

Ark Schools

**Consolidated annual report
and financial statements**

31 August 2022

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 (Resigned 22 September 2021) Lord Fink Fiona Forbes (Appointed 10 February 2022) Joanna Greenslade Gerard Griffin Lucy Heller Daniel Labbad Sir Paul Marshall Riaz Shah Anthony Williams
Company Secretary	Elizabeth Dawson
Senior Management Team	Lucy Heller Jacqueline Russell Venessa Willms Elizabeth Dawson Laurie Grist Ed Owen (Resigned 14 April 2022) Sarah Pearson (Appointed 24 September 2022) Lauren Thorpe Jerry Collins
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

Directors' report (including strategic report)

Year to 31 August 2022

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 2022 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 41 to 48 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 such a way that they are better able to identify and help meet the needs of children.

Public benefit

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

Directors' report (including strategic report)

Year to 31 August 2022

Strategic report: past achievements and plans for the future

Introduction and 2021/22 academic year overview

Having hoped that we could put Covid firmly behind us, we found that the legacy of the pandemic continued to loom large this year. Nationally, the attainment gap between disadvantaged students and their classmates has grown and, despite some recovery by summer 2022, on average pupils are still not performing as well in both maths and reading as pre-pandemic cohorts. Despite this context, we achieved strong results across the network which mean we have solid foundations on which to build.

Shifting back to 'normal' will be a long journey, with the need to reset expectations on attendance a particular priority. We are bucking the trend to some extent, but we are far from complacent and can already see that the next academic year will bring its own unique challenges.

Following the opening of Ark Soane in September 2021, the Ark Schools network now includes 39 schools, educating 29,000 students in Birmingham, Hastings, London, and Portsmouth.

The year included some memorable high points, especially activity that allowed us to bring the network together. Our music gala at the Barbican Centre in London made a triumphant return after a long gap. There was an extraordinary array of talent on display which is a real testament to our long-term investment in an extra-curricular music programme. We also saw the return of many network-wide sporting events, including football and athletics tournaments, which we very much hope will grow in prominence in the coming years.

The power of our network being part of a wider charity also means that we can share what we learn in our schools more widely. Ark Curriculum Plus (AC+) is going from strength to strength with around 300,000 children benefiting from these road-tested programmes.

AC+ also allowed Ark to provide substantial support to Oak National Academy during the pandemic to support teachers and students around the country while schools were off limits. A review conducted this year revealed that AC+ contributed 1,063 primary maths, 432 secondary maths and 10 primary history lessons, with teachers from Ark's schools presenting the lesson content. At its peak, Oak had over 2.5 million users a week and the primary maths lessons provided by AC+ were the second most popular subject selection on the site.

Ark Teacher Training was once again judged Outstanding by Ofsted providing an important foundation for our teacher recruitment strategy.

Ark Start is now well established with two nurseries up and running and more in the pipeline. This pilot is proving that schools' involvement in the early years can have a huge impact when it comes to providing a fairer start for all children.

Our schools simply cannot function without our people, so we are particularly proud that we became a fully accredited Real Living Wage employer, having been working towards this accreditation for some time. At the time of writing, Ark is one of just two large multi-academy trusts to have made this commitment.

Directors' report (including strategic report)

Year to 31 August 2022

Strategic report: past achievements and plans for the future (continued)

Performance and results

Despite some big challenges, the results for this year give clear evidence for confidence in our current strategy and approach.

- This year, at every age and stage, we beat national and regional exam and test averages – despite having nearly twice the national average of children eligible for free school meals.
- 73 percent of primary pupils reached the expected standard in reading, writing and maths vs 59 percent nationally.
- Three of our schools were in the top 35 schools nationally when it came to closing the gap for the poorest children.
- Over 80 percent of our graduates went on to higher education – compared to just 55 percent nationally.

Many factors contributed to these successes, but it is particularly worth highlighting some of our major priorities.

Our priorities

Last academic year, our students' reading age progressed 15.9 months on average over just a 9.5 month period (16.6 at primary and 15.5 at secondary). This saw the proportion of our students reading at or above their chronological age rise from 60 to 64 percent. There is much work still to do, but this progress is very encouraging. School leaders, teachers, support staff and network staff have united to drive our new reading strategy with the aim to help every Ark student read at or above their chronological age.

We continue to develop our teachers' expertise and build an understanding of what excellent looks like with our Great Teacher Rubric, a tool used by our schools to support and develop our teachers. For new teachers, Ark Teacher Training successfully retained its Outstanding grade from Ofsted while our Teaching School Hub in South Birmingham draws all this expertise together to offer professional development and qualifications to our own teaching staff as well as many in schools beyond our network.

There has been a sustained focus on helping our students recover from the continuing impact of the pandemic. This includes a partnership with Place2Be to help our schools provide a high standard of mental health and wellbeing support. Through this partnership, students are taught about mental health and are provided with tools to help with mindfulness, along with stigma-free access to counselling. We were delighted to see Ark Elvin win the mental health excellence award at the Place2be Wellbeing in Schools Awards in recognition of their excellent practice.

We worked hard to retain the insight and expertise around digital learning gained over the last two years, especially the opportunities created by our investment in digital devices. Following the successful distribution of 25,000 digital devices to all students in Year 3 and above during the 2020/21 school closures, we continue to develop resources to help our students become independent learners. Our online learning platform, SpArk, hosts content for every year group in every subject, complemented by learning aids and careers advice with topical and extra-curricular content to allow students to develop their own interests.

Directors' report (including strategic report)

Year to 31 August 2022

Strategic report: past achievements and plans for the future (continued)

Our priorities (continued)

With the threat of pandemic-related school closures removed, we have been able to organise a wider range of in-person network events. These have been important milestones, helping students to reconnect with the wider world around them. After months of rehearsals, more than 600 students from 33 Ark schools came together for a celebration of music at the prestigious Barbican Centre in London for the 2022 Ark Music Gala. While secondary students from 12 Ark schools gathered for both Ark football and Ark athletics competitions.

Ofsted inspections

Several schools were inspected by Ofsted this year. Ark Academy, Ark Boulton, Ark Castledown, Ark Globe, Ark Little Ridge, and Ark Brunel have retained or earned their Good or Outstanding grades. Ark Burlington Danes has improved from Requires Improvement to Good. Ark Alexandra was assured that the inspectors could see improvements since 2017 and confirmed that the school is on track to becoming a Good school.

Ark St Albans and Ark Charter were judged as Requires Improvement while Ark Kings was given an Inadequate grading. Improvement plans for all schools are well underway.

As of the end of the year, 88 percent of Ark schools with an inspection grade were judged to be Good or Outstanding.

Priorities for next year

We continue to pursue our strategy to provide excellent schools, as part of a sustainable network, while sharing successful methods with the sector to enable improvements to education systems more widely. Our priorities for the coming year include the following:

- As ever, consistent strength across all schools is our constant focus and the sustained work in teacher development, reading strategy and digital learning will continue to be key planks to ensure every school delivers an excellent education to every child.
- Teacher recruitment has been an emerging priority across the sector, and we know this will have to be a major focus in 2022/23. We will be building on the success of Ark Teacher Training as well as seeking to highlight the network benefits of working at Ark.
- We anticipate the cost-of-living crisis increasing need among our students and communities and are already planning a response.
- Linked to this, the identification of efficiencies at all our schools to ensure we can stay in budget will be a significant priority. Our green strategy will be a key element of this work as we seek to reduce energy usage and introduce sustainable practices across the network.
- We will continue to grow our extra-curricular offer for our students, with a particular focus on sports and music.
- We will continue to consider opportunities to expand the network at a sustainable rate.

Directors' report (including strategic report) Year to 31 August 2022

Strategic report: past achievements and plans for the future (continued)

Priorities for next year (continued)

- The development of EdCity, the not-for-profit partnership between Ark and Hammersmith & Fulham Council is progressing quickly. Including a new hub for the Ark network team, the development will also include a nursery and new school. Ark Swift and the primary phase of Ark Burlington Danes will be supported to merge to launch Ark White City Primary on this site. Students will start attending in September 2023.

Directors' report (including strategic report)

Year to 31 August 2022

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 2022

Structure, governance, and management (continued)

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 and their functions include the monitoring of school performance, the review of annual school plans and budgets, and the oversight of parent and community liaison.

The organisational structure of Ark Schools' wholly owned subsidiary has been described within the "Related Parties and other Connected Charities and Organisations" section below.

Arrangements for setting key management pay and remuneration

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

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

Fundraising

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

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

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

Directors' report (including strategic report)

Year to 31 August 2022

Employee involvement

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

Disabled employees

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

Related Parties and other Connected Charities and Organisations

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

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

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

Engagement with parents, students, and the community

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

Directors' report (including strategic report) Year to 31 August 2022

Engagement with suppliers and other business relationships

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

Promoting the success of Ark Schools

In making decisions, the trustees and senior management team aim always to work towards giving children and young people, regardless of their circumstances, the best start in life. In doing this, we are mindful of the pressures on our teaching and operational staff at schools and in network roles. 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 2022

Streamlined energy and carbon reporting

The Energy and Carbon Reporting Regulations came into force on 1 April 2019. As the trust consumes more than 40,000 kWh of energy, we report below our energy consumption for the year to 31 August 2022.

UK Greenhouse gas emissions and energy use data	2021/2022	2020/2021
Energy consumption used to calculate emissions (kWh)	45,401,070	40,403,976
Energy consumption break down (kWh) (optional)		
· gas	30,418,815	27,430,506
· electricity	14,954,828	12,937,409
· transport fuel	27,427	36,061
<u>Scope 1 emissions in metric tonnes CO₂e</u>		
Gas consumption	5,552.65	5,024.17
Owned transport – mini-buses	4.33	8.51
Total	5,556.98	5,032.68
<u>Scope 2 emissions in metric tonnes CO₂e</u>		
Purchased electricity	2,892	2,747
<u>Scope 3 emissions in metric tonnes CO₂e</u>		
Business travel in employee-owned vehicles	2.41	0.49
Total gross emissions in metric tonnes CO ₂ e	8,451.39	7,780.17
<u>Intensity ratio</u>		
Tonnes CO ₂ e per pupil	0.29	0.28
Pupil Numbers	29,472	28,064

Directors' report (including strategic report)

Year to 31 August 2022

Streamlined energy and carbon reporting (continued)

Quantification and reporting methodology

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

Measures taken to improve energy efficiency

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

Trade union facility time

There were 40 (2020/21: 40) Ark Schools' employees and 36 (2020/21: 37) expressed as full-time equivalents who were relevant trade union officials in 2021/22. One (2020/21: one) of these 40 employees spent between 51% and 99% of their contracted hours on facility time, 33 of these 40 employees (2020/21: 37) spent between 1% and 50% of their contracted hours on facility time, and two of the 40 employees (2020/21: two) spent none of their contracted hours on facility time. The total cost of the facility time to Ark Schools was £34k in 2021/22 (2020/21: £34k), equating to 0.017% (2020/21: 0.019%) of its total pay bill of £192m (2020/21: £180.9m) in the same period. The total time spent on trade union activities as a percentage of total paid facility time hours was 6% (2020/21: 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 post pandemic environment and other cost pressures due to the wider economic challenges. The trustees have looked at the financial position, including income, expenditure, and reserves, on our beneficiaries, and employees. While we acknowledge the increased cost pressures on the day-to-day operations, we do not consider these 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 2022

Financial review

A summary of the results for the year is included in the statement of financial activities on page 37. 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	2022	2021
	£m	£m
DfE revenue grants	207.8	206.5
Other grants and income (excluding capital)	11.9	8.1
Other trading activities	1.6	2.3
Voluntary income (excluding capital)	7.6	4.4
Total operating income	228.9	221.3
Academy Educational Operations		
- Direct costs excluding depreciation	119.6	107.6
- Educational support costs excluding capital	101.3	104.6
- Development, Governance, and fundraising	2.5	3.0
Total operating expenditure	223.4	215.2
Net operating income	5.5	6.1

2021/22 has once again been a strong year financially, with schools benefiting from significant additional income, including Covid Catch Up Grants, a Supplementary Grant, and School Led Tutoring income. The financial strength however hides the recruitment challenges within schools as many have struggled to remain fully staffed. The ongoing pressures from the post pandemic environment, as schools prioritise catch-up activities for our students while managing localised outbreaks of Covid-19, continue to put significant stress on our schools.

Overall, our cost base has remained relatively stable with increased expenditure linked directly to additional grant income received during the year.

We have reinvested the majority of the £5.5m (2021: £6.1m) operating surplus back into our capital estate and IT infrastructure. Our Revenue Reserves have therefore grown by just £0.3m (2021: fall of £0.5m). As a network, our financial position remains strong going into 2022/23, as it needs to be, given our concerns about the financial challenges, including increased wage cost and utilities, that we will face in the coming years. Work is ongoing throughout the network looking at ways we can be more efficient to reduce the impact of these cost increases, which links directly to our green agenda to reduce carbon.

Directors' report (including strategic report) Year to 31 August 2022

Financial review (continued)

Our tangible fixed assets reduced by £6.0m to £494.2m (2020/21: £500.2m). This represented £12.5m of additions offset by £18.5m of depreciation. While Ark Soane opened in a new building in September 2021, as this is part of a complex multi-use phased build managed by the Department for Education, building work recommenced in the summer of 2022. This building work has overrun and had not completed by the beginning of the new term. Ark Soane reopened in September 2022, in the recommissioned Sixth Form Building at Ark Acton. The new Ark Soane building will not now be capitalised until it has been formally handed over in 2023.

Additions of £12.5m were primarily leasehold improvements, fixtures and fittings and IT equipment. All our schools have 10-year IT refresh plans. Most of our schools received conditioning surveys to inform their estate capital plans, with the remaining surveys due in the next few years. Our digital transformation project, including providing Chromebooks for all incoming Year 3 and Year 7 pupils, continues with children from Year 3 having access to a Chromebook to support their education.

The fixed asset fund represents the balance of our tangible fixed assets of £494.2m plus capital reserves of £5.5m. (2020/21: £500.2m and £4.5m). While there is a slight increase in revenue reserves of £0.3m (2020/21: decrease of £0.5m), school capital reserves have increased by £1.0m (2020/21: increase of £0.6m). The pension deficit has decreased to £19.0m from £90.4m. The decrease in the pension reserve deficit of £71.4m reflects a 79% decrease in the pension liability which is in line with the sector average. There is no major change in the nature of the liabilities – however, ten schools would have ended the year with a pension asset and so these have been capped to a nil liability position as required under FRS 102. The valuation is based on spot rates at 31 August 2022 and subject to stock market fluctuations. The actuarial valuation is based on inflation rates of 9.9% on 31 August 2022. The effect of inflation has resulted in the discount rate increasing to 4.25% (1.8% in 2020/21) which has contributed to the increase in the fund value at 31 August 2022.

The outlook for the 2022/23 academic year remains highly challenging as schools deal with high levels of inflation for teaching and support staff, increasing electricity costs, and increasing costs for consumables, including printing and paper. Schools continue to face the consequences of the pandemic, with the continuing need for additional academic intervention and mental health support, as such, budgets remain under intense pressure. While unit costs of utilities are currently under control, as we signed fixed central gas and electricity contracts for our schools prior to the recent price increases, electricity will require renewing in April 2023 and current estimates indicate that this could be some 350% higher with additional costs for the network in the region of £6m annually. Our gas contracts renew in October 2024. The investment in our IT and capital estate will continue to ensure that our infrastructure remains fit for purpose.

A full reconciliation of the operating result is provided at note 29 to the financial statements.

Directors' report (including strategic report) Year to 31 August 2022

Financial review (continued)

Summary of assets and liabilities

As at 31 August	2022	2021
	£m	£m
Fixed assets	494.3	500.3
Current assets	61.1	58.7
Current liabilities	(39.6)	(38.5)
Total assets less current liabilities	515.8	520.5
Liabilities due after one year	(1.8)	(1.8)
Pension deficit	(19.0)	(90.4)
Net assets	495.0	428.3
 Represented by:		
Fixed assets fund	499.6	504.6
Pension reserve	(19.0)	(90.4)
Revenue reserves		
- Restricted	12.5	12.3
- Unrestricted	1.9	1.8
Grand total	495.0	428.3

Restricted revenue reserves relate to unspent income from donors that are school or project specific.

Directors' report (including strategic report)

Year to 31 August 2022

Financial report for the year

Operating income

Total operating income was £228.9m (2020/21: £221.3m). Approximately 91% of operating income comes from the DfE as recurrent grants (2020/21: 89%). These grants and the associated expenditure are included within restricted funds in the statement of financial activities. For the year ended 31 August 2022, DfE/ESFA revenue grants were £207.8m (2020/21: £206.5m) which are all restricted to core school activities.

Non-core activity is funded separately. For the year ended 31 August 2022, other grants and income were £11.9m (2021: £8.1m). Lettings income and Ark Ayrton nursery generated £1.6m (2020/21: £0.8m). Additional voluntary income from the sponsor organisation, Ark, and others amounted to £7.6m (2020/21: £4.4m).

Operating expenditure

Total operating expenditure for the year ended 31 August 2022 was £223.4m (2020/21: £215.2m). Direct costs excluding depreciation accounted for 54% (2020/21: 50%) of the total operating expenditure. The network continues to be supported by voluntary income for specific network programmes.

Impact of capital items, depreciation, and pension scheme adjustments

Once voluntary income, capital grants, net asset transfers from Local Authorities or other academy trusts, depreciation, and pension scheme adjustments were included, the outcome for the year to 31 August 2022 was a net increase in funds of £66.7m (2020/21: decrease of £6.6m). Total income was £237.5m (2020/21: £255.1m). Total income also includes coronavirus funding for mass testing of £0.6m (2020/21: £0.9m), catch-up premium funding from the ESFA of £2.0m (2020/21: £1.5m) and a £0.4m (2020/21: £3.3m) grant from Ark for the Ark School Coronavirus Fund.

Academies are funded by the ESFA and the DfE for both school operations and capital projects on a cash rather than an accruals basis.

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

- Capital grant receipts from the DfE are recorded as income in the income and expenditure account. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (Charities SORP FRS 102), these grants are shown in the Statement of Financial Activities as restricted income under the fixed assets fund, leading to accounting surpluses in the year a grant is received.
- 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.

Directors' report (including strategic report) Year to 31 August 2022

Financial report for the year (continued)

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

- 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. The network is required to remain a member of these pension schemes. Additionally, Ark Schools assumes the pension liability of new schools that join the network thus increasing the overall liability. Ark Schools accepts its financial responsibilities and has fully implemented the provisions of section 28 of FRS 102 relating to the pension schemes. Ark Schools understands that with effect from 18 July 2013, in the unlikely event that an academy trust ceased operating altogether, Parliament has agreed, at the request of the Secretary of State for Education, that the DfE would meet any outstanding pension liability.

Net assets

At 31 August 2022, net assets were £495.0m (2020/21: £428.3m).

At 31 August 2022, the net book value of tangible fixed assets was £494.2m (2020/21: £500.2m). The majority of assets are long term leasehold 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 2022, investments were £0.136m (2020/21: £0.141m). Investments relate to surplus school funds that are invested with a fund manager (see note 23).

Reserves policy and financial position

Ark Schools continues to grow, and the level of reserves held takes account of current and future income and expenditure, including future capital projects. Total funds at 31 August 2022 were £495.0m (2020/21: £428.3m), which consisted of £493.1m restricted funds (2020/21: £426.6m) and £1.9m unrestricted funds (2020/21: £1.8m). Of the total restricted funds, £12.5m (2020/21: £12.4m) represents revenue reserves which are restricted by the donor for specific schools or projects.

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

The directors believe that schools should target an amount, equivalent to at least 3% of their annual operating income, for capital and infrastructure projects to ensure our school estate remains fit for purpose. We allow schools to include their capital and IT reserves in this target. Currently, eleven (2020/21: ten) 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.

Directors' report (including strategic report)

Year to 31 August 2022

Financial report for the year (continued)

Reserves policy and financial position (continued)

During the year, we transferred £1.3m (2020/21: £5.6m) from unrestricted funds to fund in year capital expenditure. Each school is encouraged to have a dedicated IT reserve. These total £3.5m (2020/21: £2.7m) and this amount, alongside capital reserves, is included in the restricted fixed assets fund (see note 16 to the financial statements). This is to ensure that schools have adequate funds available to invest in updating their IT infrastructure.

Included within restricted funds is the pension reserve deficit of £19.0m (see note 20) (2020/21: £90.4m), as noted earlier in this report. 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

Thirteen schools in the network had a deficit in their revenue reserves at the end of the academic year (2020/21: ten). Arrangements are in place to support these schools through this difficult period by way of intra-academy loans with careful and strict monitoring of their financial budget and performance. All schools have detailed five-year plans and we expect all to return to financial sustainability over the medium term. The reserves of all schools are detailed in note 16.

Investment policy

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

Directors' report (including strategic report)

Year to 31 August 2022

Risks and uncertainties

The trustees have assessed the major risks and uncertainties to which Ark Schools is exposed. During the academic year, the Ark Schools risk register was fully updated and subject to detailed review by the Risk and Audit Committee. Particular attention was paid to risks around staff retention, safeguarding, financial sustainability and cyber risk.

Trustees also reviewed and discussed the Strategic and Operational Risk Registers and focused throughout the year on the implications and challenges of schools re-opening after the Covid-19 pandemic, particularly in relation to safeguarding and finance.

Risk management

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

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

During the 2021/22 financial year, trustees continued to review the internal control environment across the education, operations, and finance teams. The trustees also continued to receive regular reports according to the Board assurance framework that had been broadened during the previous year to encompass oversight of provision across safeguarding, HR, finance, procurement, health and safety, fire safety, IT, data protection and information security.

The Ark Schools policy framework and a range of good practice resources made available to schools by the governance team was regularly refreshed to provide continued clarity around workflows, processes and procedures and ensure consistency across the network. Where significant risks remain, the Board has ensured that, where possible, Ark Schools maintains adequate insurance cover. The trustees assessed the major risks and uncertainties to which Ark Schools is exposed including:

- The effect of increasing costs, which are unfunded. This year, we have seen significant increases in support and teaching staff, our electricity costs are anticipated to increase by 350% from April 2023 and we are seeing significant increases in food, print and paper costs.
- The long-term effects of Covid-19 on our students and on staff wellbeing. We are regularly monitoring progress of our students and providing additional targeted interventions where required. We continue to invest in mental health programmes for our Principals, staff and students including providing access to an employee assistance programme for our staff.

Directors' report (including strategic report)

Year to 31 August 2022

Risks and uncertainties (continued)

Risk management (continued)

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

Financial risk management objectives and policies

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

Liquidity risk

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

Directors' report (including strategic report)

Year to 31 August 2022

Risks and uncertainties (continued)

Interest rate risk

In accordance with ESFA's requirements, Ark Schools is not able to enter debt finance arrangements without the prior approval of the ESFA. Trustees continue to monitor interest rate risk.

Other risks

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

Auditor

So far as the directors are aware:

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

The trustees' report, incorporating a strategic report, was approved by order of the Board of trustees, as the company trustees, on 14 December 2022 and signed on the Board's behalf by:



Sir Paul Marshall

Trustee

Governance statement Year to 31 August 2022

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 five times during the last year and continued to operate effectively, reviewing a full range of reports as set out in the annual agenda plan.

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

Director	Number of meetings attended	Out of a possible
Christina Alexandrou	5	5
Ron Beller	1	1 (Resigned in-year)
Fiona Forbes	3	3 (Appointed in-year)
Lord Fink	2	5
Joanna Greenslade	4	5
Gerard Griffin	4	5
Lucy Heller	5	5
Daniel Labbad	4	5
Sir Paul Marshall (Chair)	5	5
Riaz Shah	4	5
Anthony Williams	4	5

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

Governance statement Year to 31 August 2022

Conflicts of interest

Ark Schools manages its Conflicts of Interest policy by publishing a Register of Interests for all directors on its website, reviewing its Conflicts of Interest policy on an annual basis and Declarations of Interests being a standing item on the agenda of each Board and Committee meeting. The Risk and Audit Committee also reviews and approves any Related Party Transactions in relation to other entities related to Ark Schools.

Committees

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

Committee member	Number of meetings attended	Out of a possible
Riaz Shah (Chair)	4	4
Gerard Griffin	4	4
*Stephen West (Appointed 15 December 2021)	2	2
*Lucy Slinger	4	4
**Lynne Counsell (Appointed 15 December 2021)	2	2

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

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

Governance reviews

The Board has implemented the recommendations of a self-evaluation exercise which took place in December 2019. We continue to review the skills on an annual basis across our Board, committee, and local governing bodies to ensure that we have the right support for our schools.

Review of value for money

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

Governance statement Year to 31 August 2022

Review of value for money (continued)

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

1) Delivering results

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

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 to ensure those surpluses are targeted to ensure ongoing investment in infrastructure. Working closely with our Principals and Regional Directors, we have implemented a curriculum-led finance model to assess the efficiency of our staffing structures, concentrating on our priority schools. All our schools have five-year plans, and the expectation is that all our schools will be financially sustainable over the medium term. We are actively working with our schools to reduce our energy consumption and to look at ways our operations can become more efficient.

3) Procurement & financial controls

The Ark Schools procurement policy requires schools to make purchases from approved suppliers to guarantee the best possible value for money. We have a central procurement team who support our schools in achieving value for money, either through organising centralised or regionalised procurements or via establishing framework deals. We are particularly pleased to have agreed new fixed unit price contracts for gas and electricity for our schools until April 2023 for electricity and October 2024 for gas.

4) Fundraising

Ark have continued to raise funds for our schools. £6.6m was received from Ark and from other donations, which included £5.3m received from EdCity Development Ltd, a wholly owned subsidiary of Ark for the development of the new Ark White City Primary Academy. Funds are actively sought to support our schools for curriculum programmes, academic intervention, and mental health. All costs of fundraising are covered by Ark.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide reasonable but not absolute assurance of effectiveness. It is based on established processes designed to identify and prioritise risks, to assess the probability and possible impact associated with significant risks, and to manage them efficiently, effectively, and economically. The system of internal control operated during the year to 31 August 2022 and up to the date of approval of the annual report and financial statements.

Governance statement Year to 31 August 2022

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 2022 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. 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.
- setting targets to measure financial and other performance.
- delegation of authority and segregation of duties.
- identification and management of risks.

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

The trustees approved the appointment of Beaver and Struthers as internal auditors at their meeting on 15 December 2021 to provide independent assurance to the Board that its financial and other controls and risk management procedures were operating effectively. Reports are made available to the Board, Risk and Audit Committee, and local governing bodies of relevant schools. This year, 12 schools were visited, testing 18 core controls. While some improvements to procedures have been recommended, no material control weaknesses were reported this year.

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

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

Governance statement Year to 31 August 2022

The Risk and Control Framework (continued)

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

We had one instance of fraud during the year which resulted in a loss of £22,750, which required reporting to the ESFA. A full investigation, complete with learning lessons, took place.

Review of Effectiveness

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

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

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

Approved by order of the Board of trustees on 14 December 2022 and signed on its behalf by:



Sir Paul Marshall
Trustee



Lucy Heller
Accounting Officer

Statement of regularity, propriety, and compliance Year to 31 August 2022

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 Academy Trust Handbook 2021.

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 Academy Trust Handbook 2021.

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.

A handwritten signature in black ink, appearing to read 'Lucy Heller', with a stylized, cursive script.

Lucy Heller

Accounting Officer

Date: 14 December 2022

Statement of directors' responsibilities 31 August 2022

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) 2019 and the Academies Direction 2021 to 2022.
- make judgments and estimates that are reasonable and prudent.
- state whether applicable United Kingdom Accounting Standards FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

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



Sir Paul Marshall
Trustee

Date: 14 December 2022

Independent auditor's report on the financial statements 31 August 2022

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 2022 which comprise the group statement of financial activities, the group and charitable parent company balance sheets, the group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the Charities SORP 2019) and the Academies Accounts Direction 2021 to 2022.

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group's and of the charitable parent company's affairs as at 31 August 2022, and of the group's income and expenditure for the period then ended.
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.
- ◆ have been prepared in accordance with the Charities SORP 2019 and Academies Accounts Direction 2021 to 2022.

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 2022

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the directors' report, which includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the director's report, which includes the strategic report, has been prepared in accordance with applicable legal requirements.

Independent auditor's report on the financial statements

31 August 2022

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Independent auditor's report on the financial statements

31 August 2022

Auditor's responsibilities for the audit of the financial statements

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

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

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

- ◆ the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities, and skills to identify or recognise non-compliance with applicable laws and regulations.
- ◆ we identified the laws and regulations applicable to the group through discussions with management, and from our knowledge of the academy trust sector.
- ◆ the identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- ◆ we considered the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Companies Act 2006, the Charities SORP 2019, the Academies Accounts Direction 2021 to 2022, the Academy Trust Handbook 2021, and the academy trust's funding agreement with the ESFA as well as legislation pertaining to safeguarding in the UK.
- ◆ we understood how the group is complying with those legal and regulatory frameworks by making inquiries to management and those responsible for legal, compliance, and governance procedures. We corroborated our inquiries through our review of the minutes of trustees' meetings and the subsidiary company directors' meetings and papers provided to the trustees and directors.
- ◆ we planned and carried out a separate limited assurance engagement in respect of regularity, propriety, and compliance in accordance with the Framework and Guide for External Auditors and Reporting Accountants of Academy Trusts issued by the ESFA, as set out in our separate independent reporting accountant's assurance report on regularity.

Independent auditor's report on the financial statements

31 August 2022

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

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

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

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

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

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

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

Independent auditor's report on the financial statements

31 August 2022

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

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

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



19 December 2022

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

Independent reporting accountant's report on regularity 31 August 2022

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 2021 to 2022, 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 2021 to 31 August 2022 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 Academy Trust Handbook, extant from 1 September 2021, 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 2021 to 2022. 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 2021 to 31 August 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts issued by ESFA.

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

Independent reporting accountant's report on regularity 31 August 2022

Approach (continued)

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2021 to 31 August 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



19 December 2022

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Consolidated statement of financial activities

Year to 31 August 2022

		Restricted funds			2022 Total funds £'000	2021 Total funds £'000
		Unrestricted funds £'000	General funds £'000	Pension reserve £'000		
Income from:						
Donations and capital grants						
. Assets donated by DfE/LA	2	—	—	—	—	26,484
. Other donations and capital grants	2	210	1,385	—	8,604	15,072
Other trading activities	3	1,549	—	—	—	695
Investments and interest receivable		5	—	—	—	5
Income from charitable activities						
. Funding for Ark Schools' educational operations	4	4,339	217,159	—	—	208,170
. Project management grants	5	—	190	—	—	285
. Teaching School		—	407	—	—	239
Other income	6	3,661	4	—	—	4,140
Total income		9,764	219,145	—	8,604	255,090
Expenditure on:						
Raising funds	8a	606	—	—	6	668
Charitable activities						
. Ark Schools' educational operations	8b	7,726	213,127	17,643	18,813	242,273
. Development costs	8d	—	1,693	—	45	2,677
. Teaching School	8e	—	234	—	—	226
Total expenditure	7	8,332	215,054	17,643	18,864	245,844
Net income (expenditure) before investment gains and losses		1,432	4,091	(17,643)	(10,260)	9,246
Net (losses) gains on investments		—	(5)	—	—	23
Net income (expenditure) before transfers		1,432	4,086	(17,643)	(10,260)	9,269
Gross transfers between funds	16	(1,345)	(3,909)	—	5,254	—
Net (expenditure) income		87	177	(17,643)	(5,006)	9,269
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes	20	—	—	89,048	—	(15,895)
Net movement in funds		87	177	71,405	(5,006)	(6,626)
Fund balances brought forward at 1 September 2021	16	1,770	12,358	(90,442)	504,648	434,960
Fund balances carried forward at 31 August 2022		1,857	12,535	(19,037)	499,642	428,334

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 2022, this equated to an operational surplus of £5,518k which is made up of £1,432k unrestricted funds and £4,086k restricted general funds (2021: operational surplus of £6,061k) (see note 29 for a reconciliation).

Balance sheets 31 August 2022

	2022		2021		
	Group £'000	Ark Schools £'000	Group £'000	Ark Schools £'000	
Fixed assets					
Tangible assets	12	494,177	494,177	500,185	500,179
Investments		136	136	141	141
		494,313	494,313	500,326	500,320
Current assets					
Debtors	14	17,290	18,945	22,812	23,271
Short term deposits		1,013	1,013	1,288	1,288
Cash at bank and in hand		42,764	42,360	34,601	34,389
		61,067	62,318	58,701	58,948
Creditors: amounts falling due within one year	15	(39,546)	(40,797)	(38,451)	(38,692)
Net current assets		21,521	21,521	20,250	20,256
Total assets less current liabilities		515,834	515,834	520,576	520,576
Creditors: amounts falling due after one year	15	(1,800)	(1,800)	(1,800)	(1,800)
Net assets excluding pension liability		514,034	514,034	518,776	518,776
Pension scheme liability	20	(19,037)	(19,037)	(90,442)	(90,442)
Net assets including pension liability		494,997	494,997	428,334	428,334
The funds of the charity					
Income funds					
Restricted funds	16				
. Fixed assets fund		499,642	499,642	504,648	504,648
. General funds		12,535	12,535	12,358	12,358
. Pension reserve		(19,037)	(19,037)	(90,442)	(90,442)
		493,140	493,140	426,564	426,564
Unrestricted funds	16				
. General funds		1,612	1,612	1,525	1,525
. Designated funds		245	245	245	245
		1,857	1,857	1,770	1,770
		494,997	494,997	428,334	428,334

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



Sir Paul Marshall, Trustee

Date: 14 December 2022

Company registration number: 05112090 (England and Wales)

Consolidated statement of cash flows

Year to 31 August 2022

	Notes	2022 £'000	2021 £'000
Net cash flows from operating activities			
Net cash provided by operating activities	A	11,737	5,063
Cash flows from investing activities	B	(3,849)	2,973
Change in cash and cash equivalents in the reporting period		7,888	8,036
Cash and cash equivalents at the start of the period	C	35,889	27,853
Cash and cash equivalents at the end of the period	C	43,777	35,889

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

	2022 £'000	2021 £'000
Net (expenditure) income (as per the statement of financial activities)	(22,385)	9,269
Adjustments for:		
Capital funding grants	(8,604)	(15,072)
Donated tangible fixed assets recognised at valuation/cost	—	(26,484)
Defined benefit pension scheme service cost adjustment (note 20)	16,116	9,655
Defined benefit pension scheme finance cost adjustment (note 20)	1,527	1,036
Net gains on investments	5	(23)
Depreciation (note 12)	18,466	19,828
Gain on disposal of tangible fixed assets (note 12)	—	31
Interest receivable	(5)	(5)
Decrease (increase) in debtors	5,522	(1,175)
Increase in creditors	1,095	8,003
Net cash provided by operating activities	11,737	5,063

B Cash flows from investing activities

	2022 £'000	2021 £'000
Purchase of tangible fixed assets	(12,458)	(13,204)
Investing activities	—	1,100
Capital grants received	8,604	15,072
Investment income received	5	5
Net cash (used in) provided by investment activities	(3,849)	2,973

C Analysis of cash and cash equivalents

	At 31 August 2022 £'000	At 31 August 2021 £'000
Cash at bank and in hand	42,764	34,601
Short term deposits	1,013	1,288
Total cash and cash equivalents	43,777	35,889

Consolidated statement of cash flows

Year to 31 August 2022

D Analysis of changes in net debt

	At 1 September 2021 £'000	Cash flows £'000	At 31 August 2022 £'000
Cash and cash equivalents			
Cash at bank and in hand	34,601	8,163	42,764
Cash equivalents – short term deposits	1,288	(275)	1,013
	<u>35,889</u>	<u>7,888</u>	43,777
Debt			
ESFA loan	(1,800)	–	(1,800)
	<u>34,089</u>	<u>7,888</u>	41,977

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 2021 to 2022 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 post pandemic environment and other cost pressures due to the wider economic challenges. The trustees have looked at the financial position, including income, expenditure, and reserves, on our beneficiaries, and employees. The directors acknowledge the disruption caused by the pandemic to the day-to-day operations, but do not consider the pandemic to be a cause for material uncertainty in respect of Ark Schools' ability to continue as a going concern.

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

Income

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

Principal accounting policies

Grants receivable

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

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

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

Sponsorship income

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

Donations

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

Other income

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

Transfer on conversion

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

Principal accounting policies

Transfer of existing academies into the trust

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

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

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

Expenditure

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

All expenditure is inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Expenditure on charitable activities

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

Principal accounting policies

Tangible fixed assets

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

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

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

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

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

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

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

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

Principal accounting policies

Tangible fixed assets (continued)

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

Investments

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

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

Debtors

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

Cash at bank and in hand

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

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that Ark Schools anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods 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 at fair value. Changes in the fair value are reflected as investment gains or losses through the statement of financial activities.
- ◆ Cash at bank – is classified as a basic financial instrument and is measured at face value.
- ◆ Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

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

Principal accounting policies

Pensions Benefits

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

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

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

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

Ark Schools participates in several different schemes with various local authorities. If the present value of any given scheme's defined benefit obligation at the reporting date is less than the fair value of its plan assets at that date, the plan would be in surplus. Surpluses can only be recognised as an asset to the extent that the Trust is able to recover the surplus, either through reduced contributions in the future or through refunds from the plan. If the surpluses are unable to be recovered, the liability is capped at zero.

Critical accounting estimates and areas of judgement

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

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

Principal accounting policies

Critical accounting estimates and areas of judgement (continued)

- ◆ The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 August 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- ◆ The net book value of tangible fixed assets is based on the original cost of the asset net of provision for depreciation. The depreciation provision to date is based on the directors' assessment of the estimated useful economic lives of such assets.
- ◆ The values attributed to properties donated to Ark Schools are initially recognised either based on an independent professional valuation or through an estimate determined by Ark Schools' management. The property's condition, the nature of educational use, and the geographical location are taken into consideration in estimating the value.
- ◆ The values attributed to donated assets (other than properties) are initially recognised based on the estimated commercial value of the asset at the time of the donation.

Notes to the financial statements 31 August 2022

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 2022 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	2022 Total funds £'000	2021 Total funds £'000
2022					
Donations – capital grant ESFA	–	–	2,123	2,123	2,278
Devolved formula capital allocations	–	–	667	667	575
Academy main building grants	–	–	155	155	2,359
Tangible fixed assets donated by DfE/local authorities (note 12)	–	–	–	–	24,869
Digital Devices donated by DfE	–	–	–	–	1,615
Local authority ICT capital grants	–	–	242	242	338
Donations – other	–	681	81	762	1,281
Donations – Ark (note 23)	210	320	5,336	5,866	1,167
Ark Schools Coronavirus Fund					
Ark	–	384	–	384	3,361
DCMS grant via Ark	–	–	–	–	3,713
	210	1,385	8,604	10,199	41,556

Notes to the financial statements 31 August 2022

2. Donations and capital grants (continued)

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

Notes to the financial statements 31 August 2022

3. Other trading activities

	Unrestricted funds	
	2022 £'000	2021 £'000
Nursery fees	244	218
Hire of facilities	1,305	477
	1,549	695

4. Funding for Ark Schools' educational operations

Year to 31 August 2022	Unrestricted general funds £'000	Restricted general funds £'000	2022 Total funds £'000	2021 Total funds £'000
DfE/ESFA revenue grants				
General annual grant (GAG)	—	185,322	185,322	171,598
Other DfE / ESFA grants				
. Universal Infant Free School Meals	—	1,153	1,153	1,186
. Start up A	—	355	355	268
. Start up B	—	281	281	240
. Pupil Premium	—	12,818	12,818	12,225
. Other DfE Group grants	—	3,011	3,011	8,001
	—	202,940	202,940	193,518
Other grants				
Local authority funding	—	9,792	9,792	8,555
Extended schools programme	459	—	459	219
Miscellaneous grants	336	—	336	332
	795	9,792	10,587	9,106
Other income				
School meals income	2,828	—	2,828	1,806
School uniform sales	58	—	58	55
Parent contributions to school trip costs	658	—	658	143
	3,544	—	3,544	2,004
COVID-19 additional funding (DfE/ESFA)				
Catch-up premium	—	2,032	2,032	1,513
Other DfE/ESFA COVID-19 funding	—	1,774	1,774	1,108
	—	3,806	3,806	2,621
COVID-19 additional funding (non-DfE /ESFA)				
Mass testing funding	—	621	621	914
Coronavirus Job Retention Scheme grant	—	—	—	7
	—	621	621	921
	4,339	217,159	221,498	208,170

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

Notes to the financial statements 31 August 2022

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

<i>Year to 31 August 2021</i>	<i>Unrestricted general funds £'000</i>	<i>Restricted general funds £'000</i>	<i>2021 Total funds £'000</i>
<i>DfE/ESFA revenue grants</i>			
<i>General annual grant (GAG)</i>	—	171,598	171,598
<i>Other DfE / ESFA grants</i>			
<i>. Universal Infant Free School Meals</i>	—	1,186	1,186
<i>. Start up A</i>	—	268	268
<i>. Start up B</i>	—	240	240
<i>. Pupil Premium</i>	—	12,225	12,225
<i>. Other DfE Group grants</i>	—	8,001	8,001
	—	193,518	193,518
<i>Other grants</i>			
<i>Local authority funding</i>	—	8,555	8,555
<i>Extended schools programme</i>	219	—	219
<i>Miscellaneous grants</i>	—	332	332
	219	8,887	9,106
<i>Other income</i>			
<i>School meals income</i>	1,806	—	1,806
<i>School uniform sales</i>	55	—	55
<i>Parent contributions to school trip costs</i>	143	—	143
	2,004	—	2,004
<i>COVID-19 additional funding (DfE/ESFA)</i>			
<i>Catch-up premium</i>	—	1,513	1,513
<i>Other DfE/ESFA COVID-19 funding</i>	—	1,108	1,108
	—	2,621	2,621
<i>COVID-19 additional funding (non-DfE /ESFA)</i>			
<i>Mass testing funding</i>	—	914	914
<i>Coronavirus Job Retention Scheme grant</i>	—	7	7
	—	921	921
	2,223	205,947	208,170

Notes to the financial statements 31 August 2022

5. Project management grants

	Restricted general funds	
	2022 £'000	2021 £'000
Academies programme	190	285

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

	2022 £'000	2021 £'000
Miscellaneous income	3,665	4,140

Miscellaneous income comprises self-generated income including income derived from Ark Teacher Training, network programmes, and consultancy services, including £4k relating to restricted funds (2021: £231k).

7. Expenditure

	Staff costs (note 9) £'000	Premises £'000	Other costs £'000	Total 2022 £'000	Total 2021 £'000
Year to 31 August 2022					
Raising funds (note 8a)					
. Direct costs	429	6	7	442	390
. Support costs	<u>33</u>	<u>134</u>	<u>3</u>	170	278
	462	140	10	612	668
Educational operations					
. Direct costs (note 8b)	106,119	18,460	13,505	138,084	137,548
. Educational support costs (note 8b)	85,419	—	33,649	119,068	104,594
. Governance costs (note 8c)	<u>—</u>	<u>—</u>	<u>157</u>	157	131
	191,538	18,460	47,311	257,309	242,273
Development costs (note 8d)	166	45	1,527	1,738	2,677
Teaching School (note 8e)	<u>200</u>	<u>—</u>	<u>34</u>	234	226
	192,366	18,645	48,882	259,893	245,844

Notes to the financial statements 31 August 2022

7. Expenditure (continued)

<i>Year to 31 August 2021</i>	<i>Staff costs (note 9) £'000</i>	<i>Premises £'000</i>	<i>Other costs £'000</i>	<i>Total 2021 £'000</i>
<i>Raising funds (note 8a)</i>				
. Direct costs	383	7	–	390
. Support costs	170	72	36	278
	553	79	36	668
<i>Charitable activities</i>				
. Direct costs (note 8b)	105,492	19,772	12,284	137,548
. Educational support costs (note 8b)	74,180	1,682	28,732	104,594
. Governance costs (note 8c)	–	–	131	131
	179,672	21,454	41,147	242,273
<i>Development costs (note 8d)</i>	549	12	2,116	2,677
<i>Teaching School expenditure (note 8e)</i>	220	6	–	226
	180,994	21,551	43,299	245,844

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

	2022 £'000	2021 £'000
Operating lease rentals		
. Plant and machinery	335	776
Depreciation	18,466	19,828
Loss (gain) on disposal of fixed assets	–	15
Fees payable to external auditor for:		
. Statutory audit services	106	121
. Other services	23	10
Cash losses (see below)	23	15

Cash losses

There was one instance fraud in the year. Theft of company goods led to a loss of £22,750. The matter was reported to the ESFA.

Notes to the financial statements 31 August 2022

8a. Cost of raising funds

	2022	2021
	Total	Total
	funds	funds
	£'000	£'000
Lettings and nursery	612	668

The surplus from trading activities totalled £1.25m in the year (2021: surplus of £0.2m). See note 13.

8b. Ark Schools' charitable educational operations

	2022	2021
	Total	Total
	funds	funds
	£'000	£'000
Direct costs		
Staff costs	106,119	105,492
Depreciation	18,466	19,828
Educational supplies	5,711	6,980
Examination fees	1,923	1,528
Transport costs	148	120
Other pupil support costs	4,743	3,100
Extended schools programme	974	500
	138,084	137,548
Educational support costs		
Staff costs	85,419	74,180
Recruitment and other staff costs	2,542	1,682
Catering contract	5,712	5,111
Printing and stationery	2,152	1,834
Office overhead	243	368
Heat and light	3,339	3,010
Premises (including buildings insurance)	13,796	13,398
Legal costs – other	42	51
Technology costs	2,950	2,502
Finance costs and interest/charges payable	1,540	1,059
Other expenses	980	1,311
Small equipment less than £2,000 expensed	353	119
(Gain) on disposal of tangible fixed assets	–	(31)
	119,068	104,594
Governance costs (note 8c)	157	131
	257,309	242,273

Notes to the financial statements 31 August 2022

8c. Governance costs

	2022 Total funds £'000	2021 Total funds £'000
Audit of group financial statements*		
. Current year	123	118
. Prior year under provision	3	3
. Other compliance costs	—	2
Other expenses including internal audit services	31	8
	157	131

*This also includes regularity assurance and Teacher's Pension end of year certificate assurance.

8d. Other development costs

	2022 Total funds £'000	2021 Total funds £'000
Project implementation		
Staff costs	166	549
Building costs	45	12
Project implementation	14	44
Research and marketing	180	224
Miscellaneous costs	26	19
	431	848
Continuing professional development		
Education development	335	774
Staff training and induction	972	1,055
	1,307	1,829
	1,738	2,677

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.

8e. Teaching School expenditure

	2022 Total funds £'000	2021 Total funds £'000
Direct costs		
Staff costs	200	220
	200	220
Continuing professional development		
Education development	34	6
	34	6
	234	226

Notes to the financial statements 31 August 2022

9. Staff

a. Staff costs

Staff costs during the period were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	128,187	127,100
Social security costs	13,460	12,579
Pension costs	41,188	33,897
Apprenticeship levy	610	615
	183,445	174,191
Supply staff costs	8,746	6,039
Severance	151	215
Redundancy	24	549
	192,366	180,994

b. Severance payments

The academy trust paid 13 severance payments in the year, disclosed in the following bands:

	2022	2021
	No.	No.
£0 - £25,000	10	10
£25,001 - £50,000	3	4

c. Staff numbers – full-time equivalent

The average full-time equivalent number of persons employed by the group during the year ended 31 August 2022, analysed by function, was as follows:

	2022	2021
	No.	No.
Charitable activities		
Teachers	1,603	1,624
Education support and administration staff	1,493	1,532
Management	173	154
	3,269	3,310

Notes to the financial statements 31 August 2022

9. Staff (continued)

d. Staff numbers – headcount

The average gross number of persons employed by the group during the year ended 31 August 2022, analysed by function, was as follows:

	2022	2021
	No.	No.
Charitable activities		
Teachers	1,661	1,682
Education support and administration	1,853	1,877
Management	178	159
	3,692	3,718

e. 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:

	2022	2021
	Number	Number
£60,001 - £70,000	142	136
£70,001 - £80,000	66	64
£80,001 - £90,000	34	35
£90,001 - £100,000	12	16
£100,001 - £110,000	9	11
£110,001 - £120,000	7	3
£120,001 - £130,000	4	4
£130,001 - £140,000	3	4
£140,001 - £150,000	2	3
£150,001 - £160,000	1	—
£160,001 - £170,000	—	1
£170,001 - £180,000	3	2
	283	279

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, which was paid by Ark Schools was £893,119 (2021: £742,854).

The total amount of employee benefits paid by Ark Schools received by the Managing Director, Lucy Heller, was nil (2021: 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 £198,734 (2021: £194,837). There was an additional £19,873 paid in lieu of 10% pensions (2021: £19,484).

Notes to the financial statements 31 August 2022

11. Central services/holdback

The central team at Ark Schools fulfils several functions. These include education support, training/CPD coordination, HR, financial and management accounting, legal support, and governance services. In addition, the central team provides:

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

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 2022

11. Central services/holdback (continued)

	2022 £'000	2021 £'000
All through Schools		
Ark	432	393
Burlington Danes	417	382
Globe	442	399
Isaac Newton	444	414
John Keats	462	419
Kings	308	244
King Solomon	336	299
Victoria	345	338
Secondary Schools		
Acton	321	313
Alexandra	378	341
All Saints	258	242
Blake	105	52
Bolingbroke	221	199
Boulton	284	261
Charter	262	238
Elvin	354	316
Evelyn Grace	197	209
Greenwich	202	189
Pioneer	149	89
Putney	290	238
St Alban's	292	265
Walworth	399	356
Soane	61	—
Primary Schools		
Atwood	98	89
Ayrton	101	95
Bentworth	50	47
Brunel	89	89
Blacklands	114	101
Byron	86	70
Castledown	75	71
Conway	52	51
Dickens	98	94
Franklin	132	123
John Archer	67	66
Little Ridge	82	72
Oval	131	124
Priory	92	83
Swift	55	57
Tindal	91	89
Total central services income	8,372	7,517

Notes to the financial statements 31 August 2022

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 2021	16,550	539,219	17,567	29,188	25,325	114	7,410	635,373
Reclassifications	—	790	554	—	71	—	(1,415)	—
Additions	—	82	2,286	3,083	1,094	32	5,881	12,458
Disposals	—	—	—	(4,076)	—	(43)	—	(4,119)
At 31 August 2022	<u>16,550</u>	<u>540,091</u>	<u>20,407</u>	<u>28,195</u>	<u>26,490</u>	<u>103</u>	<u>11,876</u>	643,712
Depreciation								
At 1 September 2021	898	84,440	2,721	25,691	21,327	111	—	135,188
Charge for the year	331	11,202	647	4,461	1,815	10	—	18,466
Disposals	—	—	—	(4,076)	—	(43)	—	(4,119)
At 31 August 2022	<u>1,229</u>	<u>95,642</u>	<u>3,368</u>	<u>26,076</u>	<u>23,142</u>	<u>78</u>	<u>—</u>	149,535
Net book value								
At 31 August 2022	<u>15,321</u>	<u>444,449</u>	<u>17,039</u>	<u>2,119</u>	<u>3,348</u>	<u>25</u>	<u>11,876</u>	494,177
At 31 August 2021	<u>15,652</u>	<u>454,779</u>	<u>14,846</u>	<u>3,497</u>	<u>3,998</u>	<u>3</u>	<u>7,410</u>	500,185

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 2021	16,550	539,219	17,567	29,184	25,302	114	7,410	635,346
Reclassifications	—	790	554	—	71	—	(1,415)	—
Additions	—	82	2,286	3,083	1,094	32	5,881	12,458
Disposals	—	—	—	(4,076)	—	(43)	—	(4,119)
At 31 August 2022	<u>16,550</u>	<u>540,091</u>	<u>20,407</u>	<u>28,191</u>	<u>26,467</u>	<u>103</u>	<u>11,876</u>	643,685
Depreciation								
At 1 September 2021	898	84,440	2,721	25,688	21,309	111	—	135,167
Charge for the year	331	11,202	647	4,461	1,809	10	—	18,460
Disposals	—	—	—	(4,076)	—	(43)	—	(4,119)
At 31 August 2022	<u>1,229</u>	<u>95,642</u>	<u>3,368</u>	<u>26,073</u>	<u>23,118</u>	<u>78</u>	<u>—</u>	149,508
Net book value								
At 31 August 2022	<u>15,321</u>	<u>444,449</u>	<u>17,039</u>	<u>2,118</u>	<u>3,349</u>	<u>25</u>	<u>11,876</u>	494,177
At 31 August 2021	<u>15,652</u>	<u>454,779</u>	<u>14,846</u>	<u>3,496</u>	<u>3,993</u>	<u>3</u>	<u>7,410</u>	500,179

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.

Notes to the financial statements 31 August 2022

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 2022, which has been included in the consolidated financial statements.

During the year ended 31 August 2022, 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.

	2022	2021
	£'000	£'000
Turnover	1,860	886
Cost of sales	(610)	(666)
Gross profit	1,250	220
Administrative expenses	(2)	(2)
Retained profit before charitable donation under Gift Aid at 31 August	1,248	218
Charitable donation under Gift Aid	(1,248)	(218)
Retained profit after charitable donation under Gift Aid at 31 August	—	—
Retained earnings brought forward at 1 September 2021	—	—
Retained earnings carry forward at 31 August 2022	—	—

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

14. Debtors

	Group	Ark		
	2022	Schools	Group	Ark
	£'000	£'000	2022	Schools
			£'000	2021
				£'000
Trade debtors	1,015	1,019	714	716
Amounts due from DfE/ESFA	2,606	2,606	4,412	4,412
Sponsorship due from Ark	7,313	7,313	11,037	11,037
Other debtors	273	273	157	157
Prepayments and accrued income	3,920	3,893	4,426	4,406
Amounts due from subsidiary	—	1,678	—	477
VAT recoverable	2,163	2,163	2,066	2,066
	17,290	18,945	22,812	23,271

Notes to the financial statements 31 August 2022

15. Creditors: amounts falling due within one year

	Group	Ark	Group	Ark
	2022	Schools	2021	Schools
	£'000	£'000	£'000	£'000
Trade creditors	4,738	4,738	4,496	4,496
Taxation and social security	3,498	3,498	3,579	3,579
Accruals	8,668	8,668	9,021	9,007
Deferred income	21,054	20,974	19,248	19,242
ESFA creditor – abatement of GAG	223	223	485	485
Other creditors	1,365	1,365	1,622	1,622
Amounts owed to subsidiary	–	1,331	–	261
	39,546	40,797	38,451	38,692

	2022	2021
	£'000	£'000
Deferred income		
Deferred income at 1 September	19,248	13,867
Amounts deferred in the year	8,603	9,720
Amounts released from previous years	(6,797)	(4,339)
Deferred income at 31 August	21,054	19,248

During the year ended 31 August 2022, Ark Schools received funding in advance for Universal Infant Free School Meals for the period September 2022 to March 2023 and from local authority sources (Special Educational Needs, Early Years and Foundation Stage and other local authority income). The balance of deferred income also includes capital grant funding which has not yet been recognised as income due to conditions of entitlement not being met at the balance sheet date.

Creditors: amounts falling due after one year

	Group	Ark	Group	Ark
	2022	Schools	2021	Schools
	£'000	£'000	£'000	£'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 Ark William Parker Academy, which merged with Ark Helenswood Academy to become Ark Alexandra Academy on 1 September 2019. In line with the proposed repayment schedule, this loan has been classified as a long-term liability.

Notes to the financial statements 31 August 2022

16. Funds

Group	At 1 September 2021 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2022 £'000
Restricted fixed assets fund					
DfE fixed assets fund	215,028	—	(4,386)	—	210,642
Ark sponsorship fixed assets fund	1,690	5,336	(37)	—	6,989
Devolved Formula Capital and School Condition Allocation	2,467	2,790	(680)	—	4,577
Other fixed assets funds	284,618	478	(12,916)	5,254	277,434
Ark Schools Coronavirus Fund	845	—	(845)	—	—
	<u>504,648</u>	<u>8,604</u>	<u>(18,864)</u>	<u>5,254</u>	<u>499,642</u>
Restricted general funds					
General Annual Grant (GAG) (note 4)	8,881	185,322	(181,404)	(3,909)	8,890
Start up and lead in (note 4)	—	636	(636)	—	—
Pupil Premium	—	12,818	(12,818)	—	—
Universal Infant Free School Meals	—	1,153	(1,153)	—	—
Catch-up premium	—	2,032	(2,032)	—	—
Other DfE/ESFA grants (note 4)	—	3,011	(3,011)	—	—
Other DfE/ESFA COVID-19 funding	—	1,774	(1,774)	—	—
Other non-DfE/ESFA COVID-19 funding	—	621	(621)	—	—
Donations from Ark					
Ark Schools Coronavirus Fund	—	384	(384)	—	—
Ark Program Grants	1,482	320	(320)	—	1,482
Teaching School	113	407	(234)	—	286
UK programmes – grants	451	—	—	(5)	446
Local authority grants	111	9,792	(9,792)	—	111
Other donations	1,320	875	(875)	—	1,320
	<u>12,358</u>	<u>219,145</u>	<u>(215,054)</u>	<u>(3,914)</u>	<u>12,535</u>
Pension reserve	<u>(90,442)</u>	—	<u>(17,643)</u>	89,048	<u>(19,037)</u>
Total restricted funds	<u>426,564</u>	<u>227,749</u>	<u>(251,561)</u>	<u>90,388</u>	<u>493,140</u>
Unrestricted funds					
Unrestricted general funds					
. Other unrestricted funds	1,525	9,764	(8,332)	(1,345)	1,612
. Designated funds	245	—	—	—	245
Total unrestricted funds	<u>1,770</u>	<u>9,764</u>	<u>(8,332)</u>	<u>(1,345)</u>	<u>1,857</u>
Total funds	<u>428,334</u>	<u>237,513</u>	<u>(259,893)</u>	<u>89,043</u>	<u>494,997</u>

Notes to the financial statements 31 August 2022

16. Funds (continued)

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

Restricted fixed assets fund

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

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

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

Restricted general funds

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

The principal funding receivable from the government is the General Annual Grant (GAG) provided by the ESFA. Under the funding agreement with the Secretary of State, Ark Schools was subject to limits on the amount of GAG that it could carry forward at 31 August 2022. Note 1 discloses that these limits were not exceeded. Transfers from other restricted funds or unrestricted funds to the GAG fund have been made in order to cover the deficit which would otherwise have existed in this fund.

Pension reserve

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

Unrestricted funds

The unrestricted general funds represent monies which may be applied for any purpose within the Ark Schools' objects. The designated fund balances relate to amounts set aside for specific projects. During the year, we transferred £5.3m (2021: £5.7m) from revenue funds to fund in year capital expenditure.

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

Notes to the financial statements 31 August 2022

16. Funds (continued)

Unrestricted funds (continued)

Analysis of fund balance by academy

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

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

Notes to the financial statements 31 August 2022

16. Funds (continued)

Analysis of fund balance by academy (continued)

	2022 Revenue reserves £'000	2022 Capital reserves £'000	2022 General Capital reserves £'000	2022 IT reserves £'000	2022 Total reserves £'000	2021 Total reserves £'000
All through Schools						
Ark	1,148	26	40	94	1,308	1,516
Burlington Danes	876	16	—	128	1,020	590
Globe	767	98	—	160	1,025	756
Isaac Newton	783	123	—	198	1,104	607
John Keats	1,066	66	—	252	1,384	826
Kings	1,319	87	—	274	1,680	1,653
King Solomon	951	20	—	60	1,031	1,298
Victoria	(65)	146	—	200	281	891
Secondary Schools						
Acton	521	57	—	142	720	139
All Saints	967	56	—	155	1,178	867
Alexandra	(5,695)	41	64	30	(5,560)	(4,935)
Blake	(585)	7	—	—	(578)	(411)
Bolingbroke	(731)	31	—	7	(693)	(872)
Boulton	1,348	103	—	361	1,812	1,689
Charter	(829)	16	—	130	(683)	(687)
Elvin	1,361	29	—	163	1,553	1,225
Evelyn Grace	703	125	—	203	1,031	981
Greenwich	850	38	—	125	1,013	1,054
Pioneer	30	1	—	—	31	(138)
Putney	(1,418)	49	—	21	(1,348)	(1,338)
Soane	(150)	—	—	—	(150)	—
St Alban's	6	68	—	136	210	(50)
Walworth	543	15	—	340	898	724
Primary Schools						
Atwood	354	66	—	33	453	634
Ayrton	121	23	—	20	164	506
Bentworth	(107)	16	—	28	(63)	60
Brunel	339	24	—	—	363	322
Blacklands	602	60	—	27	689	521
Byron	(105)	22	—	—	(83)	178
Castledown	388	42	—	11	441	512
Conway	(76)	37	—	29	(10)	132
Dickens	321	38	—	51	410	447
Franklin	1,423	39	—	—	1,462	1,431
John Archer	(509)	11	—	18	(480)	(318)
Little Ridge	216	2	—	28	246	161
Oval	(27)	46	—	52	71	25
Priory	134	64	—	17	215	356
Swift	(942)	21	—	42	(879)	(629)
Tindal	1,187	22	—	36	1,245	1,121
Teaching School Hub	286	—	—	—	286	113
Ark Schools Central	7,021	39	—	—	7,060	6,634
	14,392	1,790	104	3,571	19,857	18,591

Notes to the financial statements 31 August 2022

16. Funds (continued)

Analysis of fund balance by academy (continued)

	2022 £'000	2021 £'000
Total revenue reserves (as per above)	14,392	14,128
Fixed asset fund (including unspent capital reserves above)	499,642	504,648
Pension reserve	(19,037)	(90,442)
Total	494,997	428,334

- ◆ Alexandra Academy had a net funds deficit of £5,560k as at 31 August 2022 (2021: deficit of £4,935k). Alexandra was created through the merger of William Parker and Helenswood in September 2019. The school is expected to move to sustainability in the medium term. It continues to be supported by Ark Schools and by a £1.8m DfE loan.
- ◆ Bentworth had a net funds deficit of £63k as at 31 August 2022 (2021: surplus of £60k). Bentworth has historically generated surpluses and has a business plan in place to support the school.
- ◆ Blake Academy had a net funds deficit of £578k as at 31 August 2022 (2021: £411k). Blake was a new start school which opened in September 2020. As pupil numbers grow through the secondary phase, the school will recover to achieve a balance of its funds.
- ◆ Bolingbroke Academy had a net funds deficit of £693k as at 31 August 2022 (2021: deficit of £872k). Bolingbroke is now generating in year surpluses and is expected to return to a financial equilibrium in the medium term.
- ◆ Byron had a net funds deficit of £83k as at 31 August 2022 (2021: surplus of £178k). Byron has historically generated surpluses, has a sustainable business plan in place and is expected to generate small surpluses going forward.
- ◆ Charter Academy had a net funds deficit of £683k as at 31 August 2022 (2021: deficit of £687k). Charter is now generating in year surpluses and is expected to return to financial equilibrium in the medium term.
- ◆ Conway had a net funds deficit of £10k as at 31 August 2022 (2021: surplus of £132k). Conway has a sustainable business plan and is expected to restart generating surpluses within the next three years.
- ◆ John Archer had a net funds deficit of £480k as at 31 August 2022 (2021: deficit of £318k). John Archer has a sustainable business plan and is expected to start generating surpluses within the next three years.
- ◆ Putney Academy had a net funds deficit of £1,348k as at 31 August 2022 (2021: deficit of £1,338k). Putney has a business plan in place and is expected to return to financial equilibrium in the medium term.
- ◆ Soane Academy had a net funds deficit of £150k as at 31 August 2022. Soane is a new start school in the year. As pupil numbers grow through the secondary phase, the school will recover to achieve a balance of its funds.
- ◆ Swift Academy had a net funds deficit of £879k as at 31 August 2022 (2021: deficit of £629k). Swift will merge with Burlington Danes Primary phase next year to become the White City Primary with a new building within the EdCity development. This school has a sustainable business plan and the long-term outlook for the school is positive.

Notes to the financial statements 31 August 2022

16. Funds (continued)

Comparative information

Group	At 1 September 2020 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2021 £'000
<i>Restricted fixed assets fund</i>					
DfE fixed assets fund	193,948	26,484	(5,404)	—	215,028
Ark sponsorship fixed assets fund	1,747	2	(59)	—	1,690
Devolved Formula Capital and School Condition Allocation	4,277	2,853	(4,663)	—	2,467
Other fixed assets funds	284,163	2,697	(8,856)	6,614	284,618
Ark Schools Coronavirus Fund	—	1,691	(846)	—	845
	<u>484,135</u>	<u>33,727</u>	<u>(19,828)</u>	<u>6,614</u>	<u>504,648</u>
<i>Restricted general funds</i>					
General Annual Grant (GAG) (note 4)	4,110	171,598	(165,428)	(1,399)	8,881
Start up and lead in (note 4)	213	508	(721)	—	—
Pupil Premium	—	12,225	(12,225)	—	—
Universal Infant Free School Meals	—	1,186	(1,186)	—	—
Catch-up premium	—	1,513	(1,513)	—	—
Other DfE/ESFA grants (note 4)	—	8,001	(8,001)	—	—
Coronavirus Job Retention Scheme grant	—	7	(7)	—	—
Other DfE/ESFA COVID-19 funding	—	1,108	(1,108)	—	—
Other non-DfE/ESFA COVID-19 funding	—	914	(914)	—	—
Donations from Ark					
Ark Schools Coronavirus Fund	—	1,670	(1,670)	—	—
DCMS Grant	—	3,713	(3,713)	—	—
Ark Program Grants	—	1,120	(1,120)	1,482	1,482
Teaching School	100	239	(226)	—	113
UK programmes – grants	1,218	—	—	(767)	451
Local authority grants	343	8,555	(8,555)	(232)	111
Other donations	1,232	1,912	(1,912)	88	1,320
	<u>7,216</u>	<u>214,269</u>	<u>(208,299)</u>	<u>(828)</u>	<u>12,358</u>
Pension reserve	<u>(63,856)</u>	—	<u>(10,691)</u>	<u>(15,895)</u>	<u>(90,442)</u>
Total restricted funds	<u>427,495</u>	<u>247,996</u>	<u>(238,818)</u>	<u>(10,109)</u>	<u>426,564</u>
<i>Unrestricted funds</i>					
<i>Unrestricted general funds</i>					
Other unrestricted funds	1,507	7,094	(6,926)	(150)	1,525
Designated funds	5,958	—	(100)	(5,613)	245
Total unrestricted funds	<u>7,465</u>	<u>7,094</u>	<u>(7,026)</u>	<u>(5,763)</u>	<u>1,770</u>
Total funds	<u>434,960</u>	<u>255,090</u>	<u>(245,844)</u>	<u>(15,872)</u>	<u>428,334</u>

Notes to the financial statements 31 August 2022

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	2022 Total £'000	2021 Total £'000
All through Schools						
Ark	9,273	1,189	123	1,758	12,343	11,676
Burlington Danes	7,274	1,048	250	2,184	10,756	10,795
Globe	7,701	1,031	288	2,284	11,304	11,423
Isaac Newton	7,743	1,063	208	1,789	10,803	10,917
John Keats	8,321	1,084	314	1,944	11,663	11,452
Kings	5,199	757	117	1,608	7,681	7,007
King Solomon	7,011	629	140	2,340	10,120	9,189
Victoria	6,732	941	165	1,827	9,665	9,482
Secondary Schools						
Acton	5,293	1,141	367	2,445	9,246	9,070
All Saints	4,119	1,009	383	1,422	6,933	6,945
Alexandra	7,532	1,174	294	1,747	10,747	10,236
Blake	1,860	308	108	794	3,070	2,104
Bolingbroke	3,884	585	291	1,249	6,009	5,678
Boulton	4,622	631	93	1,497	6,843	6,691
Charter	5,008	681	132	1,312	7,133	6,590
Elvin	6,432	875	183	1,475	8,965	8,305
Evelyn Grace	3,029	581	416	1,716	5,742	6,003
Greenwich	3,295	412	211	1,143	5,061	5,117
Pioneer	2,630	582	142	769	4,123	2,852
Putney	5,808	596	189	1,255	7,848	7,309
Soane	4,993	779	119	1,459	7,350	—
St Alban's	1,183	231	87	475	1,976	6,918
Walworth	6,879	1,032	147	1,963	10,021	9,591
Primary Schools						
Atwood	2,389	321	68	561	3,339	3,141
Ayrton	2,422	270	43	450	3,185	2,785
Bentworth	1,220	182	40	337	1,779	1,663
Brunel	2,186	178	87	555	3,006	2,889
Blacklands	2,226	321	55	454	3,056	2,732
Byron	2,013	258	73	595	2,939	2,246
Castledown	1,763	205	71	339	2,378	2,183
Conway	1,130	247	39	348	1,764	1,727
Dickens	2,273	323	40	513	3,149	2,932
Franklin	2,695	425	84	666	3,870	3,516
John Archer	1,518	226	70	350	2,164	2,133
Little Ridge	1,782	176	44	391	2,393	2,161
Oval	2,582	487	110	598	3,777	3,587
Priory	2,148	277	74	499	2,998	2,789
Swift	1,490	235	49	491	2,265	2,247
Tindal	1,796	302	31	530	2,659	2,467
Hastings Opp Area	35	15	18	7	75	—
Birmingham Teaching School	200	—	11	23	234	226
Ark Schools Central	1,297	3,893	3,461	1,334	9,985	8,531
Ark Schools excluding subsidiaries	158,986	26,700	9,235	45,496	240,417	225,305

Notes to the financial statements 31 August 2022

18. Analysis of net assets between funds

Group	Restricted funds				Total funds 2022 £'000
	Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
Fund balances at 31 August 2022 are represented by:					
Tangible and investment assets	—	136	—	494,177	494,313
Current assets	1,857	36,951	—	22,259	61,067
Creditors: amounts falling due within one year	—	(22,752)	—	(16,794)	(39,546)
Creditors: amounts due after one year	—	(1,800)	—	—	(1,800)
Pension scheme liability	—	—	(19,037)	—	(19,037)
	1,857	12,535	(19,037)	499,642	494,997

Ark Schools	Restricted funds				Total funds 2022 £'000
	Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
Fund balances at 31 August 2022 are represented by:					
Tangible and investment assets	—	136	—	494,177	494,313
Current assets	1,857	38,202	—	22,259	62,318
Creditors: amounts falling due within one year	—	(24,003)	—	(16,794)	(40,797)
Creditors: amounts due after one year	—	(1,800)	—	—	(1,800)
Pension scheme liability	—	—	(19,037)	—	(19,037)
	1,857	12,535	(19,037)	499,642	494,997

19. Member Liability

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

20. Pensions and similar obligations

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

Notes to the financial statements 31 August 2022

20. Pensions and similar obligations (continued)

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

Central Office Money Purchase Scheme

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

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £16,758k (2021: £16,545k).

Notes to the financial statements 31 August 2022

20. Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

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

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

Local Government Pension Scheme (LGPS)

Each LGPS is a multi-employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The charitable company is currently part of sixteen different funds. The total contribution made (as referenced by the scheme actuaries) for the year ended 31 August 2022 was £8,415k (2021: £7,828k), of which employees' contributions totalled £1,973K (2021: £1,843k) and employers' contributions totalled £6,442k (2021: £5,985k). The agreed contribution rates for future years are between 14% and 29.4% for employers and between 5.8% and 9.9% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to guarantee that in the event of an academy trust closing, outstanding LGPS liabilities would be met by the DfE. The guarantee came into effect on 18 July 2013.

Notes to the financial statements 31 August 2022

20. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

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

*These schools have schemes that have been valued at a net asset position. Under the rules of the schemes, the surpluses are not recoverable, and as such, the recognition of these surpluses on the balance sheet has been restricted to £nil. The adjustment of £5,114k has been offset against the overall actuarial gain for the year.

Notes to the financial statements 31 August 2022

20. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Range of principal actuarial assumptions:

	2022 %	2021 %
	Average	Average
Rate of increase in salaries	3.85	4.0
Rate of increase in pension payments	2.85	3.0
Discount rates	4.25	1.8
Inflation assumptions	2.85	3.0

Due to high periods of inflation up to 31 August 2022, an adjustment has been made to the year end valuation to account for the estimated impact on the Pension Order Increase due to be implemented from 1 April 2023. The estimated impact of the defined benefit obligation has been incorporated within the charge made against Other Comprehensive Income, however it is not directly reflected within the listed actuarial assumptions above.

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:

	2022 Lowest	2022 Highest	2021 Lowest	2021 Highest
Retiring today				
Males	20.4	22.7	20.4	22.6
Females	23.3	25.1	23.2	25.1
Retiring in 20 years				
Males	22	24.1	21.9	24.0
Females	24.4	26.6	24.3	26.5

	At 31 August 2022 £'000	At 31 August 2021 £'000
Sensitivity analysis – increase (decrease) in overall deficit		
Discount rate +0.1%	(3,112)	(5,156)
Discount rate -0.1%	3,195	5,297
Mortality assumption – 1 year increase	3,949	5,777
Mortality assumption – 1 year decrease	(3,497)	(5,145)
CPI rate +0.1%	2,680	4,468
CPI rate -0.1%	(2,619)	(4,364)

Notes to the financial statements 31 August 2022

20. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

	Fair value at 31 August 2022 £'000	Fair value at 31 August 2021 £'000
Ark Schools' share of the assets in the schemes was as follows:		
Equities	58,562	67,579
Corporate/government bonds	19,376	18,097
Property	10,511	9,587
Cash	3,041	2,135
Other	13,412	13,724
Total market value of assets	104,902	111,122

	2022 £'000	2021 £'000
The amounts recognised in statement of financial activities were as follows:		
Current service cost	22,362	15,450
Net finance cost	1,527	1,036
Admin expenses	196	190
Total amount recognised in the SOFA	24,085	16,676

	2022 £'000	2021 £'000
Movements on the overall deficit during the year was as follows:		
Deficit at 1 September 2021	(90,442)	(63,856)
Current service cost	(22,362)	(15,450)
Administration cost	(196)	(190)
Employer contributions	6,442	5,985
Net finance cost	(1,527)	(1,036)
Actuarial gain (loss)	89,048	(15,895)
At 31 August 2022	(19,037)	(90,442)

	2022 £'000	2021 £'000
Changes in the present value of defined benefit obligations were as follows:		
At 1 September 2021	201,565	148,617
Current service cost	22,362	15,450
Past service cost	—	—
Interest cost	3,534	2,533
Employee contributions	1,973	1,843
Actuarial gain (loss)	(104,355)	34,225
Benefits paid	(1,140)	(1,103)
At 31 August 2022	123,939	201,565

Notes to the financial statements 31 August 2022

20. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements in the present value of defined benefit assets were as follows:	2022 £'000	2021 £'000
At 1 September 2021	111,123	84,761
Expected return on assets	2,007	1,497
Administration expenses	(196)	(190)
Employer contributions	6,442	5,985
Employee contributions	1,973	1,843
Actuarial (loss) gain	(15,307)	18,330
Benefits paid	(1,140)	(1,103)
At 31 August 2022	104,902	111,123

The five years history of experience adjustments is as follows:

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Present value of scheme obligations	(123,939)	(201,565)	(148,617)	(129,716)	(91,803)
Fair value of assets	104,902	111,123	84,761	76,983	66,316
Net deficit in schemes	(19,037)	(90,442)	(63,856)	(52,733)	(25,487)
Experience gains on scheme assets	(15,307)	18,330	314	2,599	3,106
Experience gains on scheme liabilities	104,355	(34,225)	(1,205)	(20,546)	9,191

21. Lease commitments

At 31 August 2022, the total of Ark Schools' future minimum lease payments under non-cancellable operating leases in relation to plant and machinery was:

	2022 £'000	2021 £'000
Amounts due within one year	335	396
Amounts due between one and five years	275	358
Amounts due after five years	—	22
	610	776

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 2022, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

Property occupied by Ark Kings Academy	2022 £'000	2021 £'000
Amounts due within one year	79	79
Amounts due between one and five years	316	316
Amounts due after five years	1,185	1,264
	1,580	1,659

Notes to the financial statements 31 August 2022

21. Lease commitments (continued)

The property occupied by Ark Acton Academy was financed by a Private Finance Initiative agreement between the PFI contractor and the local authority (the owner of the freehold). Ark Schools is subject to a sub-agreement with the Local Authority which requires Ark Schools to make an annual contribution towards facilities management for a period of 13 years expiring on 31 July 2032. At 31 August 2022, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

Property occupied by Ark Acton Academy	2022	2021
	£'000	£'000
Amounts due within one year	573	573
Amounts due between one and five years	2,294	2,294
Amounts due after five years	2,820	3,393
	5,687	6,260

22. Capital commitments

At 31 August 2022, the group had capital commitments as follows:

	2022	2021
	£'000	£'000
Contracted for but not provided in the financial statements	255	1,506

23. Related party transactions

Transactions with Ark

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

During the year, Ark donated £6.3m (2021: £4.5m), all of which is included in donations from Ark in note 2, to Ark Schools: £5.3m for the first milestone payment for the new White City Primary building; £0.4m (2021: £0.4m) relates to amounts received to fund our Projects team; £0.2m donations were received for our extracurricular programmes, music and pathways and enrichment (2021: £0.8m); £0.4m (2021: £7m, £3.3m from trustees, sponsors and corporates and £3.7m from the DCMS) for the Ark Schools Coronavirus Appeal. All these transactions are included in note 2 of the financial statements. There were £7.3m of sponsorship due from Ark included in the debtors note 14.

Notes to the financial statements 31 August 2022

23. Related party transactions (continued)

Transactions with Ark (continued)

Ark Schools' central team shares offices with Ark. Ark Schools has made payments on behalf of Ark. These are recharged to Ark based on an agreed apportionment of actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each entity's staff. The amounts recharged in respect of the year ended 31 August 2022 to Ark are included in the table below. £328k of the recharges were included in 'Other Creditors' (note 15). Similar recharges are also made to Ark UK Programmes, a related party (see below). The amounts charged to Ark UK Programmes are also included in the table below which were fully paid.

	2022	2021
	£'000	£'000
Recharged to Ark		
Rent and service charges	328	176
Technology services	20	20
	348	196
Recharged to Ark UK Programmes		
Rent and service charges	136	212
Technology services	32	32
	168	244

Transactions with Ark UK Programmes

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

Ark Schools made payments of £118k (2021: £272k) to Ark UK Programmes for the provision of Mathematics Mastery and English Mastery resources and training, and shared supplier accounts.

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

At 31 August 2022, the value of the amounts held by Ark UK Programmes in relation to the above endowments was £5.5m (2021: £5.7m). During there were no withdrawals from endowments in the year ended 31 August 2022 or balances owed in respect of withdrawals as at 31 August 2022.

Notes to the financial statements 31 August 2022

23. Related party transactions (continued)

Transactions with Ark UK Programmes (continued)

In addition to the endowments above, surplus funds earned by certain schools within the network may be transferred to Ark UK Programmes for investment in the same listed investments portfolio. At 31 August 2022, Ark UK Programmes had invested a cumulative amount of £136k in respect of Ark King Solomon Academy (2021: £141k in respect of Ark King Solomon Academy) as part of their investment strategy. During the year the cumulative unrealised (loss)/gain amount of £(5k) (2021: £23k) has been recognised through Ark Schools' statement of financial activities. The investment balance is owed to Ark Schools by Ark UK Programmes and included on the balance sheet.

Transactions with other related parties

The total amount of donations from other related parties not separately disclosed above was £0.1m from Jagclif Charitable Trust (2021: £0.4m).

The academy trust conducted the above related party transactions in accordance with the requirements of the Academy Trust 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.

24. Directors' emoluments

The Managing Director is also a statutory director of Ark Schools. The total amount of employee benefits paid by Ark Schools received by the Managing Director, Lucy Heller, was £nil (2021: £nil). The total paid to the Managing Director, Ark as the CEO of Ark, was £198,734 (2021: £194,837). There was an additional £19,873 paid in lieu of 10% pensions (2021: £19,484). 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 (2021: none). No directors had any beneficial interest in any contract with Ark Schools during the year (2021: none).

25. Directors', Governors', and Officers' insurance

In accordance with normal commercial practice, the trust has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business with cover up to £2m in the aggregate inclusive of costs. The insurance additionally provides for corporate legal liability and employment practices liability. For the year ended 31 August 2022, the premium is £7,573 (2021: £11,293). The cost of this insurance is included in the total insurance cost.

Notes to the financial statements 31 August 2022

26. Agency arrangements

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

	2022	2021
	£'000	£'000
16-19 bursaries	238	222
Teacher training bursaries	1,554	744
	1,792	966

An amount of £nil is held in other creditors at the end of the year repayable to the DfE (2021: £nil).

27. 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.

Notes to the financial statements 31 August 2022

28. Comparative statement of financial activities

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

Notes to the financial statements 31 August 2022

29. Reconciliation of operating position

Year ended 31 August 2022

	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	1,770	12,358	14,128	(90,442)	504,648	428,334
Fund balance carried forward	1,857	12,535	14,392	(19,037)	499,642	494,997
Net (decrease) / increase in funds (as per the statement of financial activities)	87	177	264	71,405	(5,006)	66,663
Add:						
Transfer of revenue to fixed assets fund			5,254			
Operational surplus			5,518			

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 2021

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