures were in place to protect our staff and pupils.

Directors' report (including strategic report)

Year to 31 August 2020

- The long-term effects of Covid-19 on our students and on staff wellbeing. As a result of this, specific long-term measures have been put in place to support academic intervention, improve access to remote learning opportunities and enhance the mental health of our pupils. Additional reporting tracking attendance has been implemented.
- The effect of the Covid-19 pandemic on our infrastructure and capital projects. The opening of Ark Soane was postponed a year to September 2021 as the building was unable to be completed in time and a number of capital projects were either delayed or have incurred additional costs due to shortages of materials in the supply chain.
- The risk of a failure of safeguarding and pastoral systems. We have dedicated training for our Designated Safeguarding Leads, safeguarding governors and wider staff. The Ark Schools Board has also appointed a safeguarding link Trustee. Regular school audits are undertaken by the Head of Safeguarding and regular reporting and analysis of trends ensures we constantly review the effectiveness of our systems of control.
- The shortage of qualified teachers with many of our schools working hard to recruit the specialisms they require. We are looking to expand the Ark Teacher Training programme and continue to invest in our teachers at all levels to minimise the effects and improve the retention of teachers within our schools.
- Pressures in the external funding environment especially in light of the increased costs of salary and pension contributions for the Teachers' Pension Scheme and Local Government Pension Schemes. These continue to put significant pressure on achieving our long-term financial sustainability.
- Demographic trends that, despite the overall increase in the school population, means that some Ark Schools are at risk of being undersubscribed. Ark Schools continues to work with local communities and encourages schools to work together to mitigate the impact of these changes.
- Supplier fraud, especially due to the increased sophistication of attempts, continues to concern the Trustees. Multi factor authentication has been implemented to further protect the network. Ark Schools has seen a significant increase in attempted fraud in the year.

Financial risk management objectives and policies

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

Liquidity risk

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

Directors' report (including strategic report)

Year to 31 August 2020

Interest rate risk

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

Other risks

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

Directors' report (including strategic report) Year to 31 August 2020

Auditor

So far as the directors are aware:

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

The Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company trustees, on 15 December 2020 and signed on the board's behalf by:



Sir Paul Marshall

Trustee

Governance statement Year to 31 August 2020

Scope of responsibility

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

The trustees have delegated to the Managing Director, as Accounting Officer, responsibility for maintaining this system and for ensuring that it meets the requirements of the funding agreement between Ark Schools and the Secretary of State for Education. The Accounting Officer is also responsible for reporting to the Board any material weaknesses or breakdown in internal control.

Governance

The information here supplements the directors' report and the statement of directors' responsibilities. The Board has formally met eight times during the last year, reviewing a full range of reports as set out in the annual agenda plan and to respond to Covid-19. The Board maintains additional oversight of Ark Schools' education and financial delivery and public funds in between meetings, including the review of management accounts, through updates on key strategic projects provided by correspondence, and regular meetings between the Chair and Managing Director.

Director	Number of meetings attended	Out of a possible
Christina Alexandrou	8	8
Ron Beller	2	8
Lord Fink	6	8
Gerard Griffin	6	8
Joanna Greenslade	8	8
Lucy Heller	8	8
Daniel Labbad	7	8
Sir Paul Marshall (Chair)	8	8
Riaz Shah (appointed 29 May 2020)	2	2
Anthony Williams	7	8
Neil Wood (resigned 10 January 2020)	2	3

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

Governance statement Year to 31 August 2020

Committees

The Risk and Audit Committee is a sub-committee of the main Board. It supports the Board to oversee the controls environment and risk management within the network. The committee exists to secure probity and efficiency in the management and expenditure by Ark Schools of income from all sources: public funding, donations and investment and commercial income, and review compliance with the ESFA Academies Financial Handbook. Until 10 January 2020 the Committee was Chaired by Neil Wood, with Joanna Greenslade chairing our April meeting prior to Riaz Shah being appointed as Chair on 29 May 2020. Attendance at the Risk and Audit Committee meetings in the year was as follows:

Committee member	Number of meetings attended	Out of a possible
Neil Wood (Chair – resigned 10 January 2020)	2	2
Riaz Shah (Chair- appointed 29 May 2020)	1	1
Joanna Greenslade	4	4
*Steve Maslin	4	4
*Lucy Slinger	4	4

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

Governance reviews

The Board undertook a comprehensive self-evaluation exercise in December 2019 to review skills in relation to upcoming strategic projects and identify improved ways of working. We continue to review the skills across our Board, Committee and local governing bodies to ensure that we have the right support for our schools.

Review of value for money

As Accounting Officer, the Managing Director has responsibility for ensuring that Ark Schools delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received. The Accounting Officer considers how the charitable company's use of its resources has provided good value for money during the academic year, and reports to the board of Trustees where value for money can be improved, including the use on benchmarking data where available.

Governance statement Year to 31 August 2020

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

1) Delivering results

Ark Schools has delivered good results for both student attainment and progress this year. Our schools continue to provide a rich education across all subjects, alongside music, sport, learning outdoors and other activities outside the core curriculum. We are particularly proud of the strong support students receive as they make decisions about careers and higher education with more than 80% of our sixth formers going on to university this year and almost half going to a “top-third” university or a “top 100” apprenticeship provider. Our vision remains to ensure that all children, regardless of their background, have access to a great education and real choices in life.

2) Cost / budget management

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

3) Procurement/financial controls

The Ark Schools procurement policy requires schools to make purchases from approved suppliers to guarantee the best possible value for money. We have a central procurement team who support our schools in achieving value for money, either through organising centralised or regionalised procurements or via establishing framework deals. We have recently invested in some purchasing analytics to help us target opportunities for further savings to drive more consistency throughout the network.

4) The effects of the Covid-19 pandemic

The Trust worked with our suppliers when the Covid-19 Pandemic initially struck, amending our contracts in line with guidance from the Cabinet office and they continued to honour contracts in line with this guidance.

Over recent years, we have encouraged our schools to let their facilities to generate additional income and most outsourced lettings management to Schools Lettings Solution “SLS”. As a result of the pandemic, SLS went into administration in July 2020 owing our schools £0.4m.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide reasonable but not absolute assurance of effectiveness. It is based on established processes designed to identify and prioritise risks, to assess the probability and possible impact associated with significant risks, and to manage them efficiently, effectively, and economically. The system of internal control operated during the year to 31 August 2020 and up to the date of approval of the annual report and financial statements.

Governance statement Year to 31 August 2020

Capacity to Handle Risk

The Trustees have reviewed the main risks to Ark Schools together with the operating, financial and compliance controls in place to mitigate these risks. The Trustees are of the view that there was a robust process for identifying, evaluating and managing significant risks in place for the year to 31 August 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Trustees.

The Risk and Control Framework

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

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

Ark Schools appoints an independent audit firm to carry out a programme of internal audit visits each year. The use of an external provider to complement audits undertaken by Ark Schools Heads of Department reflects the size and scale of Ark Schools' operations.

The trustees appointed Buzzacott for 2019/20 to undertake a programme of internal scrutiny to provide independent assurance to the Board that its financial and other controls and risk management procedures were operating effectively. Reports are made available to the Board, Risk and Audit Committee, and Local Governing Bodies of relevant schools. As a result of Covid-19, our full schedule of visits could not be completed this year with only 5 out of the 12 Schools visited. As a result, the Risk and Audit Committee approved an extension to the contract to enable the remaining schools to be visited in 2020/21.

All the scheduled central control reviews, which includes review of detailed analytics for central transactions took place. While some improvements to procedures have been recommended, no material control weaknesses were reported this year. Our existing contract will run until the end of 2020/21. As Buzzacott are also our external auditors, following the new ethical guidelines, we will now look to retender our internal audit for the 2021/22 Academic Year.

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

- Detailed internal control checks on key areas of the Balance Sheet and Income and Expenditure Account

Governance statement Year to 31 August 2020

- Budget setting and monitoring to include evidence of proper presentation to the LGB and the scrutiny applied
- Review of conflicts of interest to ensure that declarations of interest are being completed
- Observation as to whether the school has entered into any education service level agreements with suppliers and the controls over those contracts.

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

This year, with Covid-19, we have seen a significant increase in the number and sophistication of attempted frauds, involving the presentation of substitute fraudulent invoices. We had two frauds during the year which resulted in losses of £11,650, one of which was over £5,000 and therefore required reporting to the ESFA. A full investigation, complete with learning lessons, takes place after every loss. The Trust has now implemented Multi Factor Authentication to further protect our network.

Review of Effectiveness

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

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

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

Approved by order of the board of trustees and signed on its behalf by:



Sir Paul Marshall
Trustee



Lucy Heller
Accounting Officer

Statement of regularity, propriety and compliance 31 August 2020

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

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

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



Lucy Heller
Accounting Officer

Date: 21 January 2021

Statement of directors' responsibilities 31 August 2020

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the income and expenditure of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP) and the Academies Direction 2019 to 2020;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of directors and signed on its behalf by:



Sir Paul Marshall, Director
Date: 21 January 2021

Independent auditor's report on the financial statements 31 August 2020

Independent auditor's report to the member of Ark Schools

Opinion

We have audited the financial statements of Ark Schools (the 'charitable parent company') and its subsidiary (the 'group') for the year ended 31 August 2020 which comprise the consolidated statement of financial activities, the consolidated and charitable parent company balance sheets, the consolidated statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the Charities SORP FRS 102) and the Academies Accounts Direction 2019 to 2020.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the charitable parent company's affairs as at 31 August 2020 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP FRS 102 and Academies Accounts Direction 2019 to 2020.

Basis for opinion

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

Independent auditor's report on the financial statements

31 August 2020

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

Independent auditor's report on the financial statements 31 August 2020

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Independent auditor's report on the financial statements 31 August 2020

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

Date: 26 January 2021

Independent reporting accountant's report on regularity 31 August 2020

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

In accordance with the terms of our engagement letter dated 13 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, 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 2019 to 31 August 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Ark Schools and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Ark Schools and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ark Schools and the ESFA, for our work, for this report, or for the conclusion we have formed.

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

The Accounting Officer is responsible, under the requirements of Ark Schools' amended and restated master funding agreement dated 28 August 2013 with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2019, 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 2019 to 2020. 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 2019 to 31 August 2020 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 2019 to 2020 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

Consolidated statement of financial activities Year to 31 August 2020

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2019 to 31 August 2020 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

Date: 26 January 2021

Consolidated statement of financial activities

Year to 31 August 2020

		Restricted funds			Fixed assets fund £'000	2020 Total funds £'000	2019 Total funds £'000
		Unrestricted funds £'000	General funds £'000	Pension reserve £'000			
Income from:							
Donations and capital grants	2	221	3,731	—	7,858	11,810	36,045
Transfer from Local Authorities	19(a)	—	—	—	—	—	11,572
Transfer from other Academy Trusts	19(b)	—	—	—	—	—	17,594
Other trading activities	3	1,398	—	—	—	1,398	2,188
Investments and interest receivable		15	—	—	—	15	33
Income from charitable activities							
. Funding for Ark Schools' educational operations	4	2,768	190,646	—	—	193,414	183,218
. Project management grants	5	—	423	—	—	423	591
. Teaching School	28	189	50	—	—	239	98
Other income	6	4,204	—	—	—	4,204	4,612
Total income		8,795	194,850	—	7,858	211,503	255,951
Expenditure on:							
Raising funds	8a	788	—	—	7	795	936
Charitable activities							
. Ark Schools' educational operations	8b	6,160	189,223	10,232	18,970	224,585	214,553
. Development costs	8d	210	2,347	—	—	2,557	2,621
. Teaching School	28	130	50	—	—	180	58
Total expenditure	7	7,288	191,620	10,232	18,977	228,117	218,168
Net income (expenditure) before investment gains and losses		1,507	3,230	(10,232)	(11,119)	(16,614)	37,783
Net gains on investments		—	41	—	—	41	—
Net income (expenditure) before transfers		1,507	3,271	(10,232)	(11,119)	(16,573)	37,783
Gross transfers between funds		16	(5,123)	—	5,123	—	—
Net income (expenditure)		(3,616)	3,271	(10,232)	(5,996)	(16,573)	37,783
Other recognised gains and losses							
Actuarial losses on defined benefit pension schemes	21	—	—	(891)	—	(891)	(17,947)
Net movement in funds		(3,616)	3,271	(11,123)	(5,996)	(17,464)	19,836
Fund balances brought forward at 1 September 2019		16	11,081	3,945	(52,733)	490,131	452,424
Fund balances carried forward at 31 August 2020		7,465	7,216	(63,856)	484,135	434,960	452,424

All of the group's activities derived from continuing operations. All recognised gains and losses are included in the above statement of financial activities. For management purposes, the operational surplus or loss for any given year is deemed to equal net income (expenditure) before transfers, in respect of the unrestricted funds and the restricted general funds. For the year ended 31 August 2020, this equated to an operational surplus of £4,778k which is made up of £1,507k unrestricted funds and £3,271k restricted general funds (2019: operational surplus of £3,010k) (see note 32 for a reconciliation).

Balance sheets 31 August 2020

	2020		2019	
	Group £'000	Ark Schools £'000	Group £'000	Ark Schools £'000
Fixed assets				
Tangible assets	12 480,356	480,343	487,411	487,394
Investments	1,218	1,218	1,177	1,177
	481,574	481,561	488,588	488,571
Current assets				
Debtors	14 21,637	22,281	22,630	23,870
Short term deposits	1,287	1,287	1,282	1,282
Cash at bank and in hand	26,566	26,404	22,510	22,331
	49,490	49,972	46,422	47,483
Creditors: amounts falling due within one year	15 (30,448)	(30,917)	(28,053)	(29,097)
Net current assets	19,042	19,055	18,369	18,386
Total assets less current liabilities	500,616	500,616	506,957	506,957
Creditors: amounts falling due after one year	15 (1,800)	(1,800)	(1,800)	(1,800)
Net assets excluding pension liability	498,816	498,816	505,157	505,157
Pension scheme liability	21 (63,856)	(63,856)	(52,733)	(52,733)
Net assets including pension liability	434,960	434,960	452,424	452,424
The funds of the charity				
Income funds				
Restricted funds	16			
. Fixed assets fund	484,135	484,135	490,131	490,131
. General funds	7,216	7,216	3,945	3,945
. Pension reserve	(63,856)	(63,856)	(52,733)	(52,733)
	427,495	427,495	441,343	441,343
Unrestricted funds	16			
. General funds	1,507	1,507	—	—
. Designated funds	5,958	5,958	11,081	11,081
	7,465	7,465	11,081	11,081
	434,960	434,960	452,424	452,424

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



Sir Paul Marshall, Director

Date: 21 January 2021

Company registration number: 05112090 (England and Wales)

Consolidated statement of cash flows

Year to 31 August 2020

	Notes	2020 £'000	2019 £'000
Net cash flows from operating activities			
Net cash provided by operating activities	A	8,108	4,591
Cash flows from investing activities			
	B	(4,047)	(3,257)
Change in cash and cash equivalents in the reporting period			
		4,061	1,334
Cash and cash equivalents at the start of the period			
	C	23,792	22,458
Cash and cash equivalents at the end of the period			
	C	27,853	23,792

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

	2020 £'000	2019 £'000
Net (expenditure) income (as per the statement of financial activities)	(16,573)	37,783
Adjustments for:		
Capital funding grants	(7,858)	(29,250)
Donated tangible fixed assets recognised at valuation/cost	—	(31,198)
Defined benefit pension scheme service cost adjustment (note 21)	9,297	4,779
Defined benefit pension scheme curtailment and settlements (note 21)	—	344
Defined benefit pension scheme finance cost adjustment (note 21)	935	551
Defined benefit pension liability inherited on transfer from another academy trust or conversion (note 21)	—	3,625
Net gains on investments	(41)	—
Depreciation (note 12)	18,960	17,969
Loss on disposal of tangible fixed assets (note 12)	15	—
Interest receivable	(15)	(33)
Increase (decrease) in debtors	993	(2,652)
Increase in creditors	2,395	2,673
Net cash provided by operating activities	8,108	4,591

B Cash flows from investing activities

	2020 £'000	2019 £'000
Purchase of tangible fixed assets	(11,920)	(32,541)
Capital grants received	7,858	29,250
Investment income received	15	34
Net cash used in investment activities	(4,047)	(3,257)

C Analysis of cash and cash equivalents

	At 31 August 2020 £'000	At 31 August 2019 £'000
Cash at bank and in hand	26,566	22,510
Short term deposits	1,287	1,282
Total cash and cash equivalents	27,853	23,792

Consolidated statement of cash flows

Year to 31 August 2020

D Analysis of changes in net debt

	At 1 September 2019 £'000	Cash flows £'000	At 31 August 2020 £'000
Cash and cash equivalents			
Cash	22,510	4,056	26,566
Cash equivalents	1,282	5	1,287
	<u>23,792</u>	<u>4,061</u>	27,853
Debt			
ESFA loan	(1,800)	—	(1,800)
	<u>21,992</u>	<u>4,061</u>	26,053

Principal accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention (unless otherwise stated in the relevant accounting policies below or the notes to the financial statements) in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP FRS 102), the Academies Accounts Direction 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

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

Basis of consolidation

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

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

Assessment of going concern

The directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of Ark Schools to continue as a going concern.

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

The directors make this going concern assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements. The directors have concluded that Ark Schools has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Ark Schools' ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

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

Principal accounting policies

Grants receivable

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

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

Capital grants are recognised when the Trust is deemed to be entitled to the funds subject to any conditions being met. Such conditions may include Ark Schools' approving and contractually committing to the project being funded; and sufficient funding being secured by Ark Schools to fully fund the capital project. Capital grants are not deferred over the life of the asset on which they are expended.

Sponsorship income

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

Donations

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

Other income

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

Transfer on conversion

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

Principal accounting policies

Transfer of existing academies into the trust

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

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

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

Expenditure

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

All expenditure is inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Expenditure on charitable activities

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

Principal accounting policies

Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

- Furniture, fittings and equipment 25% p.a.
- Computer equipment 50% p.a.
- Motor vehicles 25% p.a.
- Freehold & leasehold buildings 2% p.a.
- Leasehold improvements 2% to 25% p.a.

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

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

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

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

Principal accounting policies

Tangible fixed assets (continued)

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

Investments

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

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

Debtors

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

Cash at bank and in hand

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

Liabilities

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

Provisions

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

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

Principal accounting policies

Fund accounting

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

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

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

Leased assets

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

Financial instruments

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

- *Financial assets* – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments. Amounts due from Ark Schools' wholly owned subsidiary is held at face value less any impairment. Listed investments held by Ark Schools are also considered to be basic financial instruments. The investments are initially recognised at cost and subsequently carried on the balance sheet fair value. Changes in the fair value are reflected as investment gains or losses through the statement of financial activities.
- *Cash at bank* – is classified as a basic financial instrument and is measured at face value.
- *Financial liabilities* – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

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

Principal accounting policies

Pensions Benefits

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

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

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

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

Critical accounting estimates and areas of judgement

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

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

Principal accounting policies

- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 August 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- The net book value of tangible fixed assets is based on the original cost of the asset net of provision for depreciation. The depreciation provision to date is based on the directors' assessment of the estimated useful economic lives of such assets.
- The values attributed to properties donated to Ark Schools are initially recognised either based on an independent professional valuation or through an estimate determined by Ark Schools' management. The property's condition, the nature of educational use, and the geographical location are taken into consideration in estimating the value.

Notes to the financial statements 31 August 2020

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 2020 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises / capital purposes. No schools within the Ark Schools network exceeded these limits during the current or prior years.

2. Donations and capital grants

	Unrestricted general funds £'000	Restricted general funds £'000	Restricted fixed assets fund £,000	2020 Total funds £'000	2019 Total funds £'000
2020					
Tangible fixed assets donated by DfE/local authorities	—	—	—	—	483
Donations – other Ark (note 24)	—	3,329	—	3,329	5,360
Donations – other	221	344	654	1,219	793
Endowment withdrawal from Ark UK Programmes (note 24)	—	—	493	493	390
Donations – capital grant ESFA	—	—	2,495	2,495	4,236
Devolved formula capital allocations	—	—	549	549	1,746
Academy main building grants	—	—	3,372	3,372	22,395
Local authority ICT capital grants	—	58	295	353	642
	221	3,731	7,858	11,810	36,045

	<i>Unrestricted general funds £'000</i>	<i>Restricted general funds £'000</i>	<i>Restricted fixed assets fund £,000</i>	<i>2019 Total funds £'000</i>
2019				
<i>Tangible fixed assets donated by DfE/local authorities (note 12)</i>	—	—	483	483
<i>Donations – other Ark (note 24)</i>	100	5,260	—	5,360
<i>Donations – other</i>	47	746	—	5,016
<i>Endowment withdrawal from Ark UK Programmes (note 24)</i>	—	—	390	390
<i>Donations – capital grant ESFA</i>	—	—	4,236	4,236
<i>Devolved formula capital allocations</i>	—	—	1,746	1,746
<i>Academy main building grants</i>	—	—	22,395	22,395
<i>Local authority ICT capital grants</i>	—	642	—	642
	147	6,648	29,250	36,045

Notes to the financial statements 31 August 2020

3. Other trading activities

	Unrestricted funds	
	2020 £'000	2019 £'000
Nursery fees	580	683
Hire of facilities	818	1,505
	1,398	2,188

4. Funding for Ark Schools' educational operations

	Unrestricted general funds £'000	Restricted general funds £'000	2020 Total funds £'000	2019 Total funds £'000
DfE/ESFA revenue grants				
General annual grant (GAG)	—	162,359	162,359	157,449
Start-up A	—	271	271	190
Start-up B	—	23	23	—
Other DfE/ESFA grants	—	19,139	19,139	13,890
	—	181,792	181,792	171,529
Other grants				
Local authority funding	—	8,029	8,029	7,426
Extended schools programme	317	—	317	480
Miscellaneous grants (Note 24)	—	194	194	40
	317	8,223	8,540	7,946
Other income				
School meals income	2,120	—	2,120	3,049
School uniform sales	34	—	34	90
Parent contributions to school trip costs	297	—	297	604
	2,451	—	2,451	3,743
Exceptional government funding				
Coronavirus Job Retention Scheme grant	—	21	21	—
Coronavirus exceptional support	—	602	602	—
Other coronavirus funding	—	8	8	—
	—	631	631	—
	2,768	190,646	193,414	183,218

The Trust has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak. The funding received is shown above under “exceptional government funding”.

The funding received for coronavirus exceptional support covers £602k of premises, cleaning and free school meals costs. These costs are included in notes 8b below as appropriate. The Trust also furloughed some of its facilities, operations, and nursery staff under the government's Coronavirus Job Retention Scheme. The funding received of £21k relates to staff costs in respect of 10 staff which are included within note 8b and 9 below as appropriate.

Notes to the financial statements 31 August 2020

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

	<i>Unrestricted general funds £'000</i>	<i>Restricted general funds £'000</i>	<i>2019 Total funds £'000</i>
DfE/ESFA revenue grants			
<i>General annual grant (GAG)</i>	—	157,449	157,449
<i>Start-up A</i>	—	190	190
<i>Other DfE/ESFA grants</i>	—	13,890	13,890
	<u>—</u>	<u>171,529</u>	<u>171,529</u>
Other grants			
<i>Local authority funding</i>	—	7,426	7,426
<i>Extended schools programme</i>	480	—	480
<i>Miscellaneous grants</i>	—	40	40
	<u>480</u>	<u>7,466</u>	<u>7,946</u>
Other income			
<i>School meals income</i>	3,049	—	3,049
<i>School uniform sales</i>	90	—	90
<i>Parent contributions to school trip costs</i>	604	—	604
	<u>3,743</u>	<u>—</u>	<u>3,743</u>
	<u>4,223</u>	<u>178,995</u>	<u>183,993</u>

5. Project management grants

	Restricted general funds	
	2020 £'000	2019 £'000
Academies programme	423	591

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	
	2020 £'000	2019 £'000
Miscellaneous income	4,204	4,612

Miscellaneous income comprises self-generated income including income derived from Ark Teacher Training, network programmes, and consultancy services.

Notes to the financial statements 31 August 2020

7. Expenditure

2020	Staff costs (note 9) £'000	Premises £'000	Other costs £'000	Total 2020 £'000	Total 2019 £'000
Raising funds (note 8a)					
. Direct costs	71	7	5	83	527
. Support costs	568	123	21	712	409
	<u>639</u>	<u>130</u>	<u>26</u>	<u>795</u>	<u>936</u>
Educational operations (note 8b)					
. Direct costs	103,892	18,929	9,039	131,860	124,107
. Educational support costs	63,478	14,827	14,249	92,554	90,287
. Governance costs (note 8c)	—	—	171	171	159
	<u>167,370</u>	<u>33,756</u>	<u>23,459</u>	<u>224,585</u>	<u>214,553</u>
Development costs (note 8d)					
Teaching School (note 28)	210	149	2,198	2,557	2,621
	179	—	1	180	58
	<u>168,398</u>	<u>34,035</u>	<u>25,684</u>	<u>228,117</u>	<u>218,168</u>

2019	Staff costs (note 9) £'000	Premises £'000	Other costs £'000	Total 2019 £'000
Raising funds (note 8a)				
. Direct costs	513	6	8	527
. Support costs	217	170	22	409
	<u>730</u>	<u>176</u>	<u>30</u>	<u>936</u>
Charitable activities (note 8b)				
. Direct costs	96,072	17,963	10,072	124,107
. Educational support costs	56,896	14,771	18,620	90,287
. Governance costs (note 8c)	—	—	159	159
	<u>152,968</u>	<u>32,734</u>	<u>28,851</u>	<u>214,553</u>
Development costs (note 8d)				
Teaching School (note 28)	13	226	2,382	2,621
	55	—	3	58
	<u>153,766</u>	<u>33,136</u>	<u>31,266</u>	<u>218,168</u>

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

	2020 £'000	2019 £'000
Operating lease rentals		
. Plant and machinery	676	858
Depreciation	18,960	17,969
Loss on disposal of fixed assets	15	—
Fees payable to external auditor for:		
. Audit services	122	120
. Other services	48	33
Cash losses (see below)	12	3

Notes to the financial statements 31 August 2020

7. Expenditure (continued)

Cash losses

Two frauds took place during the year, one which led to a cash loss of £10,000, which was reported to the ESFA as it was over £5,000, and one for a cash loss of £1,650. Both were fully investigated internally and reported to the police.

8a. Cost of raising funds

	2020 Total funds £'000	2019 Total funds £'000
Lettings and nursery	795	936

The surplus from trading activities totalled £467,000 in the year (2019: surplus of £1,252,000). See note 13.

Notes to the financial statements 31 August 2020

8b. Ark Schools' charitable educational operations

	2020 Total funds £'000	2019 Total funds £'000
Direct costs		
Staff costs	103,892	96,073
Depreciation	18,929	17,963
Educational supplies	3,799	3,693
Examination fees	1,455	1,567
Transport costs	150	170
Other pupil support costs	3,061	3,628
Extended schools programme	574	1,013
	131,860	124,107
Educational support costs		
Staff costs	63,478	56,896
Recruitment and other staff costs	2,411	3,111
Catering contract	4,044	4,965
Printing and stationery	1,697	1,833
Office overhead	222	387
Heat and light	2,850	3,152
remises (including buildings insurance)	11,574	11,622
Legal costs – conversion	16	–
Legal costs – other	156	–
Technology costs	2,461	1,147
Finance costs and interest/charges payable	1,221	586
Other expenses	2,241	6,239
Small equipment less than £2,000 expensed	168	349
Loss on disposal of tangible fixed assets	15	–
	92,554	90,287
Governance costs (note 8c)	171	159
	224,585	214,553

8c. Governance costs

	2020 Total funds £'000	2019 Total funds £'000
Audit of group financial statements*		
. Current year	122	111
. Prior year	–	9
. Other compliance costs	17	1
Other expenses including internal audit services	32	38
	171	159

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

Notes to the financial statements 31 August 2020

8d. Other development costs

	2020	2019
	Total	Total
	funds	funds
	£'000	£'000
Project implementation		
Staff costs	210	13
Building costs	149	226
Project implementation	98	109
Research and marketing	291	234
Miscellaneous costs	184	82
	932	664
Continuing professional development		
Education development	659	485
Staff training and induction	966	1,472
	1,625	1,957
	2,557	2,621

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

9. Staff

a. Staff costs

Staff costs during the period were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	117,567	112,576
Social security costs	11,595	11,515
Pension costs	31,711	21,238
Apprenticeship levy	559	545
	161,432	145,874
Supply staff costs	6,761	6,765
Reorganisation costs	205	1,127
	168,398	153,766

Notes to the financial statements 31 August 2020

9. Staff (continued)

b. Staff severance payments

Included in staff reorganisation costs were non-statutory/non-contractual severance payments totalling £205,107 (2019: £423,513). Individually the payments were: £1,866, £2,100, £2,269, £2,582, £4,950, £5,214, £5,303, £6,624, £7,296, £7,372, £9,730, £10,000, £12,747, £12,774, £14,427, £20,000, £24,803, £25,297 and £29,753.

c. Staff numbers

The average full-time equivalent number of persons employed by the group during the year ended 31 August 2020, analysed by function, was as follows:

	2020 No.	2019 No.
Charitable activities		
Teachers	1,570	1,488
Education support and administration staff	1,535	1,454
Management	135	128
	3,240	3,070

The average gross number of persons employed by the group during the year ended 31 August 2020, analysed by function, was as follows:

	2020 No.	2019 No.
Charitable activities		
Teachers	1,630	1,566
Education support and administration	1,882	1,808
Management	140	135
	3,652	3,509

Following a detailed review of the split of persons employed by function for 2019/20, an adjustment has been made to the analysis by function for 2018/19 in the tables above to ensure that the allocation is consistent with 2019/20 methodology. The total staff numbers for 2018/19 have not been affected.

Notes to the financial statements 31 August 2020

9. Staff (continued)

d. Higher paid staff

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

	2020	2019
	Number	Number
£60,001 - £70,000	138	114
£70,001 - £80,000	47	30
£80,001 - £90,000	28	22
£90,001 - £100,000	14	8
£100,001 - £110,000	6	11
£110,001 - £120,000	4	2
£120,001 - £130,000	3	2
£130,001 - £140,000	4	4
£140,001 - £150,000	3	—
£160,001 - £170,000	1	—
£170,001 - £180,000	2	3
	250	196

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 £4,001,288 (2019: £2,178,614).

10. Key management personnel

The key management personnel of Ark Schools comprise the directors and the Senior Management Team as listed on page 1. The total amount of employee benefits (including pension and social security contributions) received by the key management personnel for their services to, which was paid by, Ark Schools was £699,981 (2019: £503,537).

The total amount of employee benefits paid by Ark Schools received by the Managing Director, Lucy Heller, was nil (2019: nil). The total paid to the Managing Director, including payments made by the sponsor organisation, Absolute Return for Kids ("Ark"), by way of employment as the CEO of Ark, was £180,874 (2019: £191,017). There was an additional £18,087 paid in lieu of 10% pensions (2019: £19,102).

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

Notes to the financial statements 31 August 2020

11. Central services/Holdback

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

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

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

Notes to the financial statements 31 August 2020

11. Central services/Holdback (continued)

	2020 £'000	2019 £'000
All through Schools		
Ark	380	375
Burlington Danes	408	398
Globe	385	378
Isaac Newton	384	350
John Keats	377	324
Kings	239	227
King Solomon	277	266
Victoria	329	325
Secondary Schools		
Acton	300	350
Alexandra	326	316
All Saints	240	230
Bolingbroke	191	194
Boulton	257	255
Charter	208	222
Elvin	280	245
Evelyn Grace	222	256
Greenwich	175	169
Pioneer	48	—
Putney	228	203
St Alban's	233	225
Walworth	343	340
Primary Schools		
Atwood	88	81
Ayrton	90	87
Bentworth	50	48
Brunel	88	83
Blacklands	92	87
Byron	60	49
Castledown	68	67
Conway	50	53
Dickens	91	92
Franklin	118	117
John Archer	66	72
Little Ridge	68	67
Oval	111	102
Priory	78	66
Swift	64	70
Tindal	89	85
Total central services income	7,101	6,874

Notes to the financial statements 31 August 2020

12. Tangible fixed assets

Group	Freehold land and buildings £'000	Long leasehold buildings £'000	Leasehold improvements £'000	IT equipment £'000	Furniture, and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost								
At 1 September 2019	16,550	485,455	11,071	26,319	21,280	114	30,423	591,212
Reclassification	—	28,822	1,699	—	1,009	—	(31,530)	—
Additions	—	245	1,952	3,998	1,688	—	4,037	11,920
Disposals	—	—	—	(4,933)	—	—	—	(4,933)
At 31 August 2020	16,550	514,522	14,722	25,384	23,977	114	2,930	598,199
Depreciation								
At 1 September 2019	236	62,400	1,326	23,193	16,546	100	—	103,801
Reclassification	—	(19)	19	—	—	—	—	—
Charge for the year	331	10,874	636	4,636	2,475	8	—	18,960
Disposals	—	—	—	(4,918)	—	—	—	(4,918)
At 31 August 2020	567	73,255	1,981	22,911	19,021	108	—	117,843
Net book value								
At 31 August 2020	15,983	441,267	12,741	2,473	4,956	6	2,930	480,356
At 31 August 2019	16,314	423,055	9,745	3,126	4,734	14	30,423	487,411

Ark Schools	Freehold land and buildings £'000	Long leasehold buildings £'000	Leasehold improvements £'000	IT equipment £'000	Furniture, and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost								
At 1 September 2019	16,550	485,455	11,071	26,319	21,257	114	30,423	591,189
Reclassification	—	28,822	1,699	—	1,009	—	(31,530)	—
Additions	—	245	1,952	3,998	1,688	—	4,037	11,920
Disposals	—	—	—	(4,933)	—	—	—	(4,933)
At 31 August 2020	16,550	514,522	14,722	25,384	23,954	114	2,930	598,176
Depreciation								
At 1 September 2019	236	62,400	1,326	23,193	16,540	100	—	103,795
Reclassification	—	(19)	19	—	—	—	—	—
Charge for the year	331	10,874	636	4,636	2,471	8	—	18,956
Disposals	—	—	—	(4,918)	—	—	—	(4,918)
At 31 August 2020	567	73,255	1,981	22,911	19,011	108	—	117,833
Net book value								
At 31 August 2020	15,983	441,267	12,741	2,473	4,943	6	2,930	480,343
At 31 August 2019	16,314	423,055	9,745	3,126	4,717	14	30,423	487,394

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.

At 31 August 2020, a total of £2,930,000 is being classed as an “asset under construction” on the basis that the work was still ongoing at the year-end date, over half of which relates to the project at Ark Kings Academy.

Notes to the financial statements 31 August 2020

13. Wholly owned trading subsidiary

Ark Academies Projects Limited is a wholly owned subsidiary of Ark Schools. The following is a summary of the financial statements of Ark Academies Projects Limited for the year ended 31 August 2020, which has been included in the consolidated financial statements.

During the year ended 31 August 2020, the company's principal activities were the provision of nursery education, fees for licence to occupy land and the letting of facilities through a number of schools operated by Ark Schools.

	2020 £'000	2019 £'000
Turnover	1,262	2,188
Cost of sales	(793)	(934)
Gross profit	469	1,254
Administrative expenses	(2)	(2)
Other income	—	—
Retained profit before charitable donation under Gift Aid at 31 August	467	1,252
Charitable donation under Gift Aid	(467)	(1,252)
Retained profit after charitable donation under Gift Aid at 31 August	—	—
Retained earnings brought forward at 1 September 2019	—	—
Retained earnings brought forward at 31 August 2020	—	—

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

14. Debtors

	Group 2020 £'000	Ark Schools 2020 £'000	Group 2019 £'000	Ark Schools 2019 £'000
Trade debtors	2,034	2,034	1,379	1,366
Amounts due from DfE/ESFA	3,794	3,794	3,386	3,386
Sponsorship due from Ark	10,566	10,566	9,896	9,896
Other debtors	69	58	23	23
Prepayments and accrued income	3,396	3,396	3,839	3,839
Amounts due from subsidiary	—	655	—	1,252
VAT recoverable	1,778	1,778	4,107	4,108
	21,637	22,281	22,630	23,870

Notes to the financial statements 31 August 2020

15. Creditors: amounts falling due within one year

	Group 2020 £'000	Ark Schools 2020 £'000	Group 2019 £'000	Ark Schools 2019 £'000
Trade creditors	3,961	3,961	6,391	6,390
Taxation and social security	3,000	3,000	2,827	2,827
Accruals	6,639	6,639	8,326	8,326
Deferred income	13,867	13,867	9,316	9,316
ESFA creditor – abatement of GAG	857	857	121	121
Other creditors	2,124	2,040	1,072	864
Amounts owed to subsidiary	—	553	—	1,253
	30,448	30,917	28,053	29,097

	2020 £'000	2019 £'000
Deferred income		
Deferred income at 1 September 2019	9,316	9,039
Amounts deferred in the year	7,739	4,104
Amounts released from previous years	(3,188)	(3,827)
Deferred income at 31 August 2020	13,867	9,316

During the year ended 31 August 2020, Ark Schools received funding in advance for Universal Infant Free School Meals for the period September 2020 to March 2021 and from Local Authority sources (Special Educational Needs, Early Years and Foundation Stage and other Local Authority income).

Creditors: amounts falling due after one year

	Group 2020 £'000	Ark Schools 2020 £'000	Group 2019 £'000	Ark Schools 2019 £'000
ESFA loan	1,800	1,800	1,800	1,800
	1,800	1,800	1,800	1,800

The above loan relates to an advance made by the ESFA to Ark Schools in 2018/19 for William Parker Academy, which merged with Helenswood Academy to become Alexandra Academy on 1 September 2019. In line with the proposed repayment schedule, this loan has now been re-classified from short term to long term liabilities within the balance sheet. In order to reflect this position consistently, the loan balance in the comparative balance sheet at 31 August 2019 has also been re-classified.

Notes to the financial statements 31 August 2020

16. Funds

Group	At 1 September 2019 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2020 £'000
Restricted fixed assets fund					
DfE fixed assets fund	200,330	2,021	(8,403)	—	193,948
Ark sponsorship fixed assets fund	1,837	493	(583)	—	1,747
Devolved Formula Capital and School Condition Allocation	2,900	3,044	(1,583)	(84)	4,277
Other fixed assets funds	285,064	2,300	(8,408)	5,207	284,163
	<u>490,131</u>	<u>7,858</u>	<u>(18,977)</u>	<u>5,123</u>	<u>484,135</u>
Restricted general funds					
General Annual Grant (GAG) (note 4)	665	162,359	(158,914)	—	4,110
Start up and lead in (note 4)	213	294	(294)	—	213
Other DfE/ESFA (note 4)	—	19,770	(19,770)	—	—
Local authority grants	185	8,086	(7,928)	—	343
UK programmes – grants	1,177	—	—	41	1,218
Other donations	1,705	3,918	(4,291)	—	1,332
DfE project management grants	—	423	(423)	—	—
	<u>3,945</u>	<u>194,850</u>	<u>(191,620)</u>	<u>41</u>	<u>7,216</u>
Pension reserve	<u>(52,733)</u>	<u>—</u>	<u>(10,232)</u>	<u>(891)</u>	<u>(63,856)</u>
Total restricted funds	<u>441,343</u>	<u>202,708</u>	<u>(220,829)</u>	<u>4,273</u>	<u>427,495</u>
Unrestricted funds					
Unrestricted general funds					
. Other unrestricted funds	—	8,795	(7,288)	—	1,507
. Designated funds	11,081	—	—	(5,123)	5,958
Total unrestricted funds	<u>11,081</u>	<u>8,795</u>	<u>(7,288)</u>	<u>(5,123)</u>	<u>7,465</u>
Total funds	<u>452,424</u>	<u>211,503</u>	<u>(228,117)</u>	<u>(850)</u>	<u>434,960</u>

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

Restricted fixed assets fund

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

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

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

Notes to the financial statements 31 August 2020

16. Funds (continued)

Restricted general funds

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

The principal funding receivable from the government is the General Annual Grant (GAG) provided by the ESFA. Under the funding agreement with the Secretary of State, Ark Schools was subject to limits on the amount of GAG that it could carry forward at 31 August 2020. Note 1 discloses that these limits were not exceeded. Transfers from other restricted funds or unrestricted funds to the GAG fund have been made in order to cover the deficit which would otherwise have existed in this fund.

Pension reserve

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

Unrestricted funds

The unrestricted general funds represent monies which may be applied for any purpose within the Ark Schools' objects. The designated fund balances relate to amounts earmarked by the directors of Ark Schools for specific future projects which will need to be met either in part or fully from Ark Schools' unrestricted funds. The directors of Ark Schools have designated £6.0m (2019: £11.1m) of unrestricted reserves for the upgrade of capital assets and building works that will be required over the next 3 – 5 years.

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

Analysis of fund balance by academy

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

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

Notes to the financial statements 31 August 2020

16. Funds (continued)

Analysis of fund balance by academy (continued)

	2020 Revenue reserves	2020 Capital reserves	2020 General Capital reserves	2020 IT reserves	2020 Total reserves	2019 Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000
All through Schools						
Ark	878	57	20	107	1,062	1,022
Burlington Danes	528	-	-	-	528	632
Globe	879	46	-	50	975	932
Isaac Newton	2	85	-	40	127	136
John Keats	502	31	-	157	690	629
Kings	1,200	118	-	79	1,397	1,153
King Solomon	2,198	-	-	50	2,248	2,352
Victoria	737	23	-	153	913	949
Secondary Schools						
Acton	(66)	20	-	2	(44)	138
All Saints	952	57	-	40	1,049	975
Alexandra	(4,219)	33	18	54	(4,114)	-
Bolingbroke	(1,388)	6	-	-	(1,382)	(1,356)
Boulton	1,072	85	-	220	1,377	864
Charter	(1,037)	13	-	84	(940)	(588)
Elvin	743	141	-	-	884	467
Evelyn Grace	860	117	-	125	1,102	1,174
Greenwich	1,065	51	-	16	1,132	980
Helenswood	-	-	-	-	-	(1,088)
Pioneer	(235)	-	-	-	(235)	-
Putney	(1,655)	22	-	90	(1,543)	(1,674)
St Alban's	(353)	57	-	17	(279)	(349)
Walworth	342	91	-	207	640	553
William Parker	-	-	-	-	-	(2,071)
Primary Schools						
Atwood	556	48	-	-	604	503
Ayrton	459	6	-	-	465	432
Bentworth	14	5	-	17	36	29
Brunel	176	8	-	-	184	223
Blacklands	320	39	-	20	379	164
Byron	111	61	-	-	172	70
Castledown	404	36	-	11	451	462
Chamberlain	-	-	-	-	-	-
Conway	170	32	-	10	212	196
Dickens	370	38	-	13	421	603
Franklin	1,169	60	-	-	1,229	976
John Archer	(247)	27	-	15	(205)	86
Little Ridge	81	1	-	6	88	91
Oval	(257)	25	-	37	(195)	17
Paddington Green	-	-	-	-	-	143
Priory	308	46	-	-	354	219
Swift	(414)	59	-	22	(333)	(133)
Tindal	1,349	15	-	36	1,400	1,146
Birmingham Teaching School	100	-	-	-	100	40
Ark Schools Central	7,007	37	-	480	7,524	6,668
	14,681	1,596	38	2,158	18,473	17,765

Notes to the financial statements 31 August 2020

16. Funds (continued)

Analysis of fund balance by academy (continued)

	2020 £'000	2019 £'000
Total revenue reserves (as per above)	14,681	15,026
Fixed asset fund (including unspent capital reserves above)	484,135	490,131
Pension reserve	(63,856)	(52,733)
Total	434,960	452,424

- Acton had a net funds deficit of £44k as at 31 August 2020 (2019: surplus of £138k). Acton transitioned to Ark in September 2018. The school has a sustainable business plan and Ark Schools will continue to support the School until it returns to a surplus.
- Alexandra had a net funds deficit of £4,114k as at the 31 August 2020. Alexandra was formed from the merger of William Parker and Helenswood in September 2019, and their combined deficits at 31 August 2019 of £3,159k were transferred to Alexandra. A loan of £1.8m has been received by the ESFA to support the school as it goes through a period of transition. A sustainable business plan is in place and Alexandra is expected to return to surplus in the medium term.
- Bolingbroke had a net funds deficit of £1,382k as at 31 August 2020 (2019: deficit of £1,356k). The academy was opened on 1 September 2012 with only one-year group and only introduced sixth form in September 2017. It is expected that, as the school increases its sixth form pupils to capacity, it will become sustainable.
- Charter had a net funds deficit of £940k at 31 August 2020 (2019: deficit of £588k). The Academy has increased its secondary pupil admissions and it is expected that, as the school admits to capacity, it will become sustainable.
- Pioneer had a net funds deficit of £235k as at 31 August 2020 (2019: n/a). Pioneer is a new start school in the year and as pupil numbers grow through the secondary phase it will recover to achieve a balance of its funds.
- Putney had a net funds deficit of £1,543k as at 31 August 2020 (2019: deficit of £1,674k). Ark Schools is continuing to work closely with the academy to ensure a restoration of financial balance in the medium term.
- St Albans had a net funds deficit of £279k as at 31 August 2020 (2019: deficit of £349k). The Academy has increased its secondary pupil admissions and it is expected that, as the school grows, it will reach a balanced financial position.
- John Archer transitioned to Ark Schools in September 2018. It has a net funds deficit of £205k as at the 31 August 2020 (2019: surplus of £86k). Ark Schools is supporting the academy to restore financial balance in the medium term.
- Oval had a net funds deficit of £195k as at the 31 August 2020 (2019: deficit of £17k). Ark Schools is supporting the academy to restore financial balance in the medium term.
- Swift had a net funds deficit of £333k as at the 31 August 2020 (2019: deficit of £133k). Swift is on the site of the new Ed City development and will benefit from significant investment as part of that development. Ark Schools is supporting the academy to restore financial balance in the medium term.

Notes to the financial statements 31 August 2020

16. Funds (continued)

Comparative information

Group	At 1 September 2018 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2019 £'000
Restricted fixed assets fund					
<i>DfE fixed assets fund</i>	174,120	38,224	(12,014)	—	200,330
<i>Ark sponsorship fixed assets fund</i>	2,060	390	(613)	—	1,837
<i>Devolved Formula Capital and School Condition Allocation</i>	2,800	5,982	(5,336)	(546)	2,900
<i>Other fixed assets funds</i>	263,752	15,852	(6)	5,466	285,064
	<u>442,732</u>	<u>60,448</u>	<u>(17,969)</u>	<u>4,920</u>	<u>490,131</u>
Restricted general funds					
<i>General Annual Grant (GAG) (note 4)</i>	—	157,449	(155,903)	(881)	665
<i>Start up and lead in (note 4)</i>	214	131	(132)	—	213
<i>Other DfE/ESFA (note 4)</i>	—	13,890	(13,890)	—	—
<i>Local authority grants</i>	216	8,067	(8,098)	—	185
<i>UK programmes – grants</i>	1,177	—	—	—	1,177
<i>Other donations</i>	2,319	7,700	(8,314)	—	1,705
<i>DfE project management grants</i>	—	650	(650)	—	—
	<u>3,926</u>	<u>187,887</u>	<u>(186,987)</u>	<u>(881)</u>	<u>3,945</u>
Pension reserve	<u>(25,487)</u>	<u>(3,625)</u>	<u>(5,674)</u>	<u>(17,947)</u>	<u>(52,733)</u>
Total restricted funds	<u>421,171</u>	<u>244,710</u>	<u>(210,630)</u>	<u>(13,908)</u>	<u>441,343</u>
Unrestricted funds					
<i>Unrestricted general funds</i>					
<i>. Donation from Ark</i>	—	100	—	(100)	—
<i>. Other unrestricted funds</i>	—	11,141	(7,538)	(3,603)	—
<i>. Designated funds</i>	11,417	—	—	(336)	11,081
Total unrestricted funds	<u>11,417</u>	<u>11,241</u>	<u>(7,538)</u>	<u>(4,039)</u>	<u>11,081</u>
Total funds	<u>432,588</u>	<u>255,951</u>	<u>(218,168)</u>	<u>(17,947)</u>	<u>452,424</u>

Notes to the financial statements 31 August 2020

17. Expenditure Analysis – analysis of cost by academy

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

	Teaching and educational support costs £'000	Other support staff costs £'000	Educational supplies £'000	Other costs (excluding depreciation and losses on disposal of assets) £'000	2020 Total £'000	2019 Total £'000
All through Schools						
Ark	7,816	1,208	136	1,912	11,072	10,641
Burlington Danes	7,151	1,136	183	2,460	10,930	10,862
Globe	7,169	1,126	219	2,153	10,667	10,302
Isaac Newton	7,131	1,142	143	2,069	10,485	9,608
John Keats	7,095	978	199	1,834	10,106	8,720
Kings	3,977	623	83	1,657	6,340	5,752
King Solomon	5,698	584	132	2,177	8,591	6,620
Victoria	5,823	812	159	1,978	8,772	7,696
Secondary Schools						
Acton	5,782	440	109	2,605	8,936	9,960
All Saints	4,084	919	54	1,486	6,543	6,183
Alexandra	6,423	1,125	147	2,356	10,051	—
Bolingbroke	3,611	544	207	1,216	5,578	5,672
Boulton	3,870	468	100	1,488	5,926	6,273
Charter	3,978	737	67	1,420	6,202	5,895
Elvin	4,913	775	114	1,591	7,393	7,111
Evelyn Grace	3,743	758	85	1,434	6,020	6,330
Greenwich	2,949	464	125	1,052	4,590	4,666
Helenswood						5,695
Pioneer	1,136	220	43	465	1,864	
Putney	4,898	554	111	1,293	6,856	5,995
St Alban's	4,309	707	118	1,289	6,423	5,795
Walworth	6,257	1,010	127	1,807	9,201	8,371
William Parker						5,049
Primary Schools						
Atwood	1,956	308	65	496	2,825	2,703
Ayrton	1,868	275	34	493	2,670	2,605
Bentworth	1,120	162	33	281	1,596	1,474
Brunel	2,039	195	65	661	2,960	2,636
Blacklands	1,883	246	32	424	2,585	2,420
Byron	1,211	202	59	321	1,793	1,384
Castledown	1,317	217	61	355	1,950	1,877
Chamberlain						—
Conway	971	247	32	342	1,592	1,476
Dickens	2,047	335	85	464	2,931	2,655
Franklin	2,366	417	48	634	3,465	3,301
John Archer	1,633	195	74	509	2,411	2,253
Little Ridge	1,500	163	36	303	2,002	1,886
Oval	2,558	405	85	634	3,682	3,313
Paddington Green						1,771
Priory	1,659	249	69	420	2,397	2,012
Swift	1,526	272	81	472	2,351	2,350
Tindal	1,415	202	40	580	2,237	2,157
Birmingham Teaching School	179	-	-	1	180	58
Ark Schools Central	246	4,854	302	776	6,178	7,743
Ark Schools excluding subsidiaries	135,307	25,274	3,862	43,908	208,351	199,270

Notes to the financial statements 31 August 2020

18. Analysis of net assets between funds

Group	Restricted funds				Total funds 2020 £'000
	Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
Fund balances at 31 August 2020 are represented by:					
Tangible and investment assets	—	1,231	—	480,343	481,574
Current assets	7,465	38,233	—	3,792	49,490
Creditors: amounts falling due within one year	—	(30,448)	—	—	(30,448)
Creditors: amounts due after one year	—	(1,800)	—	—	(1,800)
Pension scheme liability	—	—	(63,856)	—	(63,856)
	7,465	7,216	(63,856)	484,135	434,960

Ark Schools	Restricted funds				Total funds 2020 £'000
	Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
Fund balances at 31 August 2020 are represented by:					
Tangible and investment assets	—	1,218	—	480,343	481,561
Current assets	7,465	38,715	—	3,792	49,972
Creditors: amounts falling due within one year	—	(30,917)	—	—	(30,917)
Creditors: amounts due after one year	—	(1,800)	—	—	(1,800)
Pension scheme liability	—	—	(63,856)	—	(63,856)
	7,465	7,216	(63,856)	484,135	434,960

19. (a) Transfer from local authorities on conversion

During the year ended 31 August 2019, Ark John Archer and Ark Acton joined the Ark Schools network. The schools were previously under Local Authority control and converted to academy status immediately prior to joining the network. The transfer to Ark Schools (for £nil consideration) has been accounted as a gift. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

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

Ark John Archer	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	Total 2019 £'000
Leasehold buildings	—	—	9,900	9,900
Budget surplus on transfer	—	231	—	231
LGPS pensions deficit	—	(133)	—	(133)
Net assets	—	98	9,900	9,998

Notes to the financial statements 31 August 2020

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

Ark Acton	Unrestricted funds £'000	Restricted general fund £'000	Restricted fixed assets fund £'000	Total 2019 £'000
Leasehold buildings	—	—	4,700	4,700
Budget surplus on transfer	—	—	—	—
LGPS pensions deficit	—	(3,126)	—	(3,126)
Net assets	—	(3,126)	4,700	1,574

(b) Transfer from an existing academy trust

During the year ended 31 August 2019, Ark Greenwich Free School joined the Ark Schools network. The school was a re brokerage of an existing academy. These transfers to Ark 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 in relation to each school and an analysis of their recognition in the statement of financial activities.

	Value reported by transferring trust £'000	Fair value adjustments £'000	Total 2019 £'000
Tangible fixed assets			
. Freehold land and buildings	16,089	461	16,550
. Leasehold land and buildings	—	—	—
. Furniture and equipment	25	—	25
. IT equipment	23	—	23
Net current assets	1,348	14	1,362
Defined benefit pension scheme			
. Pension scheme assets	599	—	599
. Pension scheme liabilities	(965)	—	(965)
Net assets	17,119	475	17,594

20. Member Liability

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

21. Pensions and similar obligations

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

Notes to the financial statements 31 August 2020

21. Pensions and similar obligations (continued)

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

Central Office Money Purchase Scheme

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

Teachers' Pension Scheme

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

The TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary - these contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

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

The next valuation result is due to be implemented from 1 April 2023. The employer's pension costs paid to TPS in the period amounted to £16,278,000 (2019: £10,847,000).

Notes to the financial statements 31 August 2020

21. Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

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

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

Local Government Pension Scheme (LGPS)

Each 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 fifteen different funds. The total contribution made (as referenced by the scheme actuaries) for the year ended 31 August 2020 was £7,244k (2019: £5,521k), of which employees' contributions totalled £1,799k (2019: £1,359k) and employers' contributions totalled £5,445k (2019: £4,162k). The agreed contribution rates for future years are between 14% and 29.4% for employers and between 5.8% and 9.9% for employees.

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

Notes to the financial statements 31 August 2020

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Pension Fund – Administering Authority

Greater London

City of Westminster

London Borough of Brent

London Borough of Croydon

London Borough of Ealing

London Borough of Enfield

London Borough of Greenwich

London Borough of Hammersmith and Fulham

London Borough of Lambeth

London Borough of Redbridge

London Borough of Southwark

Royal Borough of Kensington & Chelsea

London Borough of Wandsworth

East Sussex

East Sussex County Council

Hampshire

Hampshire County Council

West Midlands

West Midlands Fund

Academies

Atwood

King Solomon

Paddington Green

Ark

Elvin

Franklin

Oval

Acton

Byron

John Keats

Greenwich

Bentworth

Burlington Danes

Conway

Swift

Evelyn Grace

Isaac Newton

All Saints

Globe

Walworth

Brunel

Bolingbroke

Putney

John Archer

Alexandra

Blacklands

Little Ridge

Castledown

Ayrton

Charter

Dickens

Boulton

Kings

St Alban's

Tindal

Victoria

Notes to the financial statements 31 August 2020

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Range of principal actuarial assumptions

	2020 %	2019 %	2019 %
	Average	Lowest	Highest
Rate of increase in salaries	3.2	2.3	3.8
Rate of increase in pension payments	2.2	2.0	2.3
Discount rates	1.7	1.8	1.9
Inflation assumptions	2.2	2.0	2.3

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

	2020 Lowest	2020 Highest	2019 Lowest	2019 Highest
Retiring today				
Males	19.2	22.2	20.7	25.0
Females	22.3	24.4	23.0	27.6
Retiring in 20 years				
Males	20.7	23.6	22.1	25.5
Females	23.5	25.8	24.5	28.5

	At 31 August 2020 £'000	At 31 August 2019 £'000
Sensitivity analysis – increase (decrease) in overall deficit		
Discount rate +0.1%	(3,740)	(3,306)
Discount rate -0.1%	3,840	3,387
Mortality assumption – 1 year increase	4,261	2,204
Mortality assumption – 1 year decrease	(3,798)	(2,110)
CPI rate +0.1%	3,223	2,824
CPI rate -0.1%	(3,150)	(2,758)

	Fair value at 31 August 2020 £'000	Fair value at 31 August 2019 £'000
Ark Schools' share of the assets in the schemes was as follows:		
Equities	45,327	48,083
Corporate/government bonds	20,779	12,503
Property	6,471	7,765
Cash	2,132	1,955
Other	10,052	6,677
Total market value of assets	84,761	76,983

Notes to the financial statements 31 August 2020

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

The amounts recognised in statement of financial activities were as follows:	2020 £'000	2019 £'000
Current service cost	14,434	7,149
Past service cost	125	1,712
Curtailments and settlements	—	344
Net finance cost	935	551
Admin expenses	183	80
Total amount recognised in the SOFA	15,677	9,836

Movements on the overall deficit during the year was as follows:	2020 £'000	2019 £'000
Deficit at 1 September 2019	(52,733)	(25,487)
Transferred in on conversion (note 19(a))	—	(3,259)
Transferred in on existing academies joining the trust (note 19(b))	—	(366)
Current service cost	(14,434)	(7,149)
Past service cost	(125)	(1,712)
Curtailments	—	(353)
Settlement paid	—	9
Administration cost	(183)	(80)
Employer contributions	5,445	4,162
Net finance cost	(935)	(551)
Actuarial loss	(891)	(17,947)
At 31 August 2020	(63,856)	(52,733)

Changes in the present value of defined benefit obligations were as follows:	2020 £'000	2019 £'000
At 1 September 2019	129,716	91,803
Transferred in on conversion (note 19(a))	—	4,324
Transferred in on existing academies joining the trust (note 19(b))	—	965
Current service cost	14,434	7,149
Past service cost	125	1,712
Administration cost	—	66
Curtailments	—	353
Interest cost	2,421	2,240
Employee contributions	1,799	1,359
Actuarial loss	1,205	20,546
Settlement paid	—	(9)
Benefits paid	(1,083)	(792)
At 31 August 2020	148,617	129,716

Notes to the financial statements 31 August 2020

21. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements in the present value of defined benefit assets were as follows:	2020 £'000	2019 £'000
At 1 September 2019	76,983	66,316
Transferred in on conversion (note 19(a))	—	1,065
Transferred in on existing academies joining the trust (note 19(b))	—	599
Expected return on assets	1,486	1,689
Administration expenses	(183)	(14)
Employer contributions	5,445	4,162
Employee contributions	1,799	1,359
Actuarial gain	314	2,599
Benefits paid	(1,083)	(792)
At 31 August 2020	84,761	76,983

The five years history of experience adjustments is as follows:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Present value of scheme obligations	(148,617)	(129,716)	(91,803)	(86,046)	(84,528)
Fair value of assets	84,761	76,983	66,316	56,323	47,582
Net deficit in schemes	(63,856)	(52,733)	(25,487)	(29,723)	(36,946)
Experience gains on scheme assets	314	2,599	3,106	3,444	5,439
Experience gains on scheme liabilities	(1,205)	(20,546)	9,191	8,731	(24,883)

22. Lease commitments

At 31 August 2020, the total of Ark Schools' future minimum lease payments under non-cancellable operating leases in relation to plant and machinery was:

	2020 £'000	2019 £'000
Amounts due within one year	406	446
Amounts due between one and five years	270	372
Amounts due after five years	—	40
	676	858

The property occupied by Ark Kings Academy was financed by a Private Finance Initiative agreement between the PFI contractor and the local authority (the owner of the freehold). Ark Schools is subject to a sub-agreement with the Local Authority which requires Ark Schools to make an annual contribution towards facilities management for a period of 25 years expiring on 30 April 2042. At 31 August 2020, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

Notes to the financial statements 31 August 2020

22. Lease commitments (continued)

Property occupied by Ark Kings Academy	2020 £'000	2019 £'000
Amounts due within one year	79	79
Amounts due between one and five years	316	316
Amounts due after five years	1,343	1,422
	1,738	1,817

The property occupied by Ark Acton Academy was financed by a Private Finance Initiative agreement between the PFI contractor and the local authority (the owner of the freehold). Ark Schools is subject to a sub-agreement with the Local Authority which requires Ark Schools to make an annual contribution towards facilities management for a period of 13 years expiring on 31 July 2032. At 31 August 2020, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

Property occupied by Ark Acton Academy	2020 £'000	2019 £'000
Amounts due within one year	573	573
Amounts due between one and five years	2,294	2,294
Amounts due after five years	3,966	4,540
	6,833	7,407

23. Capital commitments

At 31 August 2020, the group had capital commitments as follows:

	2020 £'000	2019 £'000
Contracted for but not provided in the financial statements	1440	602

24. Related party transactions

Transactions with Ark

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

During the year, Ark donated £3.3m (2019: £5.5m), all of which is included in Donations – other Ark in Note 2, for specific projects and ventures, including our Projects team, Ark Teacher Training; curriculum development, and for our extracurricular programmes, music and pathways and enrichment. A grant totalling £0.2m (2019: £nil) was made to cover the expenditure incurred in relation to Ark Start, this was a new venture started during the year. £0.8m, of £5.5m donated in 2018/19 was previously disclosed in Miscellaneous grants in Note 4 this has now been reclassified to Donations - other Ark.

Ark provided an additional grant totalling £112k (2019: £nil) to Ark Schools to cover the rent and service charge paid by Ark Schools during the period when leases were held in relation to both the Yellow Building and Kingsway. This grant was to cover the cost of the rent and service charge incurred in relation to our new office at the Yellow Building, this is included within Note 4 Miscellaneous income.

Notes to the financial statements 31 August 2020

24. Related party transactions (continued)

Transactions with Ark (continued)

At 31 August 2020 £8.9m (2019: £8.6m) was due from Ark. This is included in Note 14, Debtors.

Ark Schools' central team shares offices with Ark. Ark Schools has made payments on behalf of Ark. These are recharged to Ark based on an agreed apportionment based on actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each entity's staff. The amounts recharged in respect of the year ended 31 August 2020 to Ark are included in the table below. £57k of the recharges were included in 'Other Debtors' (note 14). Similar recharges are also made to Ark UK Programmes, a related party (see below). The amounts charged to Ark UK Programmes are also included in the table below which were fully settled in the year of report.

	2020	2019
	£'000	£'000
Recharged to Ark		
Rent and service charges	173	172
Technology services	30	35
	203	207
Recharged to Ark UK Programmes		
Rent and service charges	180	—
Technology services	55	50
	235	50

Transactions with Ark UK Programmes

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

Ark Schools made payments of £152k (2019: £323k) to Ark UK Programmes for the provision of Mathematics Mastery and English Mastery resources and training, Now Teach recruitment fees and shared supplier accounts.

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

Notes to the financial statements 31 August 2020

24. Related party transactions (continued)

Transactions with Ark UK Programmes (continued)

At 31 August 2020, the value of the amounts held by Ark UK Programmes in relation to the above endowments was £6.2m (2019: £6.5m). During the year, £931k (2019: £390k) of the endowment was withdrawn including £626k for Ark St Albans Academy and £305k for Ark Charter Academy, for planned capital expenditure. £493k has been recognised as income in these financial statements (note 2) and the remaining balance has been deferred (note 15). There were no further withdrawals from endowments in the year ended 31 August 2020 or balances owed in respect of withdrawals as at 31 August 2020.

In addition to the endowments above, surplus funds earned by certain schools within the network may be transferred to Ark UK Programmes for investment in the same listed investments portfolio. At 31 August 2020, Ark UK Programmes had invested a cumulative amount of £750k in respect of Ark King Solomon Academy (2019: £750k in respect of Ark King Solomon Academy) as part of their investment strategy. The total market value of such investments at the balance sheet date was £1.2m (2019: £1.2m) and the cumulative unrealised gains amount £468k (2019: £427k) has been recognised through Ark Schools' statement of financial activities. The investment balance is owed to Ark Schools by Ark UK Programmes and included on the balance sheet.

Ark, Ark UK Programmes and Ark Schools registered as a VAT group during the year. As a result of this change, Ark Schools holds £72k VAT debtor balance with Ark UK Programmes.

The academy trust conducted the above related party transactions in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with their financial regulations and procurement procedures.

The Trust applied in September 2019 for permission to enter into a contract with Ark UK Programmes as this contract did not follow a competitive process as required by the Academies Financial Handbook and our procurement policy at the time of application did not specifically allow for a waiver of competition, this contract was not formally approved by the ESFA. We were however informed by the ESFA that we could continue to work with UK Programmes. Following a revision of our procurement code of practice to allow for formal waivers of competition under specific circumstances, we applied again in September 2020 and approval has now been granted.

Details of other related parties are disclosed at notes 10, 25 and 26. There were no other related party transactions in the period of report.

25. Directors' emoluments

The Managing Director is also a statutory director of Ark Schools. The total amount of employee benefits paid by Ark Schools received by the Managing Director, Lucy Heller, was nil (2019: nil). The total paid to the Managing Director, Ark as the CEO of Ark, was £180,874 (2019: £191,017). There was an additional £19,087 paid in lieu of 10% pensions (2019: £19,102). This is also disclosed in note 10.

No directors of the company received any payment or other emoluments from Ark Schools in the reporting period (2019: none). No directors had any beneficial interest in any contract with Ark Schools during the year (2019: none).

Notes to the financial statements 31 August 2020

26. Directors', Governors' and Officers' insurance

In accordance with normal commercial practice, the trust has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business with cover up to £2m in the aggregate inclusive of costs. The insurance additionally provides for corporate legal liability and employment practices liability. For the year ended 31 August 2020, the premium is £10,784 (2019: £7,605). The cost of this insurance is included in the total insurance cost.

27. Agency arrangements

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

	2020	2019
	£'000	£'000
16-19 bursaries for ESFA	229	209
Teacher training bursaries for NCTL	1,483	1,628
	1,712	1,837

An amount of £73,100 is held in other creditors at the end of the year repayable to NCTL (2019: £29,800).

28. Teaching School trading account

	2020	2019
	£'000	£'000
Income		
Direct income (restricted)	50	60
Other income (unrestricted)	189	38
	239	98
Expenditure		
Direct staff costs	178	54
Support staff costs	1	1
Technology costs	—	2
Other support costs	1	1
	180	58
Surplus for all services	59	40
Teaching Schools balance at 1 September 2020	40	—
Teaching Schools balance at 31 August 2020	99	40

29. 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.

30. Post balance sheet events

On 1st September 2020, Ark Blake joined the trust as a new start school with 180 pupil admissions. The assets and liabilities will be recognised within the financial statements ending 31 August 2021.

Notes to the financial statements 31 August 2020

31. Comparative statement of financial activities

	Unrestricted funds £'000	Restricted funds			2019 Total funds £'000
		General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
Income from:					
Donations and capital grants	147	6,648	—	29,250	36,045
Transfer from Local Authorities	—	231	(3,259)	14,600	11,572
Transfer from other Academy Trusts	—	1,362	(366)	16,598	17,594
Other trading activities	2,188	—	—	—	2,188
Investments and interest receivable	33	—	—	—	33
Income from charitable activities					
. Funding for Ark Schools' educational operations	4,223	178,995	—	—	183,218
. Project management grants	—	591	—	—	591
. Teaching School	38	60	—	—	98
Other income	4,612	—	—	—	4,612
Total income	11,241	187,887	(3,625)	60,448	255,951
Expenditure on:					
Raising funds	930	—	—	6	936
Charitable activities					
. Ark Schools' educational operations	6,595	184,321	5,674	17,963	214,553
. Development costs	13	2,608	—	—	2,621
. Teaching School	—	58	—	—	58
Total expenditure	7,538	186,987	5,674	17,969	218,168
Net income (expenditure) before investment gains and losses	3,703	900	(9,299)	42,479	37,783
Net gains on investments	—	—	—	—	—
Net income (expenditure) before transfers	3,703	900	(9,299)	42,479	37,783
Gross transfers between funds	(4,039)	(881)	—	4,920	—
Net income (expenditure)	(336)	19	(9,299)	47,399	37,783
Other recognised gains and losses					
Actuarial losses on defined benefit pension schemes	—	—	(17,947)	—	(17,947)
Net movement in funds	(336)	19	(27,246)	47,399	19,836
Fund balances brought forward at 1 September 2018	11,417	3,926	(25,487)	442,732	432,588
Fund balances carried forward at 31 August 2019	11,081	3,945	(52,733)	490,131	452,424

Notes to the financial statements 31 August 2020

32. Reconciliation of operating position

Year ended 31 August 2020

	General funds			Other funds		Total funds £'000
	Unrestricted funds £'000	Restricted funds £'000	Total Revenue Reserves £'000	Pension Reserve £'000	Fixed assets fund £'000	
Fund balance brought forward	11,081	3,945	15,026	(52,733)	490,131	452,424
Fund balance carried forward	7,465	7,216	14,681	(63,856)	484,135	434,960
Net (decrease) / increase in funds (as per the statement of financial activities)	(3,616)	3271	(345)	(11,123)	(5,996)	(17,464)
Less:						
Inherited revenue reserves in respect of new schools (notes 19(a) and 19 (b))			—			
Add:						
Transfer of revenue to fixed assets fund			5,123			
Operational surplus			4,778			

The operating surplus as disclosed is deemed to equal net income before transfers in respect of the unrestricted funds and the restricted general funds. It excludes capital income and expenditure, buildings transferred into the network, non-cash pension adjustments in respect of defined benefit schemes, and any inherited revenue reserves.

Year ended 31 August 2019

	General funds			Other funds		Total funds £'000
	Unrestricted funds £'000	Restricted funds £'000	Total Revenue Reserves £'000	Pension Reserve £'000	Fixed assets fund £'000	
Fund balance brought forward	11,417	3,926	15,343	(25,487)	442,732	432,588
Fund balance carried forward	11,081	3,945	15,026	(52,733)	490,131	452,424
Net (decrease) / increase in funds (as per the statement of financial activities)	(336)	19	(317)	(27,246)	47,399	19,836
Less:						
Inherited revenue reserves in respect of new schools (notes 19(a) and 19 (b))			(1,593)			
Add:						
Transfer of revenue to fixed assets fund			4,920			
Operational surplus			3,010			