

Ark Schools

Consolidated annual report and financial statements

31 August 2023

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	Sir Paul Marshall (Chair) Christina Alexandrou Lord Fink Richard King (Appointed 13 April 2023) Lucy Heller Fiona Forbes Gerard Griffin Anthony Williams Riaz Shah (Resigned 13 December 2022) Joanna Greenslade (Resigned 31 May 2023) Daniel Labbad (Resigned 2 February 2023)
Company Secretary	Elizabeth Dawson
Senior Management Team	Lucy Heller Jacqueline Russell Venessa Willms Elizabeth Dawson Laurie Grist Sarah Pearson (Appointed 24 September 2022) Lauren Thorpe (Resigned 1 September 2023) 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 2023

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 2023 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 2023

Strategic report: past achievements and plans for the future

The year in summary

There is much to celebrate as we reach the end of this year, with lots of progress to report in our schools and some great results. Last academic year (2022/23) was the second in a three-year strategic plan designed to address the legacy of Covid at Ark so saw us tackling some of the big challenges in the sector, especially around school attendance, the cost-of-living crisis and challenges around teacher recruitment.

The widely reported drop in pupils' attainment post-pandemic disproportionately affects poorer pupils in the communities we serve. As the Education Policy Institute recently reported, there were wider disadvantage gaps in 2022 than in 2019 at every age. Persistently disadvantaged pupils, those eligible for free school meals for at least 80 per cent of their time at school, are at an even higher risk of sustained levels of low attainment. The national picture is stark: at 16, disadvantaged pupils were over 18.8 months behind their peers. This gap has widened since 2019 (by 0.7 months) to reach its highest level since 2012.

Despite this backdrop, performance across our schools was strong – particularly at primary where we continued to substantially exceed the national average on all measures. The reset back to pre-Covid standards means secondary results are harder to interpret, but we were above the 2019 benchmarks and continue to see a strong performance when it comes to progress – especially among our pupil premium students. Our Ofsted reports also saw a positive upward trend.

There were also some incredible high points.

- We supported a major music gala at the Barbican for the second year running. This gave over 600 children a chance to perform live to a packed house.
- A new partnership with the Clore Duffield Foundation saw the launch of an innovative arts partnership at our schools in Hastings which we are hoping will provide a new model for arts education in schools.
- The Ark Sports programme is building on the legacy of our long-standing music model. This year saw over 50 cross-network events, creating opportunities for 2,900 children to compete.
- The new Ark White City Primary, a merger of two of our primaries (Burlington Danes and Swift), opened on its new site on EdCity in late October 2023.
- Last but definitely not least, Delia Smith OBE principal of Ark Academy was selected as the TES Headteacher of the Year this year.

We end the year in a strong position and every reason to be hopeful about progress in 2023/24. Our network has stayed steady this year with 39 schools educating 30,000 students across Birmingham, Hastings, London and Portsmouth.

Schools and the wider work of Ark

As ever, the benefits to our schools from our wider charitable work were clear this year. Ark Curriculum Plus continues to grow steadily, with more than 300,000 students nationwide using our curricula or resources. With work underway in partnership with the Education Endowment Foundation to evaluate the impact of this work we look forward to sharing even more in the future.

Strategic report: past achievements and plans for the future

Directors' report (including strategic report) Year to 31 August 2023

(continued)

Schools and the wider work of Ark (continued)

Ark Teacher Training continues to go from strength to strength, recruiting and training over 200 new teachers this year for both Ark and other schools. ATT has a new focus on creating a pathway for teaching assistants to become teachers showing great promise.

Ark Start's two nurseries are now well-established and full, with plans for expansion now well advanced. We continue to carefully evaluate impact so that we can fairly test our hypothesis that school involvement in the early years can have a huge impact when it comes to providing a fairer start for all children.

The development of EdCity, the not-for-profit partnership between Ark and Hammersmith & Fulham Council has progressed quickly this year. The 'topping out' of the new office building took place in May and students moved into Ark White City Primary in October 2023.

Student performance and results

Our primary results were a particular highlight this year, with Ark's KS2 performance surpassing the national average by 16 percentage points. Across the network, 75 percent of pupils achieved the expected standard in reading, writing and maths, compared to 59 percent nationally.

In line with the anticipated national trend, we saw a deflation against last year's secondary results. Against this backdrop, the steady increase in our network average for KS4 and KS5 against pre-Covid benchmarks (2019) is encouraging. Specifically:

- At GCSE, we saw an improvement on our 2019 performance. Sixty-four percent of students achieved grades 9-4 in English and Maths (up two percentage points on 2019) and 44 percent of students achieved grades 9-5 in English and Maths (up four percentage points on 2019).
- At A-level, we saw a more significant uplift against 2019 results with 63 percent of students receiving at least three grades at A* to C (up five percentage points) and 35 percent received at least three grades A* to B (up six percentage points on 2019).
- The number of students receiving top distinction grades in BTECs (D*D*D*) more than doubled (up from 3.5% in 2019 to 7.5% in 2023) with the pass rate remaining steady. Across the board, Ark students have significantly exceeded the national average at all BTEC grades. (Note this refers only to the large applied general qualifications equivalent to three A levels).
- At least 84 percent of KS5 students have accepted places at Higher Education, compared to a 2022 national benchmark of 38 percent, and 44 percent are going on to top third institutions, compared to 12 percent nationally.
- There was also good news on Progress 8 performance with three Ark schools in the top two percent of all schools across the country. Ark's students across 20 secondaries in London, Birmingham, Portsmouth and Hastings, scored an aggregate progress score of +0.15.
- Students at Ark Greenwich (+1.11) and Ark King Solomon Academy (+1.06) scored more than a full grade above the national average than their peers nationally. Other high-performing schools in the network included Ark Isaac Newton Academy (+0.98) and Ark Bolingbroke (+0.87).

Directors' report (including strategic report)

Year to 31 August 2023

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

Student performance and results (continued)

- While there is still more to do to ensure that all students see the benefit of this progress but Ark students eligible for pupil premium had an average progress score of -0.09, compared to a national average for disadvantaged students of -0.57. This means that, on average, disadvantaged Ark students made nearly half a grade more progress than disadvantaged students nationally.

Performance of our schools: Ofsted

We had a busy year last year – with 11 inspections taking place. By the end of the year 86% percent of Ark schools with an inspection grade were Good or better, with more than one in four in the Outstanding category.

Ark Acton, Ark Blacklands, Ark Blake, Ark Bolingbroke, Ark Elvin, Ark Greenwich, Ark John Archer, Ark John Keats and Ark Putney, all retained their Good or Outstanding grades, while Evelyn Grace was judged as Requires Improvement. The five schools outside these top grades remain a critical priority for Ark and this year has seen significant focus on bringing new leadership in wherever it is needed to support these schools.

Highlights and progress against our strategic priorities

Our core strategic priority to provide excellent schools as part of a sustainable network remains our driving focus. As ever, our ambition goes beyond the 30,000 children in Ark schools and, wherever possible, we work to share the learning and impact of our schools with the wider system.

Having seen the sustained impact that comes from our investment in reading at both primary and secondary, this programme continues to be a major focus in our schools. In the last academic year, our students' reading age progressed 16.4 months on average over a 9.5 month period (15.1 at primary and 17.3 at secondary).

Digital learning was an emerging priority this year. A strong foundation to this work was built, out of necessity, during Covid. The legacy of this period means that every student at Ark in Year 3 and above has access to their own device – for 80 percent of students this is an Ark device. Our student learning platform SpArk is already well used, and we are now investing in further research and support to understand which learning tools – from online maths quizzes to AI coaching – have the potential to make the biggest difference to learning.

Teacher development has remained a major focus with Ark's training from Initial Teaching Training through to leadership continuing to get excellent feedback.

The rollout of a new vice-principals' leadership development programme was a particular highlight. This is an important priority given that seven deputies were appointed to principal roles in the network in the last academic year (more than half of new principal appointments). This is a critical pipeline, and the new VP programme is designed to support our continued succession planning.

Our ability to support teachers' development has also been driven by the now fully embedded 'Great Teacher Rubric' which is increasing the number of strong teachers in our network.

Teacher recruitment was, by necessity, a major focus this year. The Outstanding Ark Teacher Training programme recruited over 200 new teachers (up 35% on last year). A concerted campaign to attract teachers to Ark at all levels saw us fill over 450 teaching roles, although this highlights a significant challenge in the sector as numbers coming into teaching decline.

Directors' report (including strategic report)

Year to 31 August 2023

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

Highlights and progress against our strategic priorities (continued)

In response to the various challenges emerging in the face of the cost-of-living crisis, our schools led a range of community outreach and support activity this year. From highly successful community meals in Ark Elvin supported by the Raheem Sterling Foundation through to a 'prom dress' appeal at Ark Charter, these efforts worked to bring extra support to our students and their families.

This support went hand-in-hand with efforts to counter the attendance drop in our schools. At the heart of this was a growing investment in our extracurricular offer to our students. Designed to provide inspiring opportunities in school every day, it ensures that every student has experiences of the arts, music and sport. Once again, the Ark Gala at the Barbican was a highlight of this programme. The expansion of the sports programme, a model based on the success of our music programme has also been significant this year. Through a programme of cross-network opportunities to compete, students experienced athletics at the Stone X stadium and our partnership with Queen's Park Rangers Football Club has provided some great experiences to both primary and secondary students. This work was supported by a range of donors including Garfield Weston Foundation, Salesforce and AKO Foundation.

Our extracurricular programme sits as part of a wider project to create mentally healthy schools. This year saw the full roll-out of our partnership with Place2Be. This network-wide partnership is the first of its kind for a large multi-academy trust. A dedicated Place2Be lead is now working with Ark's Director of Pastoral and Inclusion and Senior Mental Health Leads across all 39 schools. Last year, more than 1,800 students received support through over 7,200 one-to-one and group sessions. Eight out of ten students say their mental health and ability to focus in the classroom has improved as a result. This work would not have been possible without the support of the Eureka Charitable Trust.

Major economic headwinds have not just affected our communities and families. Ensuring financial sustainability in all our schools remains a critical priority. Our green strategy is a key plank of this work. Focusing on a few key approaches, we installed smart metering in every school this year so we can get a detailed picture of consumption. With this data to draw from, we can now report in more meaningful ways and use this to shift behaviour. We have LED pilots running so we can better determine energy savings against the payback period, and we're also adding photovoltaics to schools in an effort to make further reductions.

Directors' report (including strategic report)

Year to 31 August 2023

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

Priorities for next year

The coming year will be the final year of our current strategic plan. The priorities outlined in this plan – to build excellent schools within a sustainable network that supports the development of wider capacity across the system – remain our guiding focus. Within this framework, key priorities for 2023/24 will be:

- Continuing to develop the mechanisms that have allowed us to recruit and develop our teacher workforce. In particular, we plan to build on our strong track record for teacher development excellence by creating a dedicated Ark Institute. This will bring together all our training and development functions – including ATT – into a dedicated business unit that will not only provide more and better support to our team but seek to develop an offering that reaches across the whole system.
- Fully embedding the foundational strengths of our reading strategy into every school.
- Building on the work achieved through our extracurricular programme and investment in mental health support. We want to bring this work together under the umbrella of a personal development framework that will include defining a minimum entitlement for every child when it comes to extracurricular activity.
- Ensuring financial sustainability will remain a huge challenge. The Government is promising a return to 2010 levels of school funding by 2024, but the expectation is that even this will not fully reflect substantially increased costs and additional pressures on schools to deliver activity that goes beyond their traditional remit. This means the identification of efficiencies as well as expanding school-level fundraising will be essential.
- Getting ready for our move to the new EdCity development with the expectation that, following the opening of White City Primary in October 2023, the central team will move into the new office by July 2024.
- Shaping our next big plans will also need to be a priority for this year. We will need to be ready to share our new strategy by the end of the year, setting out priorities for the next three to five years. Work on this is already underway and will sit alongside the development of an Ark manifesto in anticipation of the general election before January 2025.

Directors' report (including strategic report)

Year to 31 August 2023

Structure, governance, and management

Constitution

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

Member's liability

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

Trustees' indemnities

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

Method of recruitment and appointment of trustees

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

Policies and procedures for the induction and training of trustees

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

Organisational structure

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

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.

Directors' report (including strategic report)

Year to 31 August 2023

Structure, governance, and management (continued)

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 24. 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 2023

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.

EdCity Office, EdCity Management Company Limited and EdCity Development Limited are Special Purpose Vehicles which were established to manage the EdCity project. Ark (04589451) is the sole member of these companies and a shareholder.

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 2023

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.

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 2023.

UK Greenhouse gas emissions and energy use data	2022/2023	2021/2022
Energy consumption used to calculate emissions (kWh)	45,510,920	45,401,070
Energy consumption break down (kWh) (optional)		
· gas	30,647,053	30,418,815
· electricity	14,795,374	14,954,828
· transport fuel	68,493	27,427
<u>Scope 1 emissions in metric tonnes CO₂e</u>		
Gas consumption	5,606.23	5,552.65
Owned transport – mini-buses	14.02	4.33
Total	5,620.25	5,556.98
<u>Scope 2 emissions in metric tonnes CO₂e</u>		
Purchased electricity	3,064	2,892
<u>Scope 3 emissions in metric tonnes CO₂e</u>		
Business travel in employee-owned vehicles	3.03	2.41
Total gross emissions in metric tonnes CO₂e	8,687.28	8,451.39
<u>Intensity ratio</u>		
Tonnes CO ₂ e per pupil	0.29	0.29
Pupil Numbers	30,187	29,472

Directors' report (including strategic report)

Year to 31 August 2023

Streamlined energy and carbon reporting (continued)

Quantification and reporting methodology

We follow the Government's 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2023 UK Government's Conversion Factors for Company Reporting.

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 now rolling out a programme of LED and photovoltaic installations. We have also installed smart meters in our schools to get a more detailed picture of consumption to report in more meaningful ways and use this to help reduce consumption.

Trade union facility time

There were 53 (2021/22: 40) Ark Schools' employees and 49 (2021/22: 36) expressed as full-time equivalents who were relevant trade union officials in 2022/23. Seven (2022/23: one) of these 53 employees spent between 51% and 99% of their contracted hours on facility time, 42 of these 53 employees (2021/22: 37) spent between 1% and 50% of their contracted hours on facility time, and four of the 53 employees (2020/21: two) spent none of their contracted hours on facility time. The total cost of the facility time to Ark Schools was £33k in 2022/23 (2021/22: £34k), equating to 0.017% (2021/22: 0.017%) of its total pay bill of £197.3m (2021/22: £192.4m) in the same period. The total time spent on trade union activities as a percentage of total paid facility time hours was 6% (2021/22: 6%).

Going concern

The trustees are confident that despite the challenges from the current economic climate Ark Schools has sufficient resources to continue to operate for the foreseeable future. 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 2023

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	2023	2022
	£m	£m
DfE revenue grants	230.3	207.8
Other grants and income (excluding capital)	13.6	11.9
Other trading activities	2.0	1.6
Voluntary income (excluding capital)	6.4	7.6
Total operating income	252.3	228.9
Academy Educational Operations		
- Direct costs excluding depreciation	130.8	119.6
- Educational support costs excluding capital	117.5	101.3
- Development, Governance, and fundraising	2.5	2.5
Total operating expenditure	250.8	223.4
Net operating income	1.5	5.5

2022/23 was a challenging year as we dealt with increased financial pressures, including unfunded pay rises, inflation, especially in our energy costs, and the uncertainty caused by strikes. We saw a significant increase in our cost base. While we received additional government income to help address some of these financial pressures, the reality is that we only managed to deliver a surplus as schools struggled to recruit, and many have therefore been under resourced. A full reconciliation of the operating result is provided at note 29 to the financial statements.

Inevitably, several capital projects were delayed during Covid-19. Schools have worked hard to ensure that capital plans are back on track and the work highlighted by our condition surveys is completed. We have seen an increase in capital investment with capital additions rising in 2022/23 to £23.8m from £12.5m in 2021/22. We have reinvested all of the £1.5m (2021/22: £5.5m) operating surplus back into our capital estate and IT infrastructure and while the majority of additions were funded by capital income a significant amount were funded by revenue reserves. As such we are seeing a net decline in our revenue reserves which fell by £3.4m (2021/22: grew by £0.3m).

Directors' report (including strategic report)

Year to 31 August 2023

Financial review (continued)

Despite the reduction in our revenue reserves, as a network our financial position remains strong going into 2023/24. The ESFA has recently issued guidelines on the level of reserves trusts should hold. They note that Trusts have flexibility to decide their appropriate level of reserves but indicate that the threshold for conversation on potential vulnerability take place where reserves of 5% of total income or less are held. The total of Ark Schools unrestricted plus restricted General Annual Grant (GAG) reserves is 3.5% of operating income. However, as part of our on-going planning Schools set aside specific funds for IT and Capital investment. These funds, which are detailed in Note 16, when included with the unrestricted and restricted GAG reserves increase the percentage to 5.4% of total income. The Trustees consider this is a prudent position and are confident that at this level we have sufficient reserves to not only mitigate financial and other risks but to ensure funds are set aside for specific projects.

Summary of assets and liabilities

As at 31 August	2023	2022
	£m	£m
Fixed assets	499.7	494.3
Current assets	63.6	61.1
Current liabilities	(45.1)	(39.6)
Total assets less current liabilities	518.2	515.8
Liabilities due after one year	(1.8)	(1.8)
Pension deficit	(2.2)	(19.0)
Net assets	514.2	495.0
 Represented by:		
Fixed assets fund	505.4	499.6
Pension reserve	(2.2)	(19.0)
Revenue reserves		
- Restricted	9.2	12.5
- Unrestricted	1.8	1.9
Grand total	514.2	495.0

School capital reserves increased by £0.4m (2021/22: increase of £1.0m). These reserves are held to fund future investment in our estate and IT infrastructure. All our schools have 10-year IT refresh plans. Our digital transformation project continues, with children from Year 3 having access to a Chromebook to support their education.

Fixed assets have increased to £499.7m (2021/22: £494.3m). This includes £14.8m for our new White City Primary, held at the year-end within assets under construction. Ark Soane, having re-opened in Ark Acton in September 2022, finally took possession of their new building in February 2023. Construction is ongoing with full handover expected in early 2024 and therefore the building is not included in fixed assets.

Directors' report (including strategic report)

Year to 31 August 2023

Financial review (continued)

The pension deficit has decreased to £2.2m from £19.0m. This is an 88% decrease in the pension liability, in line with the sector average. There has been no major change to the nature of the liabilities. The valuation is based on spot rates at 31 August 2023 and subject to stock market fluctuations. The main reason for the decrease in liability is the increase in the discount rate from 4.25% to 5.25%.

31 schools would have ended the year with a pension asset. These have been capped to a nil liability position as required under FRS 102 and under the terms of funding agreements.

Financial outlook for 2023/24

While there is welcome news that the strikes are settled and pay increases funded, several of our schools are continuing to face challenges to breakeven due to mounting cost pressures. Two of our schools have confirmed RAAC and, at the time of writing, some areas remain closed. We are working with the DfE to confirm the funding it will provide for the long-term remedies needed at these schools. We expect capital spend to continue to be high as we focus on projects to replace roofs, lighting with new LED lights and install more photovoltaics in our schools. We continue to look at ways we can be more efficient and reduce the impact of these cost increases whilst also supporting our green agenda to reduce carbon.

Financial report for the year

Operating income

Total operating income was £252.3 (2021/22: £228.9m). Approximately 91% of operating income comes from the DfE as recurrent grants (2022/22: 91%). These grants and the associated expenditure are included within restricted funds in the statement of financial activities. For the year ended 31 August 2023, DfE/ESFA revenue grants were £230.3m (2021/22: £207.8m) which are all restricted to core school activities.

Non-core activity is funded separately. For the year ended 31 August 2023, other grants and income were £13.6m (2022: £11.9m). Lettings income and Ark Ayrton nursery generated £2.2m (2021/22: £1.2m). Additional voluntary income from the sponsor organisation, Ark, and its subsidiaries, and others amounted to £6.4m (2021/22: £7.6m).

Operating expenditure

Total operating expenditure for the year ended 31 August 2023 was £250.8m (2021/22: £223.4m). Direct costs excluding depreciation accounted for 52% (2021/22: 54%) 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, depreciation, and pension scheme adjustments were included, the outcome for the year to 31 August 2023 was a net increase in funds of £19.2m (2021/22: increase of £66.7m). £16.9m of this increase in funds relates to a decrease in the pension liability. Total income was £271.7m (2021/22: £237.5m) which includes £9.5m capital grant from Ark for the White City Primary development on the EdCity site.

Directors' report (including strategic report) Year to 31 August 2023

Financial report for the year (continued)

Impact of capital items, depreciation, and pension scheme adjustments

Academies are funded by the ESFA and the DfE for both school operations and capital projects and the manner in which the income is recognised 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.
- Ark Schools capitalises the school buildings it leases on a long-term basis but does not receive recurring capital grants at levels that fully offset the depreciation charges on the whole estate. The restricted fixed assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned. This leads to accounting deficits once the grant programmes are completed. These deficits do not represent a cash shortfall.
- Ark Schools is required to record any change in the attributable share of local government pension scheme surpluses or deficits, although the trustees have no control over the management of the pension funds, their financial arrangements or investment decisions. 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. On 21 July 2022, the Department for Education reaffirmed its commitment to the guarantee, with a parliamentary minute published on the GOV.UK website.

Net assets

At 31 August 2023, net assets were £514.2m (2021/22: £495.0m) and the net book value of tangible fixed assets was £499.7m (2021/22: £494.2m). 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 2023, investments were £0.138m (2021/22: £0.136m). Investments relate to surplus school funds that are invested with a fund manager (see note 23).

Reserves policy and financial position

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

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 2023 were £514.2m (2021/22: £495.0m), which consisted of £512.4m restricted funds (2021/22: £493.1m) and £1.8m unrestricted funds (2021/22: £1.9m). Of the total restricted

Directors' report (including strategic report)

Year to 31 August 2023

Financial report for the year (continued)

Reserves policy and financial position (continued)

funds, £9.2m (2021/22: £12.5m) 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. These reserves are in addition to reserves held centrally. We allow schools to include their capital and IT reserves in this target, as we encourage schools to actively set aside funds for these purposes. Currently, thirteen (2021/22: eleven) schools fail to meet this threshold and we are working with them as part of our long-term planning process to improve the level of reserves they hold.

During the year, we transferred £1.9m (2021/22: £1.3m) from unrestricted funds and £3.0m (2021/22: £3.9m) from restricted funds to fund in year capital expenditure. Each school is encouraged to have a dedicated IT reserve. These total £3.2m (2021/22: £3.5m) 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 their IT infrastructure.

Included within restricted funds is the pension reserve deficit of £2.2m (see note 19) (2021/22: £19.0m), as noted earlier in this report. The local government pension schemes to which this relates are funded schemes and therefore employers' pension contributions fluctuate with triennial valuations of the deficit to be funded. 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 (2021/22: thirteen). 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 2023

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, particularly focusing on safeguarding and financial pressures. The Trustees have also considered their responsibilities to ensure that the Trust's estate is safe, well-maintained and complies with relevant legislation, by reviewing risk registers and regularly receiving updates on the estate through the Risk and Audit Committee.

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 2022/23 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 encompassing oversight of provision across safeguarding, HR, finance, procurement, health and safety, fire safety, IT, data protection and information security.

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

The trustees have assessed the major risks and uncertainties to which Ark Schools is exposed and confirm that these are as follows:

- The mental health of our students and staff and their general wellbeing remains a concern, with the on-going pressures on schools compounded by the long-term effects of Covid-19. 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. We launched a network wide mental health provision to all our schools this year to ensure all our schools can provide students with independent expertise and support.
- The shortage of qualified teachers with many of our schools working hard to recruit the specialisms they require. Staff retention and turnover continue to be high, and it is not uncommon to have vacancies in key roles. 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.

Directors' report (including strategic report) Year to 31 August 2023

Risks and uncertainties (continued)

Risk management (continued)

- 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 effect of the Covid-19 pandemic on attendance in changing student norms. Attendance remains a major concern in our schools and continues to be a key priority. There is a direct correlation between student outcomes and student attendance.
- 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.
- Cyber-attack, given the increasing number of attacks within the sector. We have worked to ensure our systems are protected and backed up and that if we need to restore systems, that can be done quickly and efficiently. Multi-factor authentication has been implemented to further protect the network and we continue to train our staff on risks presented including those around phishing activity. We continue to review our set up and procedures to ensure our systems are as robust as they can be. We are actively working towards achieving Cyber Essentials accreditation.
- The effect of increasing costs, many of which are unfunded: We have again seen significant increases in support and teaching staff, our electricity costs and particularly food, print and paper costs. While we are grateful for the additional government income to support cost increases although as a network these challenges remain considerable.
- The risk of reserves being depleted due to financial overspends. All schools have plans to achieve financial sustainability which are continually reviewed. 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.
- The effect of changes in the supply chain, caused by the pandemic and the war in Ukraine causing additional cost for our infrastructure and capital projects. We manage all major new contracts in line with our detailed Procurement Code of Conduct to ensure the best possible value for money.
- Supplier fraud, especially due to the increased sophistication of attempts, continues to concern the trustees. All new suppliers must be set up centrally and we are constantly reviewing our due diligence procedures to ensure the integrity of our supplier base.
- The quality of our estate. Trustees review the asbestos register and are aware that RAAC is confirmed in two of our schools. We undertake detailed conditions survey reports and annual health and safety checks. We are working with the DfE on mitigation regarding RAAC and the funding required.

Directors' report (including strategic report) Year to 31 August 2023

Risks and uncertainties (continued)

Financial risk management objectives and policies

Ark Schools has cash balances and other working capital balances. The main risk is liquidity risk.

Liquidity risk

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

Interest rate risk

In 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 12th December 2023 and signed on the Board's behalf by Sir Paul Marshall:



Trustee

Governance statement Year to 31 August 2023

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. The Trustees also receive the Academy Trust Handbook each year and the annual Accounting Officer letter from the ESFA.

Governance

The information here supplements the directors' report and the statement of directors' responsibilities. The Board has formally met 5 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
Fiona Forbes	5	5
Lord Fink	4	5
Joanna Greenslade	3	4 (Resigned 31 May 2023)
Gerard Griffin	4	5
Lucy Heller	5	5
Richard King	1	1 (Appointed 13 April 2023)
Daniel Labbad	1	3 (Resigned 2 February 2023)
Sir Paul Marshall (Chair)	5	5
Riaz Shah	1	2 (Resigned 13 December 2022)
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 2023

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)	2	2 (Resigned in-year)
Gerard Griffin	4	4
*Stephen West	4	4
*Lucy Slinger	2	4
**Lynne Counsell	3	4
Richard King (Chair)	2	2 (Appointed in-year)

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

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

Governance reviews

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. The Board review is led by the adviser to the Board and is based on the DfE '21 questions' and Confederation of School Trusts guidance. In 2021-22 we piloted a new assessment model and skills audit for our local governing bodies which will be used across the network in 2023-24.

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 as well as estates safety and management, 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 2023

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. Each year we review all our spend and look at ways we can improve the management of our cost base either through new regional or network contracts, or retendering existing agreements.

4) Fundraising

Ark have continued to raise funds for our schools. £10.7m was received from Ark and its subsidiaries, including £9.5m 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 2023 and up to the date of approval of the annual report and financial statements.

Governance statement Year to 31 August 2023

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 2023 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 Beever and Struthers as internal auditors at their meeting on 1 December 2022 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 2023

The Risk and Control Framework (continued)

The Beever 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.

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 12th December 2023 and signed on its behalf by:



Sir Paul Marshall
Trustee



Lucy Heller
Accounting Officer

Statement of regularity, propriety, and compliance Year to 31 August 2023

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 including for estates safety and management, under the funding agreement between the academy trust and the Secretary of State for Education. As part of my consideration, I have had due regard to the requirements of the Academy Trust Handbook 2022, including responsibilities for estates safety and management.

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 2022.

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



Lucy Heller

Accounting Officer

Date: 12th December 2023

Statement of directors' responsibilities 31 August 2023

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 2022 to 2023.
- 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

Date: 12th December 2023

Independent auditor's report on the financial statements

31 August 2023

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 2023 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 2022 to 2023.

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 2023, 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 2022 to 2023.

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 2023

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 2023

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 2023

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 2022 to 2023, the Academy Trust Handbook 2022, 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 2023

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 2023

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.



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

15 December 2023

Independent reporting accountant's report on regularity 31 August 2023

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 31 July 2023 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2022 to 2023, 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 2022 to 31 August 2023 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 2022, 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 2022 to 2023. 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 2022 to 31 August 2023 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. We performed a limited assurance engagement as defined in our engagement letter.

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

Independent reporting accountant's report on regularity 31 August 2023

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 2022 to 31 August 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

15 December 2023

Consolidated statement of financial activities

Year to 31 August 2023

		Restricted funds			2023 Total funds £'000	2022 Total funds £'000	
		Unrestricted funds £'000	General funds £'000	Pension reserve £'000			Fixed assets fund £'000
Income from:							
Donations and capital grants	2	—	2,076	—	19,351	21,427	10,199
Other trading activities	3	1,926	—	—	—	1,926	1,549
Investments and interest receivable		104	—	—	—	104	5
Income from charitable activities							
. Funding for Ark Schools' educational operations	4	4,260	241,127	—	—	245,387	221,498
. Project management grants	5	—	215	—	—	215	190
. Teaching School		—	456	—	—	456	407
Other income	6	2,152	—	—	—	2,152	3,665
Total income		8,442	243,874	—	19,351	271,667	237,513
Expenditure on:							
Raising funds	8a	639	—	—	—	639	612
Charitable activities							
. Ark Schools' educational operations	8b	5,968	242,237	2,683	18,517	269,405	257,309
. Development costs	8d	—	1,708	—	—	1,708	1,738
. Teaching School	8e	—	288	—	—	288	234
Total expenditure	7	6,607	244,233	2,683	18,517	272,040	259,893
Net income (expenditure) before investment gains and losses		1,835	(359)	(2,683)	834	(373)	(22,380)
Net gains (losses) on investments		—	2	—	—	2	(5)
Net income (expenditure) before transfers		1,835	(357)	(2,683)	834	(371)	(22,385)
Gross transfers between funds	16	(1,899)	(2,993)	—	4,892	—	—
Net (expenditure) income		(64)	(3,350)	(2,683)	5,726	(371)	(22,385)
Other recognised gains and losses							
Actuarial gains on defined benefit pension schemes	19	—	—	19,545	—	19,545	89,048
Net movement in funds		(64)	(3,350)	16,862	5,726	19,174	66,663
Fund balances brought forward at 1 September 2022	16	1,857	12,535	(19,037)	499,642	494,997	428,334
Fund balances carried forward at 31 August 2023		1,793	9,185	(2,175)	505,368	514,171	494,997

All 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 (expenditure) income before transfers, in respect of the unrestricted funds and the restricted general funds. For the year ended 31 August 2023, this equated to an operational surplus of £1,478k which is made up of a £1,835k surplus in unrestricted funds and a £357k deficit in restricted general funds (2021/22: operational surplus of £5,518k). See note 29 for a reconciliation.

Balance sheets 31 August 2023

		2023		2022	
		Group £'000	Ark Schools £'000	Group £'000	Ark Schools £'000
Fixed assets					
Tangible assets	12	499,537	499,537	494,177	494,177
Investments		138	138	136	136
		499,675	499,675	494,313	494,313
Current assets					
Debtors	14	22,536	23,848	17,290	18,945
Short term deposits		5,027	5,027	1,013	1,013
Cash at bank and in hand		36,048	35,977	42,764	42,360
		63,611	64,852	61,067	62,318
Creditors: amounts falling due within one year	15	(45,140)	(46,381)	(39,546)	(40,797)
Net current assets		18,471	18,471	21,521	21,521
Total assets less current liabilities		518,146	518,146	515,834	515,834
Creditors: amounts falling due after one year	15	(1,800)	(1,800)	(1,800)	(1,800)
Net assets excluding pension liability		516,346	516,346	514,034	514,034
Pension scheme liability	19	(2,175)	(2,175)	(19,037)	(19,037)
Net assets including pension liability		514,171	514,171	494,997	494,997
The funds of the charity					
Income funds					
Restricted funds	16				
. Fixed assets fund		505,368	505,368	499,642	499,642
. General funds		9,185	9,185	12,535	12,535
. Pension reserve		(2,175)	(2,175)	(19,037)	(19,037)
		512,378	512,378	493,140	493,140
Unrestricted funds	16				
. General funds		1,548	1,548	1,612	1,612
. Designated funds		245	245	245	245
		1,793	1,793	1,857	1,857
		514,171	514,171	494,997	494,997

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



Date: 12th December 2023
Company registration number: 05112090

Consolidated statement of cash flows

Year to 31 August 2023

	Notes	2023 £'000	2022 £'000
Net cash flows from operating activities			
Net cash provided by operating activities	A	1,645	11,737
Cash flows from investing activities			
	B	(4,347)	(3,849)
Change in cash and cash equivalents in the reporting period			
		(2,702)	7,888
Cash and cash equivalents at the start of the period			
	C	43,777	35,889
Cash and cash equivalents at the end of the period			
	C	41,075	43,777

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

	2023 £'000	2022 £'000
Net expenditure (as per the statement of financial activities)	(373)	(22,385)
Adjustments for:		
Capital funding grants	(19,353)	(8,604)
Defined benefit pension scheme service cost adjustment (note 19)	2,020	16,116
Defined benefit pension scheme finance cost adjustment (note 19)	665	1,527
Net (loss) gains on investments	(2)	5
Depreciation (note 12)	18,444	18,466
Interest receivable	(104)	(5)
(Increase) decrease in debtors	(5,246)	5,522
Increase in creditors	5,594	1,095
Net cash provided by operating activities	1,645	11,737

B Cash flows from investing activities

	2023 £'000	2022 £'000
Purchase of tangible fixed assets	(23,804)	(12,458)
Capital grants received	19,353	8,604
Investment income received	104	5
Net cash (used in) provided by investment activities	(4,347)	(3,849)

C Analysis of cash and cash equivalents

	At 31 August 2023 £'000	At 31 August 2022 £'000
Cash at bank and in hand	36,048	42,764
Short term deposits	5,027	1,013
Total cash and cash equivalents	41,075	43,777

Consolidated statement of cash flows

Year to 31 August 2023

D Analysis of changes in net debt

	At 1 September 2022 £'000	Cash flows £'000	At 31 August 2023 £'000
Cash and cash equivalents			
Cash at bank and in hand	42,764	(6,716)	36,048
Cash equivalents – short term deposits	1,013	4,014	5,027
	<u>43,777</u>	<u>(2,702)</u>	41,075
Debt			
ESFA loan	(1,800)	–	(1,800)
	<u>41,977</u>	<u>(2,702)</u>	39,275

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 2022 to 2023 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

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

Basis of consolidation

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

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

Assessment of going concern

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

The directors make this going concern assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements. Despite the challenges from the current economic climate. 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, as is the case under the terms of academy funding agreements, 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.

Principal accounting policies

Critical accounting estimates and areas of judgement (continued)

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.

- 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 2022 has been used by the actuary in valuing the pensions liability at 31 August 2023. 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 2023

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 2023 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	2023 Total funds £'000	2022 Total funds £'000
2023					
Donations – capital grant ESFA	–	–	5,649	5,649	2,123
Devolved formula capital allocations	–	–	1,723	1,723	667
Academy main building grants	–	–	2,344	2,344	155
Local authority ICT capital grants	–	–	46	46	242
Donations – other	–	1,055	82	1,137	762
Donations – Ark and subsidiaries (note 23)	–	927	9,507	10,434	5,866
Ark Schools Coronavirus Fund					
Ark	–	94	–	94	384
	–	2,076	19,351	21,427	10,199

	Unrestricted general funds £'000	Restricted general funds £'000	Restricted fixed assets fund £'000	2022 Total funds £'000
2022				
Donations – capital grant ESFA	–	–	2,123	2,123
Devolved formula capital allocations	–	–	667	667
Academy main building grants	–	–	155	155
Local authority ICT capital grants	–	–	242	242
Donations – other	–	681	81	762
Donations – Ark and subsidiaries (note 23)	210	320	5,336	5,866
Ark Schools Coronavirus Fund				
Ark	–	384	–	384
	210	1,385	8,604	10,199

Notes to the financial statements 31 August 2023

3. Other trading activities

	Unrestricted funds	
	2023 £'000	2022 £'000
Nursery fees	226	244
Hire of facilities	1,662	1,305
Catering income from staff	38	—
	1,926	1,549

4. Funding for Ark Schools' educational operations

	Unrestricted general funds £'000	Restricted general funds £'000	2023 Total funds £'000	2022 Total funds £'000
Year to 31 August 2023				
DfE/ESFA revenue grants				
General annual grant (GAG)	—	197,638	197,638	185,322
Other DfE / ESFA grants				
. Universal Infant Free School Meals	—	1,047	1,047	1,153
. Start up A	—	187	187	355
. Start up B	—	274	274	281
. Pupil Premium	—	14,080	14,080	12,818
. Schools Supplementary Grant	—	5,358	5,358	2,295
. Mainstream Schools Annual Grant	—	2,821	2,821	—
. Other DfE/ESFA Grants	—	3,690	3,690	716
	—	225,095	225,095	202,940
Other grants				
Local authority funding	—	10,980	10,980	9,792
Extended schools programme	481	—	481	459
Miscellaneous grants	26	342	368	336
	507	11,322	11,829	10,587
Other income				
School meals income	2,918	—	2,918	2,828
School uniform sales	49	—	49	58
Parent contributions to school trip costs	786	—	786	658
	3,753	—	3,753	3,544
COVID-19 additional funding (DfE/ESFA)				
Catch-up premium	—	—	—	2,032
Recovery Premium Grant	—	3,383	3,383	—
Other DfE/ESFA COVID-19 funding	—	1,327	1,327	1,774
	—	4,710	4,710	3,806
COVID-19 additional funding (non-DfE /ESFA)				
Mass testing funding	—	—	—	621
	4,260	241,127	245,387	221,498

Notes to the financial statements 31 August 2023

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

Year to 31 August 2022	Unrestricted general funds £'000	Restricted general funds £'000	2022 Total funds £'000
DfE/ESFA revenue grants			
General annual grant (GAG)	—	185,322	185,322
Other DfE / ESFA grants			
. Universal Infant Free School Meals	—	1,153	1,153
. Start up A	—	355	355
. Start up B	—	281	281
. Pupil Premium	—	12,818	12,818
. Schools Supplementary Grant	—	2,295	2,295
. Other DfE Group grants	—	716	716
	—	202,940	202,940
Other grants			
Local authority funding	—	9,792	9,792
Extended schools programme	459	—	459
Miscellaneous grants	336	—	336
	795	9,792	10,587
Other income			
School meals income	2,828	—	2,828
School uniform sales	58	—	58
Parent contributions to school trip costs	658	—	658
	3,544	—	3,544
COVID-19 additional funding (DfE/ESFA)			
Catch-up premium	—	2,032	2,032
Other DfE/ESFA COVID-19 funding	—	1,774	1,774
	—	3,806	3,806
COVID-19 additional funding (non-DfE /ESFA)			
Mass testing funding	—	621	621
	4,339	217,159	221,498

5. Project management grants

	Restricted general funds	
	2023 £'000	2022 £'000
Project management grant	215	190

Project management grants are received from Ark in relation to activities in preparation for the opening of new academies and academy building projects (note 23).

Notes to the financial statements 31 August 2023

6. Other income

	2023 £'000	2022 £'000
Miscellaneous income	2,152	3,665

Miscellaneous income comprises self-generated income including income derived from Ark Teacher Training, network programmes, and consultancy services. No amounts relate to restricted funds (2022: £4k).

7. Expenditure

Year to 31 August 2023	Staff costs (note 9) £'000	Premises £'000	Other costs £'000	Total 2023 £'000	Total 2022 £'000
Raising funds (note 8a)					
. Direct costs	443	—	5	448	442
. Support costs	33	139	19	191	170
	<u>476</u>	<u>139</u>	<u>24</u>	639	<u>612</u>
Educational operations					
. Direct costs (note 8b)	113,863	18,444	16,999	149,306	138,084
. Educational support costs (note 8b)	82,568	—	37,350	119,918	119,068
. Governance costs (note 8c)	—	—	181	181	157
	<u>196,431</u>	<u>18,444</u>	<u>54,530</u>	269,405	<u>257,309</u>
Development costs (note 8d)	160	30	1,518	1,708	1,738
Teaching School (note 8e)	235	—	53	288	234
	<u>197,302</u>	<u>18,613</u>	<u>56,125</u>	272,040	<u>259,893</u>

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

Notes to the financial statements 31 August 2023

7. Expenditure (continued)

Net expenditure for the year is stated after charging:

	2023	2022
	£'000	£'000
Operating lease rentals		
. Plant and machinery	677	335
Depreciation	18,444	18,466
Loss (gain) on disposal of fixed assets	(5)	15
Fees payable to external auditor for:		
. Statutory audit services	95	106
. Other services	51	23
Cash losses (see below)	—	23

Cash losses

There were no instances of fraud during the year. In the prior year, there was one instance of fraud reported to the ESFA where theft of company goods led to a loss of £22,750.

8a. Cost of raising funds

	2023	2022
	Total	Total
	funds	funds
	£'000	£'000
Lettings and nursery	639	612

The surplus from trading activities totalled £1.25m in the year (2022: surplus of £1.25m). See note 13.

Notes to the financial statements 31 August 2023

8b. Ark Schools' charitable educational operations

	2023	2022
	Total	Total
	funds	funds
	£'000	£'000
Direct costs		
Staff costs	113,863	106,119
Depreciation	18,444	18,466
Educational supplies	5,797	5,711
Examination fees	2,654	1,923
Transport costs	210	148
Other pupil support costs	6,724	4,743
Extended schools programme	1,614	974
	149,306	138,084
Educational support costs		
Staff costs	80,550	69,303
Pension service cost (note 19)	2,018	16,116
Recruitment and other staff costs	3,128	2,542
Catering contract	6,880	5,712
Printing and stationery	2,558	2,152
Office overhead	291	243
Heat and light	4,231	3,339
Premises (including buildings insurance)	14,856	13,796
Legal costs – other	76	42
Technology costs	3,616	2,950
Finance costs and interest/charges payable	730	1,540
Other expenses	916	980
Small equipment less than £2,000 expensed	73	353
Gain on disposal of tangible fixed assets	(5)	—
	119,918	119,068
Governance costs (note 8c)	181	157
	269,405	257,309

8c. Governance costs

	2023	2022
	Total	Total
	funds	funds
	£'000	£'000
Audit of group financial statements*		
. Current year	141	123
. Prior year under provision	3	3
Other expenses including internal audit services	37	31
	181	157

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

Notes to the financial statements 31 August 2023

8d. Other development costs

	2023 Total funds £'000	2022 Total funds £'000
Project implementation		
Staff costs	160	166
Building costs	30	45
Project implementation	6	14
Research and marketing	131	180
Miscellaneous costs	17	26
	344	431
Continuing professional development		
Education development	385	335
Staff training and induction	979	972
	1,364	1,307
	1,708	1,738

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

	2023 Total funds £'000	2022 Total funds £'000
Direct costs		
Staff costs	235	200
	235	200
Continuing professional development		
Education development	53	34
	53	34
	288	234

9. Staff

a. Staff costs

Staff costs during the period were as follows:

	2023 £'000	2022 £'000
Wages and salaries	141,297	128,187
Social security costs	14,662	13,460
Pension costs	29,614	41,188
Apprenticeship levy	696	610
	186,269	183,445
Supply staff costs	10,888	8,746
Severance	135	151
Redundancy	10	24
	197,302	192,366

Notes to the financial statements 31 August 2023

9. Staff (continued)

b. Severance payments

The academy trust paid 12 severance payments in the year, disclosed in the following bands:

	2023	2022
	No.	No.
£0 - £25,000	12	10
£25,001 - £50,000	-	3

c. Staff numbers – full-time equivalent

The average full-time equivalent number of persons employed by the group during the year ended 31 August 2023, analysed by function, was as follows:

	2023	2022
	No.	No.
Charitable activities		
Teachers	1,677	1,603
Education support and administration staff	1,496	1,493
Management	163	173
	3,336	3,269

d. Staff numbers – headcount

The average gross number of persons employed by the group during the year ended 31 August 2023, analysed by function, was as follows:

	2023	2022
	No.	No.
Charitable activities		
Teachers	1,736	1,661
Education support and administration	1,854	1,853
Management	168	178
	3,758	3,692

Notes to the financial statements 31 August 2023

9. Staff (continued)

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:

	2023	2022
	Number	Number
£60,001 - £70,000	191	142
£70,001 - £80,000	65	66
£80,001 - £90,000	44	34
£90,001 - £100,000	17	12
£100,001 - £110,000	8	9
£110,001 - £120,000	8	7
£120,001 - £130,000	5	4
£130,001 - £140,000	3	3
£140,001 - £150,000	3	2
£150,001 - £160,000	3	1
£160,001 - £170,000	1	—
£170,001 - £180,000	—	3
£180,001 - £190,000	3	—
	351	283

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 £917,140 (2022: £893,119). In addition, £345,732 was paid to the key management personnel of Ark Schools by the sponsor organisation, Absolute Return for Kids (“Ark”), including the employee benefits received by the Managing Director (see note 24).

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 5% of the general annual grant (2022: 4.5%) 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 2023

11. Central services/holdback (continued)

	2023 £'000	2022 £'000
All through Schools		
Ark	517	432
Burlington Danes	457	417
Globe	529	442
Isaac Newton	520	444
John Keats	555	462
Kings	334	308
King Solomon	451	336
Victoria	437	345
Secondary Schools		
Acton	357	321
Alexandra	533	378
All Saints	301	258
Blake	177	105
Bolingbroke	264	221
Boulton	334	284
Charter	321	262
Elvin	451	354
Evelyn Grace	212	197
Greenwich	236	202
Pioneer	243	149
Putney	341	290
St Alban's	356	292
Walworth	462	399
Soane	134	61
Primary Schools		
Atwood	112	98
Ayrton	122	101
Bentworth	57	50
Brunel	97	89
Blacklands	139	114
Byron	104	86
Castledown	90	75
Conway	64	52
Dickens	113	98
Franklin	154	132
John Archer	70	67
Little Ridge	96	82
Oval	152	131
Priory	110	92
Swift	60	55
Tindal	109	91
Total central services income	10,171	8,372

Notes to the financial statements 31 August 2023

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 2022	16,550	540,091	20,407	28,195	26,490	103	11,876	643,712
Reclassifications	—	998	942	—	36	—	(1,976)	—
Additions	—	74	5,267	4,614	1,943	6	11,900	23,804
Disposals	—	—	—	(2,083)	—	(9)	—	(2,092)
At 31 August 2023	<u>16,550</u>	<u>541,163</u>	<u>26,616</u>	<u>30,726</u>	<u>28,469</u>	<u>100</u>	<u>21,800</u>	665,424
Depreciation								
At 1 September 2022	1,229	95,642	3,368	26,076	23,142	78	—	149,535
Charge for the year	236	11,299	633	4,131	2,136	9	—	18,444
Disposals	—	—	—	(2,083)	—	(9)	—	(2,092)
At 31 August 2023	<u>1,465</u>	<u>106,941</u>	<u>4,001</u>	<u>28,124</u>	<u>25,278</u>	<u>78</u>	<u>—</u>	165,887
Net book value								
At 31 August 2023	<u>15,085</u>	<u>434,222</u>	<u>22,615</u>	<u>2,602</u>	<u>3,191</u>	<u>22</u>	<u>21,800</u>	499,537
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

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 2022	16,550	540,091	20,407	28,191	26,467	103	11,876	643,685
Reclassifications	—	998	942	—	36	—	(1,976)	—
Additions	—	74	5,267	4,614	1,943	6	11,900	23,804
Disposals	—	—	—	(2,083)	—	(9)	—	(2,092)
At 31 August 2023	<u>16,550</u>	<u>541,163</u>	<u>26,616</u>	<u>30,722</u>	<u>28,446</u>	<u>100</u>	<u>21,800</u>	665,397
Depreciation								
At 1 September 2022	1,229	95,642	3,368	26,073	23,118	78	—	149,508
Charge for the year	236	11,299	633	4,131	2,136	9	—	18,444
Disposals	—	—	—	(2,083)	—	(9)	—	(2,092)
At 31 August 2023	<u>1,465</u>	<u>106,941</u>	<u>4,001</u>	<u>28,121</u>	<u>25,254</u>	<u>78</u>	<u>—</u>	165,860
Net book value								
At 31 August 2023	<u>15,085</u>	<u>434,222</u>	<u>22,615</u>	<u>2,601</u>	<u>3,192</u>	<u>22</u>	<u>21,800</u>	499,537
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

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.

£9.5m of the additions made in the year relate to the new White City Primary on the EdCity development, held as an asset under construction. The total value of this asset under construction is £14.8m.

Notes to the financial statements 31 August 2023

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 2023, which has been included in the consolidated financial statements.

During the year ended 31 August 2023, 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.

	2023	2022
	£'000	£'000
Turnover	2,218	1,860
Cost of sales	(970)	(610)
Gross profit	1,248	1,250
Administrative expenses	(2)	(2)
Retained profit before charitable donation under Gift Aid at 31 August	1,246	1,248
Charitable donation under Gift Aid	(1,246)	(1,248)
Retained profit after charitable donation under Gift Aid at 31 August	—	—
Retained earnings brought forward at 1 September	—	—
Retained earnings carry forward at 31 August	—	—

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

14. Debtors

	Group	Ark		
	2023	Schools	Group	Ark
	£'000	2023	2022	Schools
		£'000	£'000	2022
			£'000	£'000
Trade debtors	653	653	1,015	1,019
Amounts due from DfE/ESFA	3,278	3,278	2,606	2,606
Sponsorship due from Ark	9,371	9,371	7,313	7,313
Other debtors	2,124	2,124	273	273
Prepayments and accrued income	4,070	4,032	3,920	3,893
Amounts due from subsidiary	—	1,350	—	1,678
VAT recoverable	3,040	3,040	2,163	2,163
	22,536	23,848	17,290	18,945

Notes to the financial statements 31 August 2023

15. Creditors: amounts falling due within one year

	Group	Ark		
	2023	Schools	Group	Ark
	£'000	£'000	2022	2022
			£'000	£'000
Trade creditors	7,179	7,179	4,738	4,738
Taxation and social security	3,742	3,742	3,498	3,498
Accruals	11,168	11,168	8,668	8,668
Deferred income	18,655	18,651	21,054	20,974
ESFA creditor – abatement of GAG	40	40	223	223
Other creditors	4,356	4,355	1,365	1,365
Amounts owed to subsidiary	–	1,246	–	1,331
	45,140	46,381	39,546	40,797

	2023	2022
	£'000	£'000
Deferred income		
Deferred income at 1 September	21,054	19,248
Amounts deferred in the year	8,231	8,603
Amounts released from previous years	(10,630)	(6,797)
Deferred income at 31 August	18,655	21,054

During the year ended 31 August 2023, Ark Schools received funding in advance for Universal Infant Free School Meals for the period September 2023 to March 2024 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		
	2023	Schools	Group	Ark
	£'000	£'000	2022	2022
			£'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. The terms of the repayment schedule are for repayments to commence in September 2024 depending on the financial sustainability of the school at that date. As such, this loan has been classified as a long-term liability.

Notes to the financial statements 31 August 2023

16. Funds

Group	At 1 September 2022 £'000	Income £'000	Expenditure £'000	Transfers and other gains and losses £'000	At 31 August 2023 £'000
Restricted fixed assets fund					
DfE fixed assets fund	210,642	—	(4,213)	—	206,429
Ark sponsorship fixed assets fund	6,989	9,507	(144)	—	16,352
Devolved Formula Capital and School Condition Allocation	4,577	7,370	(477)	—	11,470
Other fixed assets funds	277,434	2,474	(13,683)	4,892	271,117
	<u>499,642</u>	<u>19,351</u>	<u>(18,517)</u>	<u>4,892</u>	<u>505,368</u>
Restricted general funds					
General Annual Grant (GAG) (note 4)	8,890	197,638	(197,638)	(2,993)	5,897
Start up and lead in (note 4)	—	461	(461)	—	—
Pupil Premium	—	14,080	(14,080)	—	—
Universal Infant Free School Meals	—	1,047	(1,047)	—	—
Schools Supplementary Grant	—	5,358	(5,358)	—	—
Mainstream Schools Annual Grant	—	2,821	(2,821)	—	—
Other DfE/ESFA grants (note 4)	—	3,690	(3,690)	—	—
Recovery Premium Grant	—	3,384	(3,384)	—	—
Other DfE/ESFA COVID-19 funding	—	1,327	(1,327)	—	—
Donations from Ark					
Ark Schools Coronavirus Fund	—	94	(94)	—	—
Ark Program Grants	1,482	927	(927)	—	1,482
Teaching School	286	456	(288)	—	454
UK programmes – grants	446	—	—	2	448
Local authority grants	111	10,980	(10,980)	—	111
Other donations	1,320	1,611	(2,138)	—	793
	<u>12,535</u>	<u>243,874</u>	<u>(244,233)</u>	<u>(2,991)</u>	<u>9,185</u>
Pension reserve	<u>(19,037)</u>	<u>—</u>	<u>(2,683)</u>	<u>19,545</u>	<u>(2,175)</u>
Total restricted funds	<u>493,140</u>	<u>263,225</u>	<u>(265,433)</u>	<u>21,446</u>	<u>512,378</u>
Unrestricted funds					
Unrestricted general funds					
. Other unrestricted funds	1,612	8,442	(6,607)	(1,899)	1,548
. Designated funds	245	—	—	—	245
Total unrestricted funds	<u>1,857</u>	<u>8,442</u>	<u>(6,607)</u>	<u>(1,899)</u>	<u>1,793</u>
Total funds	<u>494,997</u>	<u>271,667</u>	<u>(272,040)</u>	<u>19,547</u>	<u>514,171</u>

Notes to the financial statements 31 August 2023

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 2023. Note 1 discloses that these limits were not exceeded. Transfers from other restricted funds or unrestricted funds to the GAG fund have been made in order to cover the deficit which would otherwise have existed in this fund.

Pension reserve

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

Unrestricted funds

The unrestricted general funds represent monies which may be applied for any purpose within the Ark Schools' objects. The designated fund balances relate to amounts set aside for specific future projects. During the year, we transferred £4.9m (2022: £5.3m) from revenue funds to fund in year capital expenditure.

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

Notes to the financial statements 31 August 2023

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 2023

16. Funds (continued)

Analysis of fund balance by academy (continued)

	2023 Revenue reserves £'000	2023 Capital reserves £'000	2023 General Capital reserves £'000	2023 IT reserves £'000	2023 Total reserves £'000	2022 Total reserves £'000
All through Schools						
Ark	801	60	50	101	1,012	1,308
Burlington Danes	619	53	—	190	862	1,020
Globe	1,002	126	—	24	1,152	1,025
Isaac Newton	957	181	150	168	1,456	1,104
John Keats	790	66	—	150	1,006	1,384
Kings	1,132	99	—	241	1,472	1,680
King Solomon	903	41	—	139	1,083	1,031
Victoria	(112)	161	—	248	297	281
Secondary Schools						
Acton	532	119	—	130	781	720
All Saints	883	85	—	67	1,035	1,178
Alexandra	(5,156)	47	87	77	(4,945)	(5,560)
Blake	(824)	21	—	—	(803)	(578)
Bolingbroke	(716)	48	—	—	(668)	(693)
Boulton	891	103	—	471	1,465	1,812
Charter	(973)	1	—	85	(887)	(683)
Elvin	1,069	36	—	13	1,118	1,553
Evelyn Grace	388	95	—	152	635	1,031
Greenwich	803	80	—	128	1,011	1,013
Pioneer	88	3	—	—	91	31
Putney	(1,467)	65	—	34	(1,368)	(1,348)
Soane	(228)	—	—	—	(228)	(150)
St Alban's	100	106	—	294	500	210
Walworth	318	2	—	248	568	898
Primary Schools						
Atwood	279	93	—	33	405	453
Ayrton	91	19	—	6	116	164
Bentworth	(185)	33	—	35	(117)	(63)
Brunel	328	33	—	7	368	363
Blacklands	688	74	—	4	766	689
Byron	(249)	42	—	—	(207)	(83)
Castledown	503	51	—	—	554	441
Conway	(126)	58	—	39	(29)	(10)
Dickens	297	29	—	1	327	410
Franklin	1,379	73	—	—	1,452	1,462
John Archer	(665)	30	—	20	(615)	(480)
Little Ridge	241	—	—	—	241	246
Oval	(262)	17	—	37	(208)	71
Priory	58	74	—	14	146	215
Swift	(1,193)	41	—	36	(1,116)	(879)
Tindal	1,076	39	—	18	1,133	1,245
Hastings Opportunity Area	18	—	—	—	18	—
Teaching School Hub	455	—	—	—	455	286
Ark Schools Central	6,445	30	—	—	6,475	7,060
	10,978	2,334	287	3,210	16,809	19,857

Notes to the financial statements 31 August 2023

16. Funds (continued)

Analysis of fund balance by academy (continued)

	2023 £'000	2022 £'000
Total revenue reserves (as per above)	10,978	14,392
Fixed asset fund (including unspent capital reserves above)	505,368	499,642
Pension reserve	(2,175)	(19,037)
Total	514,171	494,997

- Alexandra Academy had a net funds deficit of £4,945k as at 31 August 2023 (2022: deficit of £5,560). 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 £117k as at 31 August 2023 (2022: deficit of £63k). Bentworth has historically generated surpluses and has a business plan in place to support the school.
- Blake Academy had a net funds deficit of £803k as at 31 August 2023 (2022: £578k). 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 positive funds balance.
- Bolingbroke Academy had a net funds deficit of £668k as at 31 August 2023 (2022: deficit of £693k). 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 £207k as at 31 August 2023 (2022: deficit of £83k). Byron has historically generated surpluses, has a business plan in place and is expected to start generating surpluses within the next two years.
- Charter Academy had a net funds deficit of £887k as at 31 August 2023 (2022: deficit of £683k). Charter is now expected to generate a small in year surplus and return to financial equilibrium in the medium term.
- Conway had a net funds deficit of £29k as at 31 August 2023 (2022: deficit of £10k). 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 £615k as at 31 August 2023 (2022: deficit of £480k). 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 £1,368k as at 31 August 2023 (2022: deficit of £1,348k). 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 £228k as at 31 August 2023 (2022: deficit of £150k). Soane was a new school in the year to 31 August 2022. As pupil numbers grow through the secondary phase, the school will recover to achieve a positive funds balance.
- Swift Academy had a net funds deficit of £1,116k as at 31 August 2023 (2022: deficit of £879k). On 1 September 2023, Swift merged with Burlington Danes Primary to become White City Primary, opening in a new building within the EdCity development. The school is developing a sustainable business plan and the long-term outlook for the school is positive.

Notes to the financial statements 31 August 2023

16. Funds (continued)

- Ark Oval had a net funds deficit of £208k as at 31 August 2023 (2022: surplus of £71k). Oval has historically generated surpluses and is developing a business plan to start generating surpluses within the next three years.

Comparative information

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>—</u>	<u>(17,643)</u>	<u>89,048</u>	<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 2023

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	2023 Total £'000	2022 Total £'000
All through Schools						
Ark	8,859	1,215	168	1,955	12,197	12,343
Burlington Danes	7,137	1,011	275	2,194	10,617	10,756
Globe	7,364	1,032	338	3,031	11,765	11,304
Isaac Newton	7,855	1,091	256	2,029	11,231	10,803
John Keats	9,114	1,287	442	2,179	13,022	11,663
Kings	5,103	943	132	1,825	8,003	7,681
King Solomon	7,687	592	185	2,488	10,952	10,120
Victoria	6,594	1,094	176	2,204	10,068	9,665
Secondary Schools						
Acton	5,220	371	209	2,736	8,536	9,246
All Saints	4,135	984	86	1,713	6,918	6,933
Alexandra	7,628	1,237	281	1,935	11,081	10,747
Blake	2,832	482	97	1,049	4,460	3,070
Bolingbroke	3,734	703	281	1,454	6,172	6,009
Boulton	4,558	780	125	1,913	7,376	6,843
Charter	4,749	755	146	1,632	7,282	7,133
Elvin	7,097	867	262	1,947	10,173	8,965
Evelyn Grace	2,998	544	84	1,642	5,268	5,742
Greenwich	3,291	364	196	1,361	5,212	5,061
Pioneer	3,579	771	201	1,099	5,650	4,123
Putney	5,604	733	234	1,475	8,046	7,848
Soane	1,982	256	75	1,029	3,342	1,976
St Alban's	4,917	766	155	1,624	7,462	7,350
Walworth	6,932	1,125	178	2,295	10,530	10,021
Primary Schools						
Atwood	2,228	333	153	496	3,210	3,339
Ayrton	2,174	286	60	551	3,071	3,185
Bentworth	1,087	186	51	298	1,622	1,779
Brunel	1,880	232	78	472	2,662	3,006
Blacklands	2,186	363	72	433	3,054	3,056
Byron	1,718	247	59	555	2,579	2,939
Castledown	1,609	216	67	334	2,226	2,378
Conway	965	282	30	356	1,633	1,764
Dickens	2,094	355	92	429	2,970	3,149
Franklin	2,473	433	81	697	3,684	3,870
John Archer	1,159	263	60	407	1,889	2,164
Little Ridge	1,689	197	28	362	2,276	2,393
Oval	2,754	563	97	567	3,981	3,777
Priory	1,992	304	92	525	2,913	2,998
Swift	1,253	252	35	416	1,956	2,265
Tindal	1,863	327	34	509	2,733	2,659
Hastings Opp Area	2	—	—	19	21	75
Teaching School Hub	74	162	—	52	288	—
Birmingham Teaching School	—	—	—	—	—	234
Ark Schools Central	464	8,488	124	5,677	14,753	9,985
Ark Schools excluding subsidiaries	158,633	32,492	5,795	55,964	252,884	240,417

Notes to the financial statements 31 August 2023

18. Analysis of net assets between funds

Group	Restricted funds				Total funds 2023 £'000
	Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
Fund balances at 31 August 2023 are represented by:					
Tangible and investment assets	—	138	—	499,537	499,675
Current assets	1,793	40,033	—	21,785	63,611
Creditors: amounts falling due within one year	—	(29,186)	—	(15,954)	(45,140)
Creditors: amounts due after one year	—	(1,800)	—	—	(1,800)
Pension scheme liability	—	—	(2,175)	—	(2,175)
	<u>1,793</u>	<u>9,185</u>	<u>(2,175)</u>	<u>505,368</u>	<u>514,171</u>

Ark Schools	Restricted funds				Total funds 2023 £'000
	Unrestricted funds £'000	General funds £'000	Pension reserve £'000	Fixed assets fund £'000	
Fund balances at 31 August 2023 are represented by:					
Tangible and investment assets	—	138	—	499,537	499,675
Current assets	1,793	41,274	—	21,785	64,852
Creditors: amounts falling due within one year	—	(30,427)	—	(15,954)	(46,381)
Creditors: amounts due after one year	—	(1,800)	—	—	(1,800)
Pension scheme liability	—	—	(2,175)	—	(2,175)
	<u>1,793</u>	<u>9,185</u>	<u>(2,175)</u>	<u>505,368</u>	<u>514,171</u>

19. Member Liability

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

20. Pensions and similar obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. Prior to 31 August 2023, the latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2022. A further valuation of the TPS scheme, relating to the period ended 31 March 2020 was published in October 2023.

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

Notes to the financial statements 31 August 2023

20. Pensions and similar obligations (continued)

Central Office Money Purchase Scheme

Ark Schools' staff employed in the central office who do not work directly or specifically for any school, and those 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 make 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 actuarial valuation of the TPS which applied during the year ended 31 August 2023 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 latest actuarial TPS valuation results, as at 31 March 2020, were released in October 2023. The valuation result is due to be implemented from 1 April 2024, from this date employer contribution rates will increase to 28.68% (including a 0.08% administration levy).

The employer's pension costs paid to TPS in the period amounted to £17,964k (2022: £16,758k).

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

Notes to the financial statements 31 August 2023

20. Pensions and similar obligations (continued)

Valuation of the Teachers' Pension Scheme (continued)

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 2023 was £9,626k (2022: £8,145k), of which employees' contributions totalled £2,595k (2022: £1,973k) and employers' contributions totalled £7,031k (2022: £6,442k). 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 force on 18 July 2013 and on 21 July 2022, the Department for Education reaffirmed its commitment to the guarantee, with a parliamentary minute published on the GOV.UK website.

Notes to the financial statements 31 August 2023

20. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Pension Fund – Administering Authority

Greater London

City of Westminster

London Borough of Brent

London Borough of Barnet

London Borough of Croydon

London Borough of Ealing

London Borough of Enfield

London Borough of Greenwich

London Borough of Hammersmith and Fulham

London Borough of Lambeth

London Borough of Redbridge

London Borough of Southwark

Royal Borough of Kensington & Chelsea

London Borough of Wandsworth

East Sussex

East Sussex County Council

Hampshire

Hampshire County Council

West Midlands

West Midlands Fund

Academies

Atwood*

King Solomon*

Ark*

Elvin*

Franklin*

Pioneer*

Blake*

Oval*

Acton

Byron*

Priory

Soane

John Keats*

Greenwich

Bentworth

Burlington Danes*

Conway

Swift

Evelyn Grace*

Isaac Newton*

All Saints*

Globe*

Walworth*

Brunel*

Bolingbroke*

Putney*

John Archer*

Alexandra*

Blacklands*

Little Ridge*

Castledown*

Ayrton

Charter*

Dickens*

Boulton*

Kings*

St Alban's*

Tindal*

Victoria*

*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 £17,630k has been offset against the overall actuarial gain for the year.

Notes to the financial statements 31 August 2023

20. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Range of principal actuarial assumptions:

	2023 %	2022 %
	Average	Average
Rate of increase in salaries	3.85	3.85
Rate of increase in pension payments	2.85	2.85
Discount rates	5.25	4.25
Inflation assumptions	2.85	2.85

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:

	2023 Lowest	2023 Highest	2022 Lowest	2022 Highest
Retiring today				
Males	19.8	22.7	20.4	22.7
Females	23.1	25.1	23.3	25.1
Retiring in 20 years				
Males	22.2	22.9	22	24.1
Females	24.7	26.1	24.4	26.6

	At 31 August 2023 £'000	At 31 August 2022 £'000
Sensitivity analysis – increase (decrease) in overall deficit		
Discount rate +0.1%	(2,290)	(3,112)
Discount rate -0.1%	2,354	3,195
Mortality assumption – 1 year increase	2,213	3,949
Mortality assumption – 1 year decrease	(2,012)	(3,497)
CPI rate +0.1%	2,370	2,680
CPI rate -0.1%	(2,309)	(2,619)

Notes to the financial statements 31 August 2023

20. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

	Fair value at 31 August 2023 £'000	Fair value at 31 August 2022 £'000
Ark Schools' share of the assets in the schemes was as follows:		
Equities	59,429	58,562
Corporate/government bonds	15,682	19,376
Property	7,760	10,511
Cash	2,524	3,041
Other	18,846	13,412
Total market value of assets	104,241	104,902

	2023 £'000	2022 £'000
The amounts recognised in statement of financial activities were as follows:		
Current service cost	8,679	22,362
Net finance cost	665	1,527
Admin expenses	370	196
Total amount recognised in the SOFA	9,714	24,085

	2023 £'000	2022 £'000
Movements on the overall deficit during the year was as follows:		
Deficit at 1 September 2022	(19,037)	(90,442)
Current service cost	(8,679)	(22,362)
Administration cost	(370)	(196)
Employer contributions	7,031	6,442
Net finance cost	(665)	(1,527)
Actuarial gain (loss)	19,545	89,048
At 31 August 2023	(2,175)	(19,037)

	2023 £'000	2022 £'000
Changes in the present value of defined benefit obligations were as follows:		
At 1 September 2022	123,939	201,565
Current service cost	8,679	22,362
Interest cost	5,299	3,534
Employee contributions	2,595	1,973
Actuarial gain (loss)	(33,086)	(104,355)
Benefits paid	(1,011)	(1,140)
At 31 August 2023	106,415	123,939

Notes to the financial statements 31 August 2023

20. Pensions and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Movements in the present value of defined benefit assets were as follows:	2023 £'000	2022 £'000
At 1 September 2022	104,902	111,123
Expected return on assets	4,634	2,007
Administration expenses	(370)	(196)
Employer contributions	7,031	6,442
Employee contributions	2,595	1,973
Actuarial (loss) gain	(13,541)	(15,307)
Benefits paid	(1,011)	(1,140)
At 31 August 2023	104,240	104,902

The five years history of experience adjustments is as follows:

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Present value of scheme obligations	(106,415)	(123,939)	(201,565)	(148,617)	(129,716)
Fair value of assets	104,240	104,902	111,123	84,761	76,983
Net deficit in schemes	(2,175)	(19,037)	(90,442)	(63,856)	(52,733)
Experience gains on scheme assets	(13,541)	(15,307)	18,330	314	2,599
Experience gains on scheme liabilities	33,086	104,355	(34,225)	(1,205)	(20,546)

21. Lease commitments

At 31 August 2023, the total of Ark Schools' future minimum lease payments under non-cancellable operating leases in relation to plant and machinery was:

	2023 £'000	2022 £'000
Amounts due within one year	677	335
Amounts due between one and five years	371	275
	1,048	610

In addition to the above, Ark Schools has entered into an agreement with EdCity Office to move into a new office building on completion of the EdCity development.

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 2023, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

Notes to the financial statements 31 August 2023

21. Lease commitments (continued)

Property occupied by Ark Kings Academy	2023 £'000	2022 £'000
Amounts due within one year	98	79
Amounts due between one and five years	528	316
Amounts due after five years	2,690	1,185
	3,316	1,580

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 2023, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

Property occupied by Ark Acton Academy	2023 £'000	2022 £'000
Amounts due within one year	816	573
Amounts due between one and five years	4,081	2,294
Amounts due after five years	2,449	2,820
	7,346	5,687

22. Capital commitments

At 31 August 2023, the group had capital commitments as follows:

	2023 £'000	2022 £'000
Contracted for but not provided in the financial statements	5,064	255

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 and its subsidiaries donated £10.7m (2022: £6.3m). £10.5m is included in donations from Ark in note 2: £9.5m (2022: £5.3m) towards the new White City Primary building; £0.7m donations for our extracurricular programmes, music and pathways and enrichment (2022: £0.2m); £0.1m from trustees, sponsors and corporates for the Ark Schools Coronavirus Appeal (2022: £0.4m); £0.1m from trustees towards Mental Health initiatives (2022: nil); and £0.1m towards digital transformation, data modernisation and website development (2022: nil). An additional £0.2m (2022: £0.2m) relates to amounts received to fund our Projects team (note 5). There was £9.4m of sponsorship due from Ark included in the debtors note 14.

Notes to the financial statements 31 August 2023

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 2023 to Ark are included in the table below. £328k of the recharges were included in 'Other Creditors' (note 15). Up until 2021/22, similar recharges are also made to Ark UK Programmes, a related party. From 2022/23, all amounts are now charged to Ark with nothing charged to Ark UK Programmes (see below).

	2023	2022
	£'000	£'000
Recharged to Ark		
Rent and service charges	683	328
IT service costs	147	—
Technology services	20	20
	850	348
Recharged to Ark UK Programmes		
Rent and service charges	—	136
Technology services	—	32
	—	168

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 £138k (2022: £118k) 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 2023, the value of the amounts held by Ark UK Programmes in relation to the above endowments was £5.1m (2022: £5.5m). £1.0m (2022: nil) was withdrawn from endowments during the year ended 31 August 2023. No balances were owed to Ark Schools by Ark UK Programmes in respect of these withdrawals.

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 2023, Ark UK Programmes had invested a cumulative amount of £138k in respect of Ark King Solomon Academy (2022: £136k) as part of their investment strategy. During the year the cumulative unrealised gain amount of £2k (2022: loss of £5k) 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.

Notes to the financial statements 31 August 2023

23. Related party transactions (continued)

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 (2022: £0.1m).

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 (2022: nil). The total paid to the Managing Director, as the CEO of Ark (rather than as Trustee of Ark Schools), was £208,671 (2022: £198,734). There was an additional £13,249 paid in respect of pensions (2022: £19,873) and 11% employer's pension contribution of £7,651 (2022: nil).

No directors of the company received any payment or other emoluments from Ark Schools in the reporting period (2022: none). No directors had any beneficial interest in any contract with Ark Schools during the year (2022: 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 2023, the premium is £7,651 (2022: £7,573). The cost of this insurance is included in the total insurance cost.

26. Agency arrangements

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

	2023	2022
	£'000	£'000
16-19 bursaries	285	238
Teacher training bursaries	1,518	1,554
	1,803	1,792

An amount of £nil is held in other creditors at the end of the year repayable to the DfE (2022: £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 2023

28. Comparative statement of financial activities

		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	10,199
Other trading activities	3	1,549	—	—	—	1,549
Investments and interest receivable		5	—	—	—	5
Income from charitable activities						
. Funding for Ark Schools' educational operations	4	4,339	217,159	—	—	221,498
. Project management grants	5	—	190	—	—	190
. Teaching School		—	407	—	—	407
Other income	6	3,661	4	—	—	3,665
Total income		9,764	219,145	—	8,604	237,513
Expenditure on:						
Raising funds						
8a	8a	606	—	—	6	612
Charitable activities						
. Ark Schools' educational operations	8b	7,726	213,127	17,643	18,813	257,309
. Development costs	8d	—	1,693	—	45	1,738
. Teaching School	8e	—	234	—	—	234
Total expenditure	7	8,332	215,054	17,643	18,864	259,893
Net income (expenditure) before investment gains and losses						
		1,432	4,091	(17,643)	(10,260)	(22,380)
Net (losses) gains on investments						
		—	(5)	—	—	(5)
Net income (expenditure) before transfers						
		1,432	4,086	(17,643)	(10,260)	(22,385)
Gross transfers between funds						
16	16	(1,345)	(3,909)	—	5,254	—
Net (expenditure) income						
		87	177	(17,643)	(5,006)	(22,385)
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes						
20	20	—	—	89,048	—	89,048
Net movement in funds						
		87	177	71,405	(5,006)	66,663
Fund balances brought forward at 1 September 2021						
16	16	1,770	12,358	(90,442)	504,648	428,334
Fund balances carried forward at 31 August 2022						
		1,857	12,535	(19,037)	499,642	494,997

Notes to the financial statements 31 August 2023

29.Reconciliation of operating position

Year ended 31 August 2023

	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	1,857	12,535	14,392	(19,037)	499,642	494,997
Fund balance carried forward	1,793	9,185	10,978	(2,175)	505,368	514,171
Net (decrease) / increase in funds (as per the statement of financial activities)	(64)	(3,350)	(3,414)	16,862	5,726	19,174
Add:						
Transfer of revenue to fixed assets fund			4,892			
Operational surplus			1,478			

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 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			