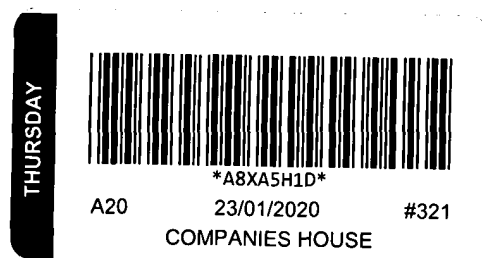


# REGISTRAR OF COMPANIES

## Ark Schools



### Consolidated annual report and financial statements

-31-August 2019-

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

# Contents

|                                                             |    |
|-------------------------------------------------------------|----|
| Foreword                                                    |    |
| Reference and administrative details                        |    |
| Directors' report (including strategic report)              | 3  |
| Governance statement                                        | 19 |
| Statement of regularity, propriety<br>and compliance        | 23 |
| Statement of directors' responsibilities                    | 24 |
| Independent auditor's report on the<br>financial statements | 25 |
| Independent reporting accountant's<br>report on regularity  | 29 |
| <br><b>Financial statements</b>                             |    |
| Consolidated statement of financial<br>activities           | 31 |
| Balance sheets                                              | 32 |
| Consolidated cash flow statement                            | 33 |
| Principal accounting policies                               | 34 |
| Notes to the financial statements                           | 42 |

## Reference and administrative details

|                               |                                                                                                                                                                                                                                        |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Member</b>                 | Absolute Return for Kids (ARK)                                                                                                                                                                                                         |
| <b>Trustees</b>               | Christina Alexandrou<br>Ron Beller<br>Lord Fink<br>Joanna Greenslade (appointed 10 December 2018)<br>Gerard Griffin<br>Lucy Heller<br>Daniel Labbad (appointed 10 December 2018)<br>Sir Paul Marshall<br>Anthony Williams<br>Neil Wood |
| <b>Secretary</b>              | Michael Sandall                                                                                                                                                                                                                        |
| <b>Senior Management Team</b> | Lucy Heller, Managing Director<br>Jacqueline Russell, Chief Finance Officer<br>Rebecca Clark, Director of Secondary<br>Venessa Willms, Director of Primary<br>Robert Stanton, Director of People (appointed 14 September 2019)         |
| <b>Registered office</b>      | The Yellow Building<br>1, Nicholas Road<br>London<br>W114AN                                                                                                                                                                            |
| <b>Registration number</b>    | 05112090 (England and Wales)                                                                                                                                                                                                           |
| <b>Auditor</b>                | Buzzacott LLP<br>130 Wood Street<br>London<br>EC2V 6DL                                                                                                                                                                                 |
| <b>Bankers</b>                | Lloyds Bank plc<br>95 George Street<br>Croydon<br>CR9 2NS                                                                                                                                                                              |
| <b>Solicitors</b>             | Stone King LLP<br>Boundary House<br>91 Charterhouse Street<br>London<br>EC1M 6HR                                                                                                                                                       |

## Foreword

Ark Schools was founded fifteen years ago as a charity that aims to provide an excellent education to children in underserved communities. We started with one school; there are now 37 in the network with more than 26,000 students. This year, we welcomed three schools to the network – Ark Acton Academy, a secondary school in Ealing, Ark Greenwich Free School, a secondary school in Greenwich, and Ark John Archer Primary Academy in Wandsworth. With the addition of Acton's sixth form and new sixth forms at Ark Bolingbroke and Isaac Newton Academy, we now have 765 students in our sixth forms. In September 2019 Ark Pioneer, a new secondary school in Barnet, opened. In September 2020, two further new secondary schools Ark Soane and Ark Blake will open.

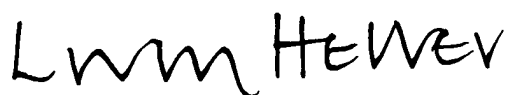
We take on schools with significant challenges – four out of five were from the lowest third of national performance – and work to improve them, as well as establishing new schools. Across the network we have double the proportion of disadvantaged students compared to the national average. Our approach has been effective: 24 out of 26 transition schools now have a higher national ranking than before they became Ark schools, and 94% of our schools have been rated good or outstanding by Ofsted.

Our results this year have continued to improve. In our primary schools, 71% of pupils achieved the expected national standards in reading, writing and maths – up two percentage points on last year and six percentage points above the national average. Three quarters of our secondary school pupils in English GCSEs, and two thirds in maths, got a 4 or better. And nearly a third of our students achieved the EBacc – well above the national average. In our sixth forms, 73% of A-level grades were A\*-C.

But exams are only part of the story. Ark Schools continues to provide a rich education – whether through music, sport, learning outdoors, or other activities outside the core curriculum. And beyond: we offer pupils strong support as they make decisions about careers and higher education. This year 80% of our sixth formers went to university, compared to the national average of 50%, and almost half of our sixth formers went to a top third university or a top 100 apprenticeship provider.

To sustain the improvements we've made, we need to continue to attract brilliant staff to the network. Ark Schools is a place where people come to develop. We make sure everyone has time for professional development and go to great lengths to offer training of the highest quality. We are extending our work on curriculum to provide subject specific training, learning resources, and lesson plans – building upon the success of Mathematics Mastery and English Mastery – so that our teachers can focus on teaching. We continue to seek more effective and efficient ways of working, and across the network we balance our books.

We are proud of what we have achieved so far. But we are ambitious to do more. I am grateful to everyone involved in Ark Schools for their commitment to our aim of giving children – regardless of their circumstances – the best start in life.



Lucy Heller

Chief Executive, Ark Schools

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

### **Year to 31 August 2019**

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 2019 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 34 to 41 and comply with the charitable company's memorandum and articles of association, applicable laws and the requirements of the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

## **Objectives and Activities**

### **Objects and Aims**

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

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

### **Objectives, strategies and activities**

This year we built upon our three main objectives:

- **To create excellent schools** - We aim to build a group of outstanding, non-selective schools that will radically improve our students' life chances.
- **To build a sustainable network** - We want the Ark model to be scalable, so it is important that our schools can be maintained on government funding alone.
- **To grow capacity in the education system** - There are 26,000 students in Ark schools. But our ambitions go beyond this; we want to provide a model for other schools, to develop programmes that provide elements of our model for schools beyond our network (e.g. Mathematics Mastery, English Mastery, Ark Teacher Training).

We believe that it is important to develop children outside the classroom. We want our young people to be talented in a variety of skills that will develop them as well-rounded confident individuals, ready for the world after school, and able to go on to university or the career of their choice.

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

### **Year to 31 August 2019**

#### **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.

## **Achievements and Performance**

#### **The year in review**

There were 38 schools in operation during 2018/19. Three schools joined the Ark Schools network on 1 September 2018:

- Ark Acton Academy, a secondary school and sixth form previously known as Acton High School;
- Ark Greenwich Free School, a secondary school previously known as Greenwich Free School; and
- Ark John Archer Primary Academy, previously High View Primary School.

Ark Chamberlain merged with Ark Victoria on 1 September 2018 to create an all through academy.

#### **Key performance indicators**

2018/19 was another successful year for students in Ark's schools. Ark Schools largely takes on schools in challenging circumstances or with a history of academic underachievement. Our schools are achieving strong results, especially for the progress that students make. Many of our 2018/19 results are provisional, but here are some of the highlights so far.

#### **Primary**

Network-wide, our pupils are up two percentage points, with 71% achieving the expected standards in reading, writing and mathematics - a strong six percentage points above national average. We were particularly pleased with results at our two primaries in Portsmouth, with 80% at Ark Ayrton achieving the standard, up 36 percentage points on last year, and 65% at Ark Dickens, up 25 percentage points on last year.

#### **GCSE**

Results across the network have improved. 76% of our students achieved a 4 or better in their English GCSEs, and 67% in mathematics. 31% of our students achieved the EBacc, well above the expected national average. Some highlights:

- Students at Ark King Solomon Academy were particularly successful, with 95% of students achieving 4 or better in English, and 87% in mathematics.
- The most improved school in the network was Ark William Parker in Hastings – especially welcome ahead of the school joining with Ark Helenswood in September 2019 to become Ark Alexandra.
- Our pupil premium gap is down from 15 to 11 percentage points (against a national figure of 27 percentage points).

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

### **Year to 31 August 2019**

#### **Sixth form**

We had a significantly larger sixth form cohort this year with the addition of Ark Acton Academy, and new sixth forms at Ark Bolingbroke and Ark Isaac Newton Academy bringing numbers up to 765.

73% of A-level grades were A\*-C. Some highlights:

- Many Ark sixth form students have earned places at prestigious destinations - 80% are on their way to university, with 41% to top third institutions, 21% to Russell Group universities, and seven students receiving places at Oxford or Cambridge.
- Ark Globe was the network's highest-achieving and most-improved sixth form, with a 14 percentage points increase in the percentage of students achieving 3 or more A\*-C (or equivalent).
- Students taking applied courses did particularly well. Our Professional Pathways Foundation Year students, who took a Level 3 business qualification (equivalent to an A level) and retook mathematics and/or English GCSE, achieved a 95% pass rate in their business qualification, and 43% and 64% pass rates for mathematics and English respectively, almost double the national averages. Several students received highly competitive apprenticeships including with Sky, Transport for London, and Bloomberg.

#### **Ofsted:**

100% of schools that Ark Schools has started have been rated Good or Outstanding by Ofsted. 94% of Ark schools that have been rated by Ofsted are Good or Outstanding, and 1 in 3 (33%) of our schools are rated Outstanding by Ofsted, considerably higher than the national average.

#### **Our students:**

Ark Schools largely takes on schools in challenging circumstances or with a history of academic underachievement. 52% of Ark Schools secondary students are disadvantaged (i.e. they have been eligible for free school meals, a measure of economic deprivation). This is nearly double the national average of 27%. Students going to Ark secondaries are less likely to have achieved the expected standard at primary school, so they enter school behind their peers.

40% of our students speak English as an additional language, more than double the national average.

Our schools are achieving strong results, especially for the progress that students make. The percentage of disadvantaged primary pupils achieving the national expected standard is 16 points higher (67%) than the national average (51%). The proportion of our disadvantaged students passing English and Mathematics GCSEs (53%) is nearly a quarter higher than the most recently published national average (43%).

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

### **Year to 31 August 2019**

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

Ark Schools will continue to expand the network at a sustainable rate. In September 2019 Ark Pioneer, a new secondary school in Barnet, opened its doors. Other new-build schools in the pipeline include Ark Blake in Croydon and Ark Soane in Ealing which are due to open in September 2020.

We aim where possible to build all-through schools or 'virtual' all-through schools (where Ark primary schools feed into local Ark secondary schools), so we can ensure a consistent education and smooth primary-secondary transition for the students in our schools

From 1 September 2019 Ark William Parker and Ark Helenswood were brought together to create Ark Alexandra in Hastings and Ark Paddington Green merged with Ark King Solomon Academy to create an all through academy in Westminster. This consolidation with the addition of Ark Pioneer takes the number of schools at 1 September 2019 to 37.

Plans for Ark's innovative new education hub in West London (called EdCity), continues to make progress. EdCity will bring social and educational benefits to the local community in White City. Included in the development:

- A newly-redeveloped Harmony Nursery - the new building will be bright and spacious and capacity will nearly double.
- Ark Swift Primary Academy will benefit from modern teaching environments, new outdoor learning spaces, improved IT, and sports and performing arts facilities.
- The current Adult Community Education Centre will be completely transformed and offer an extended service to adults taking their first steps back into education, training and/or employment. The centre will provide training and offers life-long learning opportunities for local residents, with the main aim of supporting people back into employment.
- A new office building that will bring together mission-aligned organisations to create a hub of social enterprises who, individually and collectively, are aiming to transform outcomes for children in challenging circumstance in the UK and beyond.

The Ark board has approved preliminary plans for Ark Start, a new Ark venture designed to support early education within the Ark Schools network.

Ark Schools is developing Ark Curriculum Plus, a school curriculum programme that will cover all the major subjects, giving students continuity of learning from nursery all the way through to sixth form. Building on the success of Mathematics Mastery and English Mastery, Ark Curriculum Plus aims to develop similarly high-quality, well-designed curriculum programmes for other national curriculum subjects.



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

### **Year to 31 August 2019**

## **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' parent 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.

### **Members' 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. Five 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 or Election of Trustees**

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

### **Policies and Procedures Adopted for the Induction and Training of Trustees**

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

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

### **Year to 31 August 2019**

#### **Organisational Structure**

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

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

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

#### **Arrangements for Setting Pay and Remuneration of Key Management Personnel**

The trustees consider that they and the senior management team comprise the key management personnel of Ark Schools in charge of directing, controlling, running and operating the charitable company on a day to day basis. Lucy Heller is an employee of Ark, as disclosed in note 10. None of the trustees receive any remuneration for their services as trustees. Ark Schools' senior management team salaries are set on appointment and follow market conditions. They are reviewed annually in accordance with pay review procedures operated by the sponsor charity, Ark. The Managing Director of Ark Schools approves all senior management team salaries on appointment. Annual reviews are subject to the same approval, with any exceptions over and above the agreed percentage subject to review by the Advisor to the Ark Board. A remuneration committee reviews the salaries of Principals, Regional Directors and senior central staff. The Managing Director's salary is set and paid by Ark. It is decided by a subcommittee of the Ark Board made up of the Advisor to the Ark Board, the Chair of Ark Schools and the Chair of Ark.

#### **Fundraising**

Ark Schools is supported to raise funds by the fundraising team of 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 there would be an interest in Ark's work. We do not conduct mass mailing or telephone campaign fundraising and have no plans to start this kind of fundraising activity. Our schools conduct their own fundraising and may use fundraising platforms to promote specific school campaigns. Platforms currently used include Just Giving and Virgin Money.

Ark's fundraising is led by a small team of professional fundraisers and support staff employed by Ark – we do not out-source fundraising activities. Our activity is based on individual relationships with donors. Donor data is handled with care – all information is held on a secure database and files managed by Ark.

Ark is a member of the Fundraising Regulator and we comply with advice and guidance set by the body. We have not received any fundraising complaints.

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

### **Year to 31 August 2019**

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

There were 12 Ark Schools employees (11.3 expressed as full-time equivalents) who were relevant trade union officials in 2018/19. 10 of these 12 employees expended between 1% and 50% of their contracted hours on facility time, and 2 of the 12 employees expended none of their contracted hours on facility time. The total cost of the facility time to Ark Schools was £3k in 2018/19, equating to 0.0002% of its total pay bill of £145.9m in the same period. The total time spent on trade union activities as a percentage of total paid facility time hours was 6%.

#### **Employee involvement**

Ark Schools is a collegiate network, encouraging staff contributions at all levels and close collaboration between the academies; principals also meet regularly to share knowledge and good practice. The Ark Schools training programme provides information and access to internal and external professional development and support. Network days are held for subject specific training. Schools hold regular staff meetings and briefings. New staff are fully inducted and teachers take part in training before the start of and during each school year.

#### **Disabled employees**

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

#### **Related Parties and other Connected Charities and Organisations**

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

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

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

### **Year to 31 August 2019**

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 sports facilities at a number of 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.

#### **Going Concern**

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

## Directors' report (including strategic report)

### Year to 31 August 2019

#### Financial Review

A summary of the results for the year is included in the statement of financial activities on page 31. The operational result for the year (which excludes capital income and expenditure, buildings transferred into the network, and non-cash pension adjustments in respect of defined benefit schemes) is summarised below:

| <b>Income and expenditure</b>             |              |              |
|-------------------------------------------|--------------|--------------|
| <b>Years ended 31 August</b>              | <b>2019</b>  | <b>2018</b>  |
|                                           | £m           | £m           |
| DfE revenue grants                        | 171.5        | 147.0        |
| Other grants and income (ex. capital)     | 15.4         | 17.7         |
| Other trading activities                  | 2.2          | 2.1          |
| Voluntary income (ex. capital)            | 8.4          | 7.8          |
| <b>Total operating income</b>             | <b>197.5</b> | <b>174.6</b> |
| Academy Educational Operations            |              |              |
| - Direct costs excl depreciation          | 100.5        | 88.6         |
| - Educational support costs excl capital  | 90.3         | 83.7         |
| - Development, Governance and fundraising | 3.7          | 3.5          |
| <b>Total operating expenditure</b>        | <b>194.5</b> | <b>175.8</b> |
| <b>Net operating income/(expenditure)</b> | <b>3.0</b>   | <b>(1.2)</b> |

Ark Schools is pleased to report a £3m operating surplus for the year to 31 August 2019 (2018: £1.2m deficit). In addition, a further £1.6m (2018: £nil) was transferred in during the year in respect of two new schools Ark Greenwich Free School and Ark John Archer. Including these inherited reserves our total surplus is recorded at £4.6m (2018 £1.2m deficit).

Our operating surplus reflects a targeted effort to ensure that our Schools become sustainable and are able to generate enough income to allow for capital investment. £4.9m (2018: £2.9m) has been transferred during the year from our revenue reserves to fund capital investment. All our schools have 10 years IT plans, indicating what investment is needed in order to deliver to a basic Ark Schools standard and condition surveys detailing the work required to ensure school buildings remain safe, warm and dry.

Our schools have benefited this year from additional one-off income, from one off donations to exceptional lettings activity. All of this will now be invested in capital. This additional income combined with a surplus in our central account, caused by differences in the timing of income versus expenditure for specific projects which counters deficits incurred in previous years, has resulted in a combined Ark School's £3m operating surplus for year.

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

## Directors' report (including strategic report)

### Year to 31 August 2019

#### Summary of assets and liabilities

| <b>As at 31 August</b>                       | <b>2019</b>  | <b>2018</b>  |
|----------------------------------------------|--------------|--------------|
|                                              | £m           | £m           |
| Fixed assets                                 | 488.6        | 442.8        |
| Current assets                               | 46.4         | 42.4         |
| Current liabilities                          | (29.9)       | (27.1)       |
| <b>Total assets less current liabilities</b> | <b>505.1</b> | <b>458.1</b> |
| Pension deficit                              | (52.7)       | (25.5)       |
| <b>Net assets</b>                            | <b>452.4</b> | <b>432.6</b> |
| <b>Represented by:</b>                       |              |              |
| Fixed assets fund                            | 490.1        | 442.8        |
| Pension reserve                              | (52.7)       | (25.5)       |
| Revenue reserves                             |              |              |
| - Restricted                                 | 3.9          | 3.9          |
| - Unrestricted                               | 11.1         | 11.4         |
| <b>Grand total</b>                           | <b>452.4</b> | <b>432.6</b> |

Total net assets during the year grew to £452.4m (2018: £432.6m) with the overall increase in funds for the year recorded at £19.8m (2018: increase of £66.0m). The fixed asset fund grew by £47.3m (2018: £65.9m), £31.2m (2018: £68.7m) related to the three new schools that joined the network, Ark Greenwich Free School, Ark John Archer and Ark Acton. Offsetting this is a small decrease in revenue reserves of £0.3m (2018: reduction of £4.1m) and an increase in the pension reserve deficit of £27.2m (2018: decrease of £4.2m).

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

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

### **Year to 31 August 2019**

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

##### **Operating income**

Total operating income was £197.5m (2018: £174.6m). Approximately 87% of operating income comes from the Department for Education (DfE) as recurrent grants for particular purposes (2018: 84%). These grants and the associated expenditure are included within restricted funds in the statement of financial activities. For the year ended 31 August 2019, DfE/ESFA revenue grants were £171.5m (2018: £147.0m) which are all restricted to core school activities.

Non-core activity is funded separately. For the year ended 31 August 2019, other grants and income were £15.4m (2018: £17.7m), which includes income of £1.1m (2018: £2.3m) for additional programmes and £2.9m (2018: £2.8m) in respect of EdCity. Lettings income and Alpha nursery generated £2.2m (2018: £2.1m). Additional voluntary grants from the sponsor organisation, Ark, and others amounted to £8.4m (2018: £7.8m).

##### **Operating expenditure**

Total operating expenditure for the year ended 31 August 2019 was £194.5m (2018: £175.8m). This includes £2.9m (2018: £2.8m) in respect of pre planning and planning for EdCity, the new education hub in West London that will become the home of Ark Schools.

Direct costs excluding depreciation accounted for 52% (2018: 50%) of the total operating expenditure. The network continues to be supported by voluntary income for specific network programmes.

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

Once voluntary income, capital grants, net asset transfers from Local Authorities or other academy trusts, depreciation and pension scheme adjustments were included, the outcome for the year to 31 August 2019 was a net increase in funds of £19.8m (2018: increase of £66.0m). Total income was £256.0m (2018: £252.5m), which included £11.6m (2018: £1.5m) of net assets transferred from Local Authorities on conversion and £17.6m (2018: £19.7m) of net assets inherited in respect of pre-existing academies joining the Ark Schools network. These amounts relate to the assignment of the leasehold for the buildings of new schools joining the Ark Schools network together with any carried forward revenue surplus less any pension scheme liabilities assumed. The total income also includes £0.5m (2018: £45.4m) in relation to additional infrastructure costs at Ark Academy, Ark Atwood, Ark Elvin and Ark John Keats (2018: Ark Elvin, Ark Conway and Ark Byron) which were developed by the DfE and/or local government on behalf of Ark Schools and transferred to Ark Schools on completion of the works.

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

### **Year to 31 August 2019**

Academies are funded by the Education and Skills Funding Agency (ESFA) and the DfE for both school operations and capital projects on a cash rather than an accruals basis. This has three important consequences for Ark Schools' financial statements:

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

#### **Net assets**

At 31 August 2019, net assets were £452.4m (2018: £432.6m).

At 31 August 2019, the net book value of tangible fixed assets was £487.4m (2018: £441.6m). The majority of fixed assets related to long term leaseholds of school buildings that have been granted to Ark Schools by the owners of the freehold, typically the Local Authority, Diocese or Charitable Foundation.

At 31 August 2019, investments were £1.2m (2018: £1.2m). Investments related to surplus school funds are invested with a fund manager (see note 24).

#### **Reserves policy and financial position**

Ark Schools continues to grow and the level of reserves held takes account of current and future income and expenditure, including future capital projects. Total funds at 31 August 2019 were £452.4m (2018: £432.6m), which consisted of £441.3m restricted funds (2018: £421.2m) and £11.1m unrestricted funds (2018: £11.4m). Of the total restricted funds, £3.9m (2018: £3.9m) represents revenue reserves which are restricted by the donor for specific schools or projects.



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

### **Year to 31 August 2019**

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

During the year we assessed our future capital and infrastructure requirements and as a result we have earmarked £11.1m in total for unfunded capital projects (2018: £8.3m) and this is included within designated funds. In addition, at each school an amount has been allocated as an IT capital fund totalling £0.8m (2018: £nil) and this amount forms part of the balance on the restricted fixed assets fund (see note 16 to the financial statements). This is to ensure that schools have adequate funds available to invest in updating their IT infrastructure.

Included within restricted general funds is the pension reserve deficit of £52.7m (see note 21) (2018: £25.5m). The local government pension schemes to which this relates to are funded schemes and therefore employers' pension contributions will increase in line with the deficit over a period of years. As 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**

Seven of the schools in the network had a deficit in their revenue reserve at the end of 2019 (2018: eight). Arrangements are in place to support these schools through this difficult period by way of intra-academy loans with careful and strict monitoring of their financial budget and performance. All schools have detailed five year plans and there is every expectation that over the medium term they will each return to financial stability. The reserves of all schools are detailed in note 16.

#### **Investment policy**

All surplus funds are invested in order 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 is able to invest funds through JP Morgan on a longer term basis. Funds can be added to this at any time, but only where they are not required for at least 12 months.

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

### **Year to 31 August 2019**

#### **Risks and uncertainties**

The trustees have assessed the major risks and uncertainties to which Ark Schools is exposed. During the academic year, the Ark Schools risk register was fully updated and subject to detailed review by the Risk and Audit Committee. Particular attention was paid to long-term financial planning to ensure sustainability, amalgamation of schools in London and Hastings and strategic allocation of capital spend.

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

#### **Risk management**

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

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

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

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

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

### **Year to 31 August 2019**

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

- Pressures in the external funding environment especially in light of the increased costs of pension contributions for the Teachers' Pension Scheme and Local Government Pension Schemes combined with the proposed increases for main scale and trainee teachers. While Ark Schools is in receipt of Teachers Pay and Pension Grants for the year to 31 August 2020, ongoing funding of these areas remains unclear which impacts the accuracy of our long-term planning and ultimately our financial sustainability.
- Demographic trends means that despite the overall increase in the school population, some Ark Schools are at risk of being undersubscribed. Ark Schools continues to work with local communities and encourage schools to work together to mitigate the impact of these changes.
- The shortage of qualified teachers continues to be a concern with many of our schools working hard to recruit the specialisms they require. We are looking to expand the Ark Teacher Training programme and continue to invest in our teachers at all levels to minimise the effects and improve the retention of teachers within our schools.
- Ark Schools continues to mitigate against any failure of safeguarding and pastoral systems through dedicated training for our Designated Safeguarding Leads, safeguarding governors and wider staff. The Ark Schools Board has appointed a Safeguarding Link trustee. Regular school audits undertaken by the Head of Safeguarding and regular reporting and analysis of trends ensures we constantly review the effectiveness of our systems of control.

#### **Financial risk management objectives and policies**

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

#### **Liquidity risk**

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

#### **Interest rate risk**

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

#### **Other risks**

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

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

### **Year to 31 August 2019**

#### **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 12 December 2019 and signed on the board's behalf by:



**Sir Paul Marshall**  
Trustee

## Governance statement Year to 31 August 2019

### Scope of responsibility

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

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

### Governance

The information here supplements the directors' report and the statement of directors' responsibilities. The Board has formally met four times during the last year, reviewing a full range of reports as set out in the annual agenda plan. The board maintains additional oversight of Ark School's 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 Chief Executive. Two strategic reviews on inclusion and sixth form strategy were overseen by Board Members during the year.

| Director                                       | Number of meetings attended | Out of a possible |
|------------------------------------------------|-----------------------------|-------------------|
| Christina Alexandrou                           | 4                           | 4                 |
| Ron Beller                                     | 3                           | 4                 |
| Lord Fink                                      | 2                           | 4                 |
| Gerard Griffin                                 | 3                           | 4                 |
| Joanna Greenslade (appointed 10 December 2018) | 3                           | 3                 |
| Lucy Heller                                    | 4                           | 4                 |
| Daniel Labbad (appointed 10 December 2018)     | 2                           | 3                 |
| Sir Paul Marshall (Chair)                      | 4                           | 4                 |
| Anthony Williams                               | 4                           | 4                 |
| Neil Wood                                      | 4                           | 4                 |

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 2019

### Committees

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

| Committee member                           | Number of meetings attended | Out of a possible |
|--------------------------------------------|-----------------------------|-------------------|
| Neil Wood (Chair)                          | 4                           | 4                 |
| *Steve Maslin                              | 4                           | 4                 |
| *Lucy Slinger                              | 3                           | 4                 |
| Joanna Greenslade (appointed 1 April 2019) | 1                           | 1                 |

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

### Governance reviews

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

### Review of value for money

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

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

#### 1) Delivering results

- Ark Schools has delivered good results for both student attainment and progress this year. For full details of the network results please refer to page 4.

#### 2) Cost / budget management

- Newly established regional structures are encouraging effective local procurement and shared teaching and back office services supplementing central procurement.

## **Governance statement Year to 31 August 2019**

### **3) Procurement / financial controls**

- The Ark Schools procurement policy requires schools to make purchases from approved suppliers in order to guarantee the best possible value for money.
- Central purchasing has delivered overall cost reductions for IT equipment and support, insurance, recruitment advertising and finance software.

### **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 2019 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The trustees have reviewed the main risks to Ark Schools together with the operating, financial and compliance controls in place to mitigate these risks. The trustees are of the view that there was a robust process for identifying, evaluating and managing significant risks in place for the year to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the trustees.

### **The Risk and Control Framework**

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

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

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

## Governance statement Year to 31 August 2019

The trustees appointed Buzzacott for 2018/19 to undertake a programme of internal scrutiny to provide independent assurance to the board that its financial and other controls and risk management procedures were operating effectively. Reports were made available to the Board, Risk and Audit Committee, and Local Governing Bodies of relevant schools. While some improvements to procedures have been recommended, no material control weaknesses were reported this year. The Board have re-appointed Buzzacott for 2019/20.

Buzzacott undertook a programme of visits to 12 schools to review core financial controls. The number has been chosen as it provides a visit once every three years on average. 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 LGB and the scrutiny applied
- Review of conflicts of interest to ensure that declarations of interest are being completed
- Observation as to whether the school has entered into any education service level agreements with suppliers and the controls over those contracts.

Reports are made available to the Board of Trustees, through the Risk and Audit Committee. Specific school reports are also circulated to the Local Governing Body of the Relevant Schools.

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

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

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

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



Sir Paul Marshall  
Trustee



Lucy Heller  
Accounting Officer



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

### **31 August 2019**

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

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

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



Lucy Heller  
Accounting Officer

Date: 17.12.19

## Statement of directors' responsibilities 31 August 2019

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

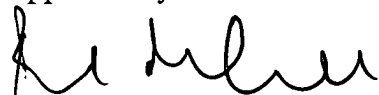
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities' Statement of Recommended Practice (the Charities' SORP) and the Academies Direction 2018 to 2019;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

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



Sir Paul Marshall  
Director

Date: 17.12.19.

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

## **31 August 2019**

### **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 2019 which comprise the consolidated statement of financial activities, the consolidated and charitable parent company balance sheets, the consolidated statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the Charities SORP 2015) and the Academies Accounts Direction 2018 to 2019.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the charitable parent company's affairs as at 31 August 2019 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2018 to 2019.

#### **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 2019**

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

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

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

### **Other information (covering the reference and administrative details, the Trustees' report including strategic report and the governance statement)**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Independent auditor's report on the financial statements 31 August 2019**

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

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

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

### **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.

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

### **31 August 2019**

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

### **Use of our report**

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



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

18 December 2019

## **Independent reporting accountant's report on regularity 31 August 2019**

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

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

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

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

The Accounting Officer is responsible, under the requirements of Ark Schools' amended and restated master funding agreement dated 28 August 2013 with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2018, 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 2018 to 2019. 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 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Academies: Accounts Direction 2018 to 2019 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

## **Independent reporting accountant's report on regularity**

### **31 August 2019**

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

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

The work undertaken to draw to our conclusion includes:

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

### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

18 December 2019



# Consolidated statement of financial activities

## Year to 31 August 2019

|                                                                    |       |                             | Restricted funds       |                          |                            |                              |                              |
|--------------------------------------------------------------------|-------|-----------------------------|------------------------|--------------------------|----------------------------|------------------------------|------------------------------|
|                                                                    |       | Unrestricted funds<br>£'000 | General funds<br>£'000 | Pension reserve<br>£'000 | Fixed assets fund<br>£'000 | 2019<br>Total funds<br>£'000 | 2018<br>Total funds<br>£'000 |
| <b>Income from:</b>                                                |       |                             |                        |                          |                            |                              |                              |
| Donations and capital grants                                       | 2     | 147                         | 5,873                  | —                        | 29,250                     | 35,270                       | 67,392                       |
| Transfer from Local Authorities                                    | 19(a) | —                           | 231                    | (3,259)                  | 14,600                     | 11,572                       | 1,459                        |
| Transfer from other Academy Trusts                                 | 19(b) | —                           | 1,362                  | (366)                    | 16,598                     | 17,594                       | 19,683                       |
| Other trading activities                                           | 3     | 2,188                       | —                      | —                        | —                          | 2,188                        | 2,096                        |
| Investments and interest receivable                                |       | 33                          | —                      | —                        | —                          | 33                           | 37                           |
| Income from charitable activities                                  |       |                             |                        |                          |                            |                              |                              |
| · Funding for Ark Schools' educational operations                  | 4     | 4,223                       | 179,770                | —                        | —                          | 183,993                      | 158,047                      |
| · Project management grants                                        | 5     | —                           | 591                    | —                        | —                          | 591                          | —                            |
| · Teaching School                                                  | 28    | 38                          | 60                     | —                        | —                          | 98                           | —                            |
| Other income                                                       | 6     | 4,612                       | —                      | —                        | —                          | 4,612                        | 3,763                        |
| <b>Total income</b>                                                |       | <b>11,241</b>               | <b>187,887</b>         | <b>(3,625)</b>           | <b>60,448</b>              | <b>255,951</b>               | <b>252,477</b>               |
| <b>Expenditure on:</b>                                             |       |                             |                        |                          |                            |                              |                              |
| Raising funds                                                      | 8a    | 930                         | —                      | —                        | 6                          | 936                          | 887                          |
| Charitable activities                                              |       |                             |                        |                          |                            |                              |                              |
| · Ark Schools' educational operations                              | 8b    | 6,595                       | 184,321                | 5,674                    | 17,963                     | 214,553                      | 195,498                      |
| · Development costs                                                | 8d    | 13                          | 2,608                  | —                        | —                          | 2,621                        | 2,457                        |
| · Teaching School                                                  | 28    | —                           | 58                     | —                        | —                          | 58                           | —                            |
| <b>Total expenditure</b>                                           | 7     | <b>7,538</b>                | <b>186,987</b>         | <b>5,674</b>             | <b>17,969</b>              | <b>218,168</b>               | <b>198,842</b>               |
| <b>Net income (expenditure) before investment gains and losses</b> |       | <b>3,703</b>                | <b>900</b>             | <b>(9,299)</b>           | <b>42,479</b>              | <b>37,783</b>                | <b>53,635</b>                |
| Net gains on investments                                           |       | —                           | —                      | —                        | —                          | —                            | 74                           |
| <b>Net income (expenditure) before transfers</b>                   |       | <b>3,703</b>                | <b>900</b>             | <b>(9,299)</b>           | <b>42,479</b>              | <b>37,783</b>                | <b>53,709</b>                |
| <b>Gross transfers between funds</b>                               | 16    | <b>(4,039)</b>              | <b>(881)</b>           | <b>—</b>                 | <b>4,920</b>               | <b>—</b>                     | <b>—</b>                     |
| <b>Net income (expenditure)</b>                                    |       | <b>(336)</b>                | <b>19</b>              | <b>(9,299)</b>           | <b>47,399</b>              | <b>37,783</b>                | <b>53,709</b>                |
| <b>Other recognised gains and losses</b>                           |       |                             |                        |                          |                            |                              |                              |
| Actuarial (losses) gains on defined benefit pension schemes        | 21    | —                           | —                      | (17,947)                 | —                          | (17,947)                     | 12,297                       |
| <b>Net movement in funds</b>                                       |       | <b>(336)</b>                | <b>19</b>              | <b>(27,246)</b>          | <b>47,399</b>              | <b>19,836</b>                | <b>66,006</b>                |
| Fund balances brought forward at 1 September 2018 (as restated)    | 16    | 11,417                      | 3,926                  | (25,487)                 | 442,732                    | 432,588                      | 366,582                      |
| <b>Fund balances carried forward at 31 August 2019</b>             |       | <b>11,081</b>               | <b>3,945</b>           | <b>(52,733)</b>          | <b>490,131</b>             | <b>452,424</b>               | <b>432,588</b>               |

All of the group's activities derived from continuing operations. All recognised gains and losses are included in the above statement of financial activities. For management purposes, the operational surplus or loss for any given year is deemed to equal net income (expenditure) before transfers, in respect of the unrestricted funds and the restricted general funds. In the current year this comprises £4,603k (£3,703k unrestricted funds and £900k restricted general funds) less £1,593k inherited upon new schools joining the network (£1,362k from other Academy Trusts, £231k from Local Authorities). For the year ended 31 August 2019, this equated to an operational surplus of £3,010k (2018: operational loss of £1,232k) (see note 32 for a reconciliation).

## Balance sheets 31 August 2019

|                                                       |    | 2019            |                         | 2018 (restated) |                         |
|-------------------------------------------------------|----|-----------------|-------------------------|-----------------|-------------------------|
|                                                       |    | Group<br>£'000  | Ark<br>Schools<br>£'000 | Group<br>£'000  | Ark<br>Schools<br>£'000 |
| <b>Fixed assets</b>                                   |    |                 |                         |                 |                         |
| Tangible assets                                       | 12 | 487,411         | 487,394                 | 441,642         | 441,642                 |
| Investments                                           |    | 1,177           | 1,177                   | 1,177           | 1,177                   |
|                                                       |    | <b>488,588</b>  | <b>488,571</b>          | <b>442,819</b>  | <b>442,819</b>          |
| <b>Current assets</b>                                 |    |                 |                         |                 |                         |
| Debtors                                               | 14 | 22,630          | 23,870                  | 19,978          | 21,107                  |
| Short term deposits                                   |    | 1,282           | 1,282                   | 3,190           | 3,190                   |
| Cash at bank and in hand                              |    | 22,510          | 22,331                  | 19,268          | 19,268                  |
|                                                       |    | <b>46,422</b>   | <b>47,483</b>           | <b>42,436</b>   | <b>43,565</b>           |
| <b>Creditors:</b> amounts falling due within one year | 15 | <b>(29,853)</b> | <b>(30,897)</b>         | <b>(27,180)</b> | <b>(28,309)</b>         |
| <b>Net current assets</b>                             |    | <b>16,569</b>   | <b>16,586</b>           | <b>15,256</b>   | <b>15,256</b>           |
| <b>Net assets excluding pension liability</b>         |    | <b>505,157</b>  | <b>505,157</b>          | <b>458,075</b>  | <b>458,075</b>          |
| Pension scheme liability                              | 21 | <b>(52,733)</b> | <b>(52,733)</b>         | <b>(25,487)</b> | <b>(25,487)</b>         |
| <b>Net assets including pension liability</b>         |    | <b>452,424</b>  | <b>452,424</b>          | <b>432,588</b>  | <b>432,588</b>          |
| <b>The funds of the charity</b>                       |    |                 |                         |                 |                         |
| <b>Income funds</b>                                   |    |                 |                         |                 |                         |
| Restricted funds                                      | 16 |                 |                         |                 |                         |
| · Fixed assets fund                                   |    | 490,131         | 490,131                 | 442,732         | 442,732                 |
| · General funds                                       |    | 3,945           | 3,945                   | 3,926           | 3,926                   |
| · Pension reserve                                     |    | (52,733)        | (52,733)                | (25,487)        | (25,487)                |
|                                                       |    | <b>441,343</b>  | <b>441,343</b>          | <b>421,171</b>  | <b>421,171</b>          |
| Unrestricted funds                                    | 16 |                 |                         |                 |                         |
| · General funds                                       |    | —               | —                       | —               | —                       |
| · Designated funds                                    |    | 11,081          | 11,081                  | 11,417          | 11,417                  |
|                                                       |    | <b>11,081</b>   | <b>11,081</b>           | <b>11,417</b>   | <b>11,417</b>           |
|                                                       |    | <b>452,424</b>  | <b>452,424</b>          | <b>432,588</b>  | <b>432,588</b>          |

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



Sir Paul Marshall

Director

Date: 17.12.19

Company registration number: 05112090 (England and Wales)

## Consolidated statement of cash flows

### Year to 31 August 2019

|                                                                    | Notes | 2019<br>£'000 | 2018<br>£'000 |
|--------------------------------------------------------------------|-------|---------------|---------------|
| <b>Net cash flows from operating activities</b>                    |       |               |               |
| Net cash provided by operating activities                          | A     | 4,591         | 4,402         |
| <b>Cash flows from investing activities</b>                        | B     | (3,257)       | (2,889)       |
| <b>Change in cash and cash equivalents in the reporting period</b> |       | 1,334         | 1,513         |
| <b>Cash and cash equivalents at the start of the period</b>        | C     | 22,458        | 20,945        |
| <b>Cash and cash equivalents at the end of the period</b>          | C     | 23,792        | 22,458        |

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

|                                                                                                            | 2019<br>£'000 | 2018<br>£'000 |
|------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Net (expenditure) income (as per the statement of financial activities)</b>                             | 37,783        | 53,709        |
| <b>Adjustments for:</b>                                                                                    |               |               |
| Capital funding grants                                                                                     | (29,250)      | (11,408)      |
| Donated tangible fixed assets recognised at valuation/cost                                                 | (31,198)      | (68,771)      |
| Defined benefit pension scheme service cost adjustment (note 21)                                           | 4,779         | 4,941         |
| Defined benefit pension scheme curtailment and settlements (note 21)                                       | 344           | —             |
| Defined benefit pension scheme finance cost adjustment (note 21)                                           | 551           | 922           |
| Defined benefit pension liability inherited on transfer from another academy trust or conversion (note 21) | 3,625         | 2,198         |
| Net gains on investments                                                                                   | —             | (74)          |
| Depreciation (note 12)                                                                                     | 17,969        | 14,880        |
| Loss on disposal of tangible fixed assets (note 12)                                                        | —             | 2,296         |
| Interest receivable                                                                                        | (33)          | (37)          |
| Increase in debtors                                                                                        | (2,652)       | (1,310)       |
| Increase in creditors                                                                                      | 2,673         | 7,056         |
| <b>Net cash used in operating activities</b>                                                               | 4,591         | 4,402         |

#### B Cash flows from investing activities

|                                               | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------------------------------|---------------|---------------|
| Purchase of tangible fixed assets             | (32,541)      | (14,334)      |
| Capital grants received                       | 29,250        | 11,408        |
| Investment income received                    | 34            | 37            |
| <b>Net cash used in investment activities</b> | (3,257)       | (2,889)       |

#### C Analysis of cash and cash equivalents

|                                        | At 31<br>August<br>2019<br>£'000 | Cash flows<br>£'000 | At 31<br>August<br>2018<br>£'000 |
|----------------------------------------|----------------------------------|---------------------|----------------------------------|
| Cash at bank and in hand               | 22,510                           | 3,242               | 19,268                           |
| Short term deposits                    | 1,282                            | (1,908)             | 3,190                            |
| <b>Total cash and cash equivalents</b> | 23,792                           | 1,334               | 22,458                           |

## **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 2015), the Academies Accounts Direction 2018 to 2019 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 assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that Ark Schools has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Ark Schools' ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### **Income**

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

## **Principal accounting policies**

### **Grants receivable**

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

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

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

### **Sponsorship income**

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

### **Donations**

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

### **Other income**

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

### **Transfer on conversion**

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

## **Principal accounting policies**

### **Transfer of existing academies into the trust**

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

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

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

## **Expenditure**

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

All expenditure is inclusive of irrecoverable VAT.

### **Expenditure on raising funds**

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

### **Expenditure on charitable activities**

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

## Principal accounting policies

### Tangible fixed assets

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

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

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

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

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

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

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

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

## **Principal accounting policies**

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

### **Investments**

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

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

### **Debtors**

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

### **Cash at bank and in hand**

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

### **Liabilities**

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

### **Provisions**

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



## Principal accounting policies

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.

## Fund accounting

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

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

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

## Leased assets

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

## Financial instruments

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

*Financial assets* – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments. Amounts due from Ark Schools' wholly owned subsidiary is held at face value less any impairment. Listed investments held by Ark Schools are also considered to be basic financial instruments. The investments are initially recognised at cost and subsequently carried on the balance sheet fair value. Changes in the fair value are reflected as investment gains or losses through the statement of financial activities.

*Cash at bank* – is classified as a basic financial instrument and is measured at face value.

*Financial liabilities* – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

## **Principal accounting policies**

### **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.

### **Pensions Benefits**

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

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

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

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

## **Principal accounting policies**

### **Critical accounting estimates and areas of judgement**

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

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

- ◆ 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 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- ◆ The net book value of tangible fixed assets is based on the original cost of the asset net of provision for depreciation. The depreciation provision to date is based on the directors' assessment of the estimated useful economic lives of such assets.
- ◆ The values attributed to properties donated to Ark Schools are initially recognised either based on an independent professional valuation or through an estimate determined by Ark Schools' management. The property's condition, the nature of educational use, and the geographical location are taken into consideration in estimating the value.

## Notes to the financial statements 31 August 2019

### 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 2019 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises / capital purposes. No schools within the Ark Schools network exceeded these limits during the year ended 31 August 2019.

### 2. Donations and capital grants

| <b>2019</b>                                            | Unrestricted<br>general<br>funds<br>£'000 | Restricted<br>general<br>funds<br>£'000 | Restricted<br>fixed assets<br>fund<br>£,000 | <b>2019<br/>Total<br/>funds<br/>£'000</b> | 2018<br>Total<br>funds<br>£'000 |
|--------------------------------------------------------|-------------------------------------------|-----------------------------------------|---------------------------------------------|-------------------------------------------|---------------------------------|
| Donation from Ark (note 24)                            | 100                                       | 262                                     | —                                           | <b>362</b>                                | 1,907                           |
| Tangible fixed assets donated by DfE/local authorities | —                                         | —                                       | 483                                         | <b>483</b>                                | 45,431                          |
| Donations – other                                      | 47                                        | 4,969                                   | —                                           | <b>5,016</b>                              | 7,744                           |
| Grant from Ark UK Programmes (note 24)                 | —                                         | —                                       | —                                           | —                                         | 232                             |
| Endowment withdrawal from Ark UK Programmes (note 24)  | —                                         | —                                       | 390                                         | <b>390</b>                                | —                               |
| Donations – capital grant ESFA                         | —                                         | —                                       | 4,236                                       | <b>4,236</b>                              | 1,984                           |
| Devolved formula capital allocations                   | —                                         | —                                       | 1,746                                       | <b>1,746</b>                              | 676                             |
| Academy main building grants                           | —                                         | —                                       | 22,395                                      | <b>22,395</b>                             | 8,747                           |
| Local authority ICT capital grants                     | —                                         | 642                                     | —                                           | <b>642</b>                                | 671                             |
|                                                        | <b>147</b>                                | <b>5,873</b>                            | <b>29,250</b>                               | <b>35,270</b>                             | <b>67,392</b>                   |

| <b>2018</b>                                                      | Unrestricted<br>general<br>funds<br>£'000 | Restricted<br>general<br>funds<br>£'000 | Restricted<br>fixed assets<br>fund<br>£,000 | <b>2018<br/>Total<br/>funds<br/>£'000</b> |
|------------------------------------------------------------------|-------------------------------------------|-----------------------------------------|---------------------------------------------|-------------------------------------------|
| Donation from Ark (note 24)                                      | 1,907                                     | —                                       | —                                           | 1,907                                     |
| Tangible fixed assets donated by DfE/local authorities (note 12) | —                                         | —                                       | 45,431                                      | 45,431                                    |
| Donations – other                                                | 200                                       | 7,544                                   | —                                           | 7,744                                     |
| Grant from Ark UK Programmes                                     | —                                         | 232                                     | —                                           | 232                                       |
| Donations – capital grant ESFA                                   | —                                         | —                                       | 1,984                                       | 1,984                                     |
| Devolved formula capital allocations                             | —                                         | —                                       | 676                                         | 676                                       |
| Academy main building grants                                     | —                                         | —                                       | 8,747                                       | 8,747                                     |
| Local authority ICT capital grants                               | —                                         | 671                                     | —                                           | 671                                       |
|                                                                  | <b>2,107</b>                              | <b>8,447</b>                            | <b>56,838</b>                               | <b>67,392</b>                             |

Ark UK Programmes provide grants to support specific network wide activities undertaken by Ark Schools.

## Notes to the financial statements 31 August 2019

### 3. Other trading activities

|                    | Unrestricted<br>general<br>funds<br>£'000 | Restricted<br>general<br>funds<br>£'000   | 2019<br>Total<br>funds<br>£'000         | 2018<br>Total<br>funds<br>£'000 |
|--------------------|-------------------------------------------|-------------------------------------------|-----------------------------------------|---------------------------------|
| <b>2019</b>        |                                           |                                           |                                         |                                 |
| Nursery fees       | 683                                       | —                                         | <b>683</b>                              | 626                             |
| Hire of facilities | 1,505                                     | —                                         | <b>1,505</b>                            | 1,470                           |
|                    | <b>2,188</b>                              | <b>—</b>                                  | <b>2,188</b>                            | <b>2,096</b>                    |
|                    |                                           |                                           |                                         |                                 |
|                    |                                           | Unrestricted<br>general<br>funds<br>£'000 | Restricted<br>general<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
| <b>2018</b>        |                                           |                                           |                                         |                                 |
| Nursery fees       |                                           | 626                                       | —                                       | 626                             |
| Hire of facilities |                                           | 1,470                                     | —                                       | 1,470                           |
|                    |                                           | <b>2,096</b>                              | <b>—</b>                                | <b>2,096</b>                    |

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

|                                           | Unrestricted<br>general<br>funds<br>£'000 | Restricted<br>general<br>funds<br>£'000 | 2019<br>Total<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
|-------------------------------------------|-------------------------------------------|-----------------------------------------|---------------------------------|---------------------------------|
| <b>2019</b>                               |                                           |                                         |                                 |                                 |
| <b>DfE/ESFA revenue grants</b>            |                                           |                                         |                                 |                                 |
| General annual grant (GAG)                | —                                         | 157,449                                 | <b>157,449</b>                  | 135,369                         |
| Start-up A                                | —                                         | 190                                     | <b>190</b>                      | 350                             |
| Start-up B                                | —                                         | —                                       | <b>—</b>                        | 152                             |
| DfE Lead in and implementation income     | —                                         | —                                       | <b>—</b>                        | 6                               |
| Other DfE/ESFA grants                     | —                                         | 13,890                                  | <b>13,890</b>                   | 11,113                          |
|                                           | <b>—</b>                                  | <b>171,529</b>                          | <b>171,529</b>                  | <b>146,990</b>                  |
| <b>Other grants</b>                       |                                           |                                         |                                 |                                 |
| Local authority funding                   | —                                         | 7,426                                   | <b>7,426</b>                    | 5,529                           |
| Extended schools programme                | 480                                       | —                                       | <b>480</b>                      | 556                             |
| Miscellaneous grants                      | —                                         | 815                                     | <b>815</b>                      | 1,038                           |
|                                           | <b>480</b>                                | <b>8,241</b>                            | <b>8,721</b>                    | <b>7,123</b>                    |
| <b>Other income</b>                       |                                           |                                         |                                 |                                 |
| School meals income                       | 3,049                                     | —                                       | <b>3,049</b>                    | 3,192                           |
| School uniform sales                      | 90                                        | —                                       | <b>90</b>                       | 121                             |
| Parent contributions to school trip costs | 604                                       | —                                       | <b>604</b>                      | 621                             |
|                                           | <b>3,743</b>                              | <b>—</b>                                | <b>3,743</b>                    | <b>3,934</b>                    |
|                                           | <b>4,223</b>                              | <b>179,770</b>                          | <b>183,993</b>                  | <b>158,047</b>                  |

## Notes to the financial statements 31 August 2019

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

|                                           | Unrestricted<br>general<br>funds<br>£'000 | Restricted<br>general<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
|-------------------------------------------|-------------------------------------------|-----------------------------------------|---------------------------------|
| <b>2018</b>                               |                                           |                                         |                                 |
| <b>DfE/ESFA revenue grants</b>            |                                           |                                         |                                 |
| General annual grant (GAG)                | —                                         | 135,369                                 | 135,369                         |
| Start-up A                                | —                                         | 350                                     | 350                             |
| Start-up B                                | —                                         | 152                                     | 152                             |
| DfE Lead in and implementation income     | —                                         | 6                                       | 6                               |
| Other DfE/ESFA grants                     | —                                         | 11,113                                  | 11,113                          |
|                                           | —                                         | 146,990                                 | 146,990                         |
| <b>Other grants</b>                       |                                           |                                         |                                 |
| Local authority funding                   | —                                         | 5,529                                   | 5,529                           |
| Extended schools programme                | 556                                       | —                                       | 556                             |
| Miscellaneous grants                      | —                                         | 1,038                                   | 1,038                           |
|                                           | 556                                       | 6,567                                   | 7,123                           |
| <b>Other income</b>                       |                                           |                                         |                                 |
| School meals income                       | 3,192                                     | —                                       | 3,192                           |
| School uniform sales                      | 121                                       | —                                       | 121                             |
| Parent contributions to school trip costs | 621                                       | —                                       | 621                             |
|                                           | 3,934                                     | —                                       | 3,934                           |
|                                           | 4,490                                     | 153,557                                 | 158,047                         |

### 5. Project management grants

|                     | Unrestricted<br>general<br>funds<br>£'000 | Restricted<br>general<br>funds<br>£'000 | 2019<br>Total<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
|---------------------|-------------------------------------------|-----------------------------------------|---------------------------------|---------------------------------|
| Academies programme | —                                         | 591                                     | 591                             | —                               |

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

### 6. Other income

|                      | Unrestricted<br>general<br>funds<br>£'000 | Restricted<br>general<br>funds<br>£'000 | 2019<br>Total<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
|----------------------|-------------------------------------------|-----------------------------------------|---------------------------------|---------------------------------|
| <b>2019</b>          |                                           |                                         |                                 |                                 |
| Miscellaneous income | 4,612                                     | —                                       | 4,612                           | 3,763                           |
|                      |                                           |                                         |                                 |                                 |
| <b>2018</b>          |                                           |                                         |                                 |                                 |
| Miscellaneous income |                                           | 3,763                                   | —                               | 3,763                           |

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

## Notes to the financial statements 31 August 2019

### 7. Expenditure

| <b>2019</b>                      | <b>Staff<br/>costs<br/>£'000</b> | <b>Premises<br/>£'000</b> | <b>Other<br/>costs<br/>£'000</b> | <b>Total<br/>2019<br/>£'000</b> | <b>Total<br/>2018<br/>£'000</b> |
|----------------------------------|----------------------------------|---------------------------|----------------------------------|---------------------------------|---------------------------------|
| Raising funds (note 8a)          |                                  |                           |                                  |                                 |                                 |
| . Direct costs                   | 513                              | 6                         | 8                                | 527                             | 483                             |
| . Support costs                  | 217                              | 170                       | 22                               | 409                             | 404                             |
|                                  | <u>730</u>                       | <u>176</u>                | <u>30</u>                        | <u>936</u>                      | <u>887</u>                      |
| Educational operations (note 8b) |                                  |                           |                                  |                                 |                                 |
| . Direct costs                   | 96,072                           | 17,963                    | 10,072                           | 124,107                         | 109,303                         |
| . Educational support costs      | 56,896                           | 14,771                    | 18,620                           | 90,287                          | 86,037                          |
| . Governance costs (note 8c)     | —                                | —                         | 159                              | 159                             | 158                             |
|                                  | <u>152,968</u>                   | <u>32,734</u>             | <u>28,851</u>                    | <u>214,553</u>                  | <u>195,498</u>                  |
| Development costs (note 8d)      | 13                               | 226                       | 2,382                            | 2,621                           | 2,457                           |
| Teaching School (note 28)        | 55                               | —                         | 3                                | 58                              | —                               |
|                                  | <u>153,766</u>                   | <u>33,136</u>             | <u>31,266</u>                    | <u>218,168</u>                  | <u>198,842</u>                  |

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

|                                              |        |        |
|----------------------------------------------|--------|--------|
| Operating lease rentals                      |        |        |
| . Plant and machinery                        | 858    | 817    |
| Depreciation                                 | 17,969 | 14,880 |
| Loss on disposal of fixed assets (note 8(a)) | —      | 2,296  |
| Fees payable to external auditor for:        |        |        |
| . Audit services                             | 120    | 105    |
| . Other services                             | 33     | 20     |
| Cash losses                                  | 3      | 34     |

| <b>2018</b>                     | <b>Staff<br/>costs<br/>£'000</b> | <b>Premises<br/>£'000</b> | <b>Other<br/>costs<br/>£'000</b> | <b>Total<br/>2018<br/>£'000</b> |
|---------------------------------|----------------------------------|---------------------------|----------------------------------|---------------------------------|
| Raising funds (note 8a)         |                                  |                           |                                  |                                 |
| . Direct costs                  | 473                              | —                         | 10                               | 483                             |
| . Support costs                 | 242                              | 142                       | 20                               | 404                             |
|                                 | <u>715</u>                       | <u>142</u>                | <u>30</u>                        | <u>887</u>                      |
| Charitable activities (note 8b) |                                  |                           |                                  |                                 |
| . Direct costs                  | 84,716                           | 14,879                    | 9,708                            | 109,303                         |
| . Educational support costs     | 52,558                           | 12,975                    | 20,504                           | 86,037                          |
| . Governance costs (note 8c)    | —                                | —                         | 158                              | 158                             |
|                                 | <u>137,274</u>                   | <u>27,854</u>             | <u>30,370</u>                    | <u>195,498</u>                  |
| Development costs (note 8d)     | 16                               | 495                       | 1,946                            | 2,457                           |
| Teaching School (note 28)       | —                                | —                         | —                                | —                               |
|                                 | <u>138,005</u>                   | <u>28,491</u>             | <u>32,346</u>                    | <u>198,842</u>                  |

## Notes to the financial statements 31 August 2019

### 8a. Cost of raising funds

|                      | 2019<br>Total<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
|----------------------|---------------------------------|---------------------------------|
| Lettings and nursery | 936                             | 887                             |

The surplus from trading activities totalled £1.3m in the year (2018: surplus of £1.1m).

See note 13.

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

|                                            | 2019<br>Total<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
|--------------------------------------------|---------------------------------|---------------------------------|
| <b>Direct costs</b>                        |                                 |                                 |
| Staff costs                                | 96,073                          | 84,716                          |
| Depreciation (note 13)                     | 17,963                          | 14,880                          |
| Educational supplies                       | 3,693                           | 3,586                           |
| Examination fees                           | 1,567                           | 1,288                           |
| Transport costs                            | 170                             | 174                             |
| Other pupil support costs                  | 3,628                           | 3,411                           |
| Extended schools programme                 | 1,013                           | 1,248                           |
|                                            | <b>124,107</b>                  | <b>109,303</b>                  |
| <b>Educational support costs</b>           |                                 |                                 |
| Staff costs                                | 56,896                          | 52,558                          |
| Recruitment and other staff costs          | 3,111                           | 2,656                           |
| Catering contract                          | 4,965                           | 4,942                           |
| Printing and stationery                    | 1,833                           | 1,606                           |
| Office overhead                            | 387                             | 436                             |
| Heat and light                             | 3,152                           | 2,678                           |
| Premises (including buildings insurance)   | 11,622                          | 10,276                          |
| Technology costs                           | 1,147                           | 1,714                           |
| Other insurance costs                      | —                               | 22                              |
| Finance costs and interest/charges payable | 586                             | 944                             |
| Other expenses                             | 6,239                           | 5,624                           |
| Small equipment less than £2,000 expensed  | 349                             | 285                             |
| Loss on disposal of tangible fixed assets  | —                               | 2,296                           |
|                                            | <b>90,287</b>                   | <b>86,037</b>                   |
| Governance costs (note 9b)                 | 159                             | 158                             |
|                                            | <b>214,553</b>                  | <b>195,498</b>                  |



## Notes to the financial statements 31 August 2019

### 8c. Governance costs

|                                                  | 2019<br>Total<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
|--------------------------------------------------|---------------------------------|---------------------------------|
| Audit of group financial statements*             |                                 |                                 |
| · Current year                                   | 111                             | 105                             |
| · Prior year                                     | 9                               | —                               |
| · Other compliance costs                         | 1                               | 20                              |
| Other expenses including internal audit services | 38                              | 33                              |
|                                                  | <b>159</b>                      | <b>158</b>                      |

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

### 8d. Other development costs

|                                            | 2019<br>Total<br>funds<br>£'000 | 2018<br>Total<br>funds<br>£'000 |
|--------------------------------------------|---------------------------------|---------------------------------|
| <b>Project implementation</b>              |                                 |                                 |
| Staff costs (note 9)                       | 13                              | 16                              |
| Building costs                             | 226                             | 495                             |
| Project implementation                     | 109                             | 21                              |
| Research and marketing                     | 234                             | 282                             |
| Miscellaneous costs                        | 82                              | 26                              |
|                                            | <b>664</b>                      | <b>840</b>                      |
| <b>Continuing professional development</b> |                                 |                                 |
| Education development                      | 485                             | 254                             |
| Staff training and induction               | 1,472                           | 1,363                           |
|                                            | <b>1,957</b>                    | <b>1,617</b>                    |
|                                            | <b>2,621</b>                    | <b>2,457</b>                    |

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

## 9. Staff

### a. Staff costs

Staff costs during the period were as follows:

|                       | 2019<br>£'000  | 2018<br>£'000  |
|-----------------------|----------------|----------------|
| Wages and salaries    | 112,576        | 101,700        |
| Social security costs | 11,515         | 9,760          |
| Pension costs         | 21,238         | 19,608         |
| Apprenticeship levy   | 545            | 495            |
|                       | <b>145,874</b> | <b>131,563</b> |
| Supply staff costs    | 6,765          | 5,721          |
| Reorganisation costs  | 1,127          | 721            |
|                       | <b>153,766</b> | <b>138,005</b> |

# Notes to the financial statements 31 August 2019

## 9. Staff (continued)

### b. Staff severance payments

Included in staff reorganisation costs were non-statutory/non-contractual severance payments totalling £423,513 (2018: £317,850). Individually the payments were: £650, £1,100, £2,000, £2,000, £2,736, £3,087, £3,448, £3,553, £7,000, £7,000, £7,939, £8,000, £8,500, £10,000, £14,000, £15,000, £15,000, £15,500, £17,000, £20,000, £30,000, £30,000 and £200,000.

Ark schools accounts for the financial year 2018-19 show a one-off staff settlement of £200,000, which was agreed in connection with a historical Employment Tribunal case. The ESFA approved the settlement, as is required under the Academies Financial Handbook. The details of the case and settlement are confidential. Although Ark Schools did not admit legal liability, this case revealed shortcomings in our HR processes that we have now corrected.

Ark Schools always strives to resolve employment issues in a fair and reasonable manner, while balancing the need to protect public funds.

### c. Staff numbers

The average full-time equivalent number of persons employed by the group during the year ended 31 August 2019, analysed by function, was as follows:

|                                            | 2019<br>No.  | 2018<br>No.  |
|--------------------------------------------|--------------|--------------|
| <b>Charitable activities</b>               |              |              |
| Teachers                                   | 1,605        | 1,507        |
| Education support and administration staff | 1,403        | 1,395        |
| Projects and management staff              | 62           | 69           |
|                                            | <b>3,070</b> | <b>2,971</b> |

The average gross number of persons employed by the group during the year ended 31 August 2019, analysed by function, was as follows:

|                                            | 2019<br>No.  | 2018<br>No.  |
|--------------------------------------------|--------------|--------------|
| <b>Charitable activities</b>               |              |              |
| Teachers                                   | 1,659        | 1,569        |
| Education support and administration staff | 1,786        | 1,749        |
| Projects and management staff              | 64           | 73           |
|                                            | <b>3,509</b> | <b>3,391</b> |

## Notes to the financial statements 31 August 2019

### 9. Staff (continued)

#### d. Higher paid staff

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

|                     | 2019<br>Number | 2018<br>Number |
|---------------------|----------------|----------------|
| £60,001 - £70,000   | 114            | 91             |
| £70,001 - £80,000   | 30             | 32             |
| £80,001 - £90,000   | 22             | 17             |
| £90,001 - £100,000  | 8              | 13             |
| £100,001 - £110,000 | 11             | 7              |
| £110,001 - £120,000 | 2              | 7              |
| £120,001 - £130,000 | 2              | 3              |
| £130,001 - £140,000 | 4              | 2              |
| £140,001 - £150,000 | —              | —              |
| £150,001 - £160,000 | —              | 2              |
| £160,001 - £170,000 | —              | 1              |
| £170,001 - £180,000 | 3              | 2              |
| £180,001 - £190,000 | —              | 1              |
|                     | <b>196</b>     | <b>178</b>     |

Employer pension contributions to the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) or the Pensions Trust relating to the above staff during the year amounted to £2,178,614 (2018: £1,931,660).

### 10. Key management personnel

The key management personnel of Ark Schools comprise the directors and the Senior Management Team as listed on page 1. The total amount of employee benefits (including pension and social security contributions) received by the key management personnel for their services to Ark Schools was £503,537 (2018: £596,979).

The total amount of employee benefits paid by Ark Schools received by the Managing Director, Lucy Heller, was nil (2018: nil). The total paid to the Managing Director, including payments made by the sponsor organisation, Absolute Return for Kids ("Ark"), by way of employment as the CEO of Ark, was £191,017 (2018: £189,769). There was an additional £19,102 paid in lieu of 10% pensions (2018: £18,977).

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

## **Notes to the financial statements 31 August 2019**

### **11. Central services/Holdback**

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

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

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

# Notes to the financial statements 31 August 2019

## 11. Central services/Holdback (continued)

|                                      | 2019<br>£'000 | 2018<br>£'000 |
|--------------------------------------|---------------|---------------|
| <b>All through Schools</b>           |               |               |
| Ark                                  | 375           | 361           |
| Burlington Danes                     | 398           | 384           |
| Globe                                | 378           | 389           |
| Isaac Newton                         | 350           | 318           |
| John Keats                           | 324           | 246           |
| Kings                                | 227           | 212           |
| King Solomon                         | 214           | 213           |
| Victoria                             | 325           | 68            |
| <b>Secondary Schools</b>             |               |               |
| Acton                                | 350           | —             |
| All Saints                           | 230           | 215           |
| Bolingbroke                          | 194           | 171           |
| Boulton                              | 255           | 251           |
| Charter                              | 222           | 199           |
| Elvin                                | 245           | 262           |
| Evelyn Grace                         | 256           | 266           |
| Greenwich                            | 169           | —             |
| Helenswood                           | 181           | 192           |
| Putney                               | 203           | 182           |
| St Alban's                           | 225           | 215           |
| Walworth                             | 340           | 349           |
| William Parker                       | 135           | 120           |
| <b>Primary Schools</b>               |               |               |
| Atwood                               | 81            | 84            |
| Ayrton                               | 87            | 85            |
| Bentworth                            | 48            | 49            |
| Brunel                               | 83            | 81            |
| Blacklands                           | 87            | 82            |
| Byron                                | 49            | 38            |
| Castledown                           | 67            | 72            |
| Chamberlain                          | —             | 116           |
| Conway                               | 53            | 49            |
| Dickens                              | 92            | 93            |
| Franklin                             | 117           | 122           |
| John Archer                          | 72            | —             |
| Little Ridge                         | 67            | 62            |
| Oval                                 | 102           | 94            |
| Paddington Green                     | 52            | 63            |
| Priory                               | 66            | 58            |
| Swift                                | 70            | 69            |
| Tindal                               | 85            | 85            |
| <b>Total central services income</b> | <b>6,874</b>  | <b>5,915</b>  |

# Notes to the financial statements 31 August 2019

## 12. Tangible fixed assets

| Group                             | Freehold land and buildings<br>£'000 | Long leasehold buildings<br>£'000 | Leasehold improvements<br>£'000 | IT equipment<br>£'000 | Furniture, and equipment<br>£'000 | Motor vehicles<br>£'000 | Assets under construction<br>£'000 | Total<br>£'000 |
|-----------------------------------|--------------------------------------|-----------------------------------|---------------------------------|-----------------------|-----------------------------------|-------------------------|------------------------------------|----------------|
| <b>Cost</b>                       |                                      |                                   |                                 |                       |                                   |                         |                                    |                |
| At 1 September 2018               | —                                    | 478,860                           | —                               | 22,047                | 20,205                            | 101                     | 8,070                              | 529,283        |
| Reclassification                  | —                                    | (8,020)                           | 8,383                           | —                     | (363)                             | —                       | —                                  | —              |
| Additions                         | —                                    | 15                                | 2,628                           | 6,058                 | 871                               | 13                      | 22,955                             | 32,540         |
| Transfers                         | —                                    | —                                 | 60                              | —                     | 542                               | —                       | (602)                              | —              |
| Transfer from Local Authority     | —                                    | 14,600                            | —                               | —                     | —                                 | —                       | —                                  | 14,600         |
| Transfer from other Academy Trust | 16,550                               | —                                 | —                               | 23                    | 25                                | —                       | —                                  | 16,598         |
| Disposals                         | —                                    | —                                 | —                               | (1,809)               | —                                 | —                       | —                                  | (1,809)        |
| At 31 August 2019                 | 16,550                               | 485,455                           | 11,071                          | 26,319                | 21,280                            | 114                     | 30,423                             | 591,212        |
| <b>Depreciation</b>               |                                      |                                   |                                 |                       |                                   |                         |                                    |                |
| At 1 September 2018               | —                                    | 53,133                            | —                               | 19,943                | 14,475                            | 90                      | —                                  | 87,641         |
| Reclassification                  | —                                    | (783)                             | 874                             | —                     | (91)                              | —                       | —                                  | —              |
| Charge for the year               | 236                                  | 10,050                            | 452                             | 5,059                 | 2,162                             | 10                      | —                                  | 17,969         |
| Disposals                         | —                                    | —                                 | —                               | (1,809)               | —                                 | —                       | —                                  | (1,809)        |
| At 31 August 2019                 | 236                                  | 62,400                            | 1,326                           | 23,193                | 16,546                            | 100                     | —                                  | 103,801        |
| <b>Net book value</b>             |                                      |                                   |                                 |                       |                                   |                         |                                    |                |
| At 31 August 2019                 | 16,314                               | 423,055                           | 9,745                           | 3,126                 | 4,734                             | 14                      | 30,423                             | 487,411        |
| At 31 August 2018                 | —                                    | 425,727                           | —                               | 2,104                 | 5,730                             | 11                      | 8,070                              | 441,642        |

| Ark Schools                       | Freehold land and buildings<br>£'000 | Long leasehold buildings<br>£'000 | Leasehold improvements<br>£'000 | IT equipment<br>£'000 | Furniture, and equipment<br>£'000 | Motor vehicles<br>£'000 | Assets under construction<br>£'000 | Total<br>£'000 |
|-----------------------------------|--------------------------------------|-----------------------------------|---------------------------------|-----------------------|-----------------------------------|-------------------------|------------------------------------|----------------|
| <b>Cost</b>                       |                                      |                                   |                                 |                       |                                   |                         |                                    |                |
| At 1 September 2018               | —                                    | 478,860                           | —                               | 22,047                | 20,205                            | 101                     | 8,070                              | 529,283        |
| Reclassification                  | —                                    | (8,020)                           | 8,383                           | —                     | (363)                             | —                       | —                                  | —              |
| Additions                         | —                                    | 15                                | 2,628                           | 6,058                 | 848                               | 13                      | 22,955                             | 32,517         |
| Transfers                         | —                                    | —                                 | 60                              | —                     | 542                               | —                       | (602)                              | —              |
| Transfer from Local Authority     | —                                    | 14,600                            | —                               | —                     | —                                 | —                       | —                                  | 14,600         |
| Transfer from other Academy Trust | 16,550                               | —                                 | —                               | 23                    | 25                                | —                       | —                                  | 16,598         |
| Disposals                         | —                                    | —                                 | —                               | (1,809)               | —                                 | —                       | —                                  | (1,809)        |
| At 31 August 2019                 | 16,550                               | 485,455                           | 11,071                          | 26,319                | 21,257                            | 114                     | 30,423                             | 591,189        |
| <b>Depreciation</b>               |                                      |                                   |                                 |                       |                                   |                         |                                    |                |
| At 1 September 2018               | —                                    | 53,133                            | —                               | 19,943                | 14,475                            | 90                      | —                                  | 87,641         |
| Reclassification                  | —                                    | (783)                             | 874                             | —                     | (91)                              | —                       | —                                  | —              |
| Charge for the year               | 236                                  | 10,050                            | 452                             | 5,059                 | 2,156                             | 10                      | —                                  | 17,963         |
| Disposals                         | —                                    | —                                 | —                               | (1,809)               | —                                 | —                       | —                                  | (1,809)        |
| At 31 August 2019                 | 236                                  | 62,400                            | 1,326                           | 23,193                | 16,540                            | 100                     | —                                  | 103,795        |
| <b>Net book value</b>             |                                      |                                   |                                 |                       |                                   |                         |                                    |                |
| At 31 August 2019                 | 16,314                               | 423,055                           | 9,745                           | 3,126                 | 4,717                             | 14                      | 30,423                             | 487,394        |
| At 31 August 2018                 | —                                    | 425,727                           | —                               | 2,104                 | 5,730                             | 11                      | 8,070                              | 441,642        |

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.

Of the assets under construction at the balance sheet date of £27.8m relates to the planning, development and construction costs associated with the Ark Pioneer building project.

## Notes to the financial statements 31 August 2019

### 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 2019, which has been included in the consolidated financial statements.

During the year ended 31 August 2019, 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.

|                                                                        | 2019<br>£'000 | 2018<br>£'000 |
|------------------------------------------------------------------------|---------------|---------------|
| Turnover                                                               | 2,188         | 2,016         |
| Cost of sales                                                          | (934)         | (885)         |
| Gross profit                                                           | 1,254         | 1,131         |
| Administrative expenses                                                | (2)           | (2)           |
| Other income                                                           | —             | —             |
| Retained profit before charitable donation under Gift Aid at 31 August | 1,252         | 1,129         |
| Charitable donation under Gift Aid                                     | (1,252)       | (1,129)       |
| Retained profit after charitable donation under Gift Aid at 31 August  | —             | —             |
| Retained earnings brought forward at 1 September 2018                  | —             | —             |
| Retained earnings brought forward at 31 August 2019                    | —             | —             |

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

### 14. Debtors

|                                | Group<br>2019<br>£'000 | Ark<br>Schools<br>2019<br>£'000 | Group<br>2018<br>£'000 | Ark<br>Schools<br>2018<br>£'000 |
|--------------------------------|------------------------|---------------------------------|------------------------|---------------------------------|
| Trade debtors                  | 1,379                  | 1,366                           | 3,461                  | 3,461                           |
| Amounts due from DfE/ESFA      | 3,386                  | 3,386                           | 2,367                  | 2,367                           |
| Sponsorship due from Ark       | 8,578                  | 8,578                           | 8,233                  | 8,233                           |
| Other debtors                  | 23                     | 23                              | 374                    | 374                             |
| Prepayments and accrued income | 5,157                  | 5,157                           | 2,821                  | 2,821                           |
| Amounts due from subsidiary    | —                      | 1,252                           | —                      | 1,129                           |
| VAT recoverable                | 4,107                  | 4,108                           | 2,722                  | 2,722                           |
|                                | 22,630                 | 23,870                          | 19,978                 | 21,107                          |

## Notes to the financial statements 31 August 2019

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

|                                  | <b>Group</b>  | <b>Ark</b>     | (restated)    | (restated)    |
|----------------------------------|---------------|----------------|---------------|---------------|
|                                  | <b>2019</b>   | <b>Schools</b> | <b>Group</b>  | <b>Ark</b>    |
|                                  | <b>£'000</b>  | <b>2019</b>    | <b>2018</b>   | <b>2018</b>   |
|                                  |               | <b>£'000</b>   | <b>£'000</b>  | <b>£'000</b>  |
| Trade creditors                  | 6,391         | 6,390          | 6,285         | 6,285         |
| Taxation and social security     | 2,827         | 2,827          | 2,613         | 2,613         |
| Accruals                         | 8,326         | 8,326          | 6,890         | 6,890         |
| Deferred income                  | 9,316         | 9,316          | 9,039         | 9,039         |
| ESFA creditor – abatement of GAG | 1,921         | 1,921          | 654           | 654           |
| Other creditors                  | 1,072         | 864            | 1,699         | 1,699         |
| Amounts owed to subsidiary       | —             | 1,253          | —             | 1,129         |
|                                  | <b>29,853</b> | <b>30,897</b>  | <b>27,180</b> | <b>28,309</b> |

|                                      | <b>2019</b>  | (restated)   |
|--------------------------------------|--------------|--------------|
|                                      | <b>£'000</b> | <b>2018</b>  |
|                                      |              | <b>£'000</b> |
| <b>Deferred income</b>               |              |              |
| Deferred income at 1 September 2018  | 9,039        | 5,702        |
| Amounts deferred in the year         | 4,104        | 12,127       |
| Amounts released from previous years | (3,827)      | (8,790)      |
| Deferred income at 31 August 2019    | <b>9,316</b> | <b>9,039</b> |

During the year ended 31 August 2019, Ark Schools received funding in advance for Universal Infant Free School Meals for the period September 2019 to March 2020 and from Local Authority sources (Special Educational Needs, Early Years and Foundation Stage and other Local Authority income).

Please refer to note 16 for further information regarding the restatement of comparative information.



## Notes to the financial statements 31 August 2019

### 16. Funds

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

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

#### Restricted fixed assets fund

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

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

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

## Notes to the financial statements 31 August 2019

### 16. Funds (continued)

#### Restricted general funds

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

The principal funding receivable from the government is the General Annual Grant (GAG) provided by the ESFA. Under the funding agreement with the Secretary of State, Ark Schools was subject to limits on the amount of GAG that it could carry forward at 31 August 2019. Note 1 discloses that these limits were not exceeded. Transfers from other restricted funds or unrestricted funds to the GAG fund have been made in order to cover the deficit which would otherwise have existed in this fund.

#### Pension reserve

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

#### Unrestricted funds

The unrestricted general funds represent monies which may be applied for any purpose within the Ark Schools' objects. The designated fund balances relate to amounts earmarked by the directors of Ark Schools for specific future projects which will need to be met either in part or fully from Ark Schools' unrestricted funds. The directors of Ark Schools have designated £11.1m (2018: £8.3m) of unrestricted reserves for the upgrade of capital assets and building works that will be required over the next 3 – 5 years.

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

#### Analysis of fund balance by academy

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

- Total **revenue reserves**, comprising the aggregate balance of the restricted general funds and unrestricted funds;
- Total **capital reserves**, being funding received, but unspent at the balance sheet date. These balances are included as part of Ark Schools' restricted fixed assets fund.
- Total **IT capital fund**, 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 2019

### 16. Funds (continued)

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

|                            | 2019<br>Total<br>revenue<br>reserves<br>£'000 | 2019<br>Total<br>capital<br>reserves<br>£'000 | 2019<br>Total<br>IT capital<br>fund<br>£'000 | 2019<br>Total<br>reserves<br>£'000 | (restated)<br>2018<br>Total<br>reserves<br>£'000 |
|----------------------------|-----------------------------------------------|-----------------------------------------------|----------------------------------------------|------------------------------------|--------------------------------------------------|
| <b>All through Schools</b> |                                               |                                               |                                              |                                    |                                                  |
| Ark                        | 810                                           | 104                                           | 108                                          | 1,022                              | 147                                              |
| Burlington Danes           | 504                                           | 128                                           | —                                            | 632                                | 1,505                                            |
| Globe                      | 862                                           | 70                                            | —                                            | 932                                | 954                                              |
| Isaac Newton               | 60                                            | 76                                            | —                                            | 136                                | 163                                              |
| John Keats                 | 526                                           | 53                                            | 50                                           | 629                                | 221                                              |
| Kings                      | 973                                           | 103                                           | 77                                           | 1,153                              | 405                                              |
| King Solomon               | 2,315                                         | 1                                             | 36                                           | 2,352                              | 2,630                                            |
| Victoria                   | 656                                           | 146                                           | 147                                          | 949                                | (645)                                            |
| <b>Secondary Schools</b>   |                                               |                                               |                                              |                                    |                                                  |
| Acton                      | 138                                           | —                                             | —                                            | 138                                | —                                                |
| All Saints                 | 923                                           | 52                                            | —                                            | 975                                | 919                                              |
| Bolingbroke                | (1,364)                                       | 8                                             | —                                            | (1,356)                            | (766)                                            |
| Boulton                    | 666                                           | 108                                           | 90                                           | 864                                | 795                                              |
| Charter                    | (601)                                         | 13                                            | —                                            | (588)                              | (462)                                            |
| Elvin                      | 345                                           | 122                                           | —                                            | 467                                | 540                                              |
| Evelyn Grace               | 1,007                                         | 102                                           | 65                                           | 1,174                              | 908                                              |
| Greenwich                  | 939                                           | 41                                            | —                                            | 980                                | —                                                |
| Helenswood                 | (1,129)                                       | 41                                            | —                                            | (1,088)                            | (323)                                            |
| Putney                     | (1,725)                                       | 51                                            | —                                            | (1,674)                            | (1,592)                                          |
| St Alban's                 | (394)                                         | 45                                            | —                                            | (349)                              | (400)                                            |
| Walworth                   | 376                                           | 71                                            | 106                                          | 553                                | 812                                              |
| William Parker             | (2,122)                                       | 51                                            | —                                            | (2,071)                            | (1,021)                                          |
| <b>Primary Schools</b>     |                                               |                                               |                                              |                                    |                                                  |
| Atwood                     | 458                                           | 45                                            | —                                            | 503                                | 386                                              |
| Ayrton                     | 419                                           | 13                                            | —                                            | 432                                | 525                                              |
| Bentworth                  | 19                                            | —                                             | 10                                           | 29                                 | 24                                               |
| Brunel                     | 223                                           | —                                             | —                                            | 223                                | 303                                              |
| Blacklands                 | 136                                           | 28                                            | —                                            | 164                                | 383                                              |
| Byron                      | 15                                            | 55                                            | —                                            | 70                                 | 21                                               |
| Castledown                 | 431                                           | 31                                            | —                                            | 462                                | 150                                              |
| Chamberlain                | —                                             | —                                             | —                                            | —                                  | 1,059                                            |
| Conway                     | 165                                           | 25                                            | 6                                            | 196                                | 79                                               |
| Dickens                    | 564                                           | 39                                            | —                                            | 603                                | 487                                              |
| Franklin                   | 913                                           | 63                                            | —                                            | 976                                | 736                                              |
| John Archer                | 66                                            | 20                                            | —                                            | 86                                 | —                                                |
| Little Ridge               | 91                                            | —                                             | —                                            | 91                                 | 171                                              |
| Oval                       | (70)                                          | 35                                            | 52                                           | 17                                 | 178                                              |
| Paddington Green           | 102                                           | 31                                            | 10                                           | 143                                | 258                                              |
| Priory                     | 182                                           | 37                                            | —                                            | 219                                | 70                                               |
| Swift                      | (205)                                         | 60                                            | 12                                           | (133)                              | (17)                                             |
| Tindal                     | 1,080                                         | 27                                            | 39                                           | 1,146                              | 1,143                                            |
| Birmingham Teaching School | 40                                            | —                                             | —                                            | 40                                 | —                                                |
| Ark Schools Central        | 6,632                                         | 36                                            | —                                            | 6,668                              | 5,687                                            |
|                            | 15,026                                        | 1,931                                         | 808                                          | 17,765                             | 16,433                                           |

## Notes to the financial statements 31 August 2019

### 16. Funds (continued)

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

|                                                                                 | 2019<br>£'000  | (restated)<br>2018<br>£'000 |
|---------------------------------------------------------------------------------|----------------|-----------------------------|
| Total revenue reserves (as per above)                                           | 15,026         | 15,343                      |
| Fixed asset fund (including unspent capital reserves and IT capital fund above) | 490,131        | 442,732                     |
| Pension reserve                                                                 | (52,733)       | (25,487)                    |
| <b>Total</b>                                                                    | <b>452,424</b> | <b>432,588</b>              |

- Ark Bolingbroke Academy had a net funds deficit of £1,356k as at 31 August 2019 (2018: deficit of £766k). The academy was opened on 1 September 2012 with only one year group and only introduced a sixth form in Sep 2017. It is expected that, as the school increases its sixth form pupils to capacity it will achieve a balance of its funds.
- Ark Charter Academy had a net funds deficit of £588k as at 31 August 2019 (2018: deficit of £462k). The Academy has increased its capacity and it is expected that, as the school grows over the next 4 years, it will reach a balanced financial position.
- Ark Helenswood Academy had a net funds deficit of £1,088k as at 31 August 2019 (2018: deficit of £323k). The merger with Ark William Parker from September 2019 will address the issues of the school with an expectation of financial surpluses within three years. Ark William Parker Academy had a net funds deficit of £2,071k as at the 31 August 2019 (2018: deficit of £1,021k). The merger with Ark Helenswood from September 2019 will address the financial issues with an expectation of financial surpluses within three years.
- Ark Putney Academy had a net funds deficit of £1,674k as at 31 August 2019 (2018: deficit of £1,592k). Ark Schools is continuing to work closely with the academy to ensure a restoration of financial balance in the medium term.
- Ark St Albans Academy had a net funds deficit of £349k as at 31 August 2019 (2018: deficit of £400k). The school has increased its capacity and it is expected that, as the school grows over the next four years, it will reach a balanced financial position.
- Ark Swift Academy had a net funds deficit of £133k as at 31 August 2019 (2018: deficit of £17k). Ark Swift will benefit from a new building as part of the EdCity development. Ark will continue to support the academy over the next couple of years as the site is developed until the financial balance of the school is restored.

## Notes to the financial statements 31 August 2019

### 16. Funds (continued)

#### Comparative information

| Group                                                       | (restated)<br>At 1<br>September<br>2017<br>£'000 | Income<br>£'000 | Expenditure<br>£'000 | Transfers<br>and other<br>gains and<br>losses<br>£'000 | (restated)<br>At 31<br>August<br>2018<br>£'000 |
|-------------------------------------------------------------|--------------------------------------------------|-----------------|----------------------|--------------------------------------------------------|------------------------------------------------|
| <b>Restricted fixed assets fund</b>                         |                                                  |                 |                      |                                                        |                                                |
| DfE fixed assets fund                                       | 157,764                                          | 26,573          | (10,217)             | —                                                      | 174,120                                        |
| Ark sponsorship fixed assets fund                           | 2,746                                            | —               | (686)                | —                                                      | 2,060                                          |
| Devolved Formula Capital and School<br>Condition Allocation | 1,139                                            | 2,661           | (950)                | (50)                                                   | 2,800                                          |
| Other fixed assets funds                                    | 215,202                                          | 50,944          | (5,323)              | 2,929                                                  | 263,752                                        |
|                                                             | <u>376,851</u>                                   | <u>80,178</u>   | <u>(17,176)</u>      | <u>2,879</u>                                           | <u>442,732</u>                                 |
| <b>Restricted general funds</b>                             |                                                  |                 |                      |                                                        |                                                |
| General Annual Grant (GAG) (note 4)                         | —                                                | 135,369         | (146,142)            | 10,773                                                 | —                                              |
| Start up and lead in (note 4)                               | 265                                              | 507             | (558)                | —                                                      | 214                                            |
| Other DfE/ESFA (note 4)                                     | —                                                | 11,114          | (11,164)             | 50                                                     | —                                              |
| Local authority grants                                      | 216                                              | 5,529           | (5,529)              | —                                                      | 216                                            |
| UK programmes – grants                                      | 1,103                                            | —               | —                    | 74                                                     | 1,177                                          |
| UK Programmes – other                                       | —                                                | 232             | (232)                | —                                                      | —                                              |
| Other donations                                             | 2,492                                            | 9,253           | (7,161)              | (2,265)                                                | 2,319                                          |
|                                                             | <u>4,076</u>                                     | <u>162,004</u>  | <u>(170,786)</u>     | <u>8,632</u>                                           | <u>3,926</u>                                   |
| <b>Pension reserve</b>                                      | <u>(29,723)</u>                                  | <u>(2,198)</u>  | <u>(5,863)</u>       | <u>12,297</u>                                          | <u>(25,487)</u>                                |
| <b>Total restricted funds</b>                               | <u>351,204</u>                                   | <u>239,984</u>  | <u>(193,825)</u>     | <u>23,808</u>                                          | <u>421,171</u>                                 |
| <b>Unrestricted funds</b>                                   |                                                  |                 |                      |                                                        |                                                |
| Unrestricted general funds                                  |                                                  |                 |                      |                                                        |                                                |
| . Sponsorship of core costs by Ark                          | 913                                              | 1,907           | (1,909)              | (911)                                                  | —                                              |
| . Other unrestricted funds                                  | —                                                | 10,586          | (3,108)              | (7,478)                                                | —                                              |
| Designated fund                                             | 14,465                                           | —               | —                    | (3,048)                                                | 11,417                                         |
| <b>Total unrestricted funds</b>                             | <u>15,378</u>                                    | <u>12,493</u>   | <u>(5,017)</u>       | <u>(11,437)</u>                                        | <u>11,417</u>                                  |
| <b>Total funds</b>                                          | <u>366,582</u>                                   | <u>252,477</u>  | <u>(198,842)</u>     | <u>12,371</u>                                          | <u>432,588</u>                                 |

#### Prior year adjustment

During the year ended 31 August 2019, a review was undertaken by the trust of capital expenditure that had been incurred over the past few years. As a result of this review, it was identified that capital spend expensed to revenue reserves in the 2016/17 financial year should have been matched by capital grants that had been treated as deferred income in the 2016/17 financial statements.

In order to adjust for this, a prior year adjustment has been made to release £3,088k of the deferred income balance at 31 August 2017 against revenue reserves. As the expenditure had been incurred from unrestricted funds in 2016/17, the unrestricted funds balance at 31 August 2017 has increased by this amount.

The impact on the 2017/18 previously reported results is to increase unrestricted funds by £3,088k at both 1 September 2017 and 31 August 2018, and to reduce deferred income at these dates by the same amount.

## Notes to the financial statements 31 August 2019

### 17. Expenditure Analysis – analysis of cost by academy

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

|                                           | Teaching and educational support costs<br>£'000 | Other support staff costs<br>£'000 | Educational supplies<br>£'000 | Other costs (excluding depreciation and losses on disposal of assets)<br>£'000 | 2019 Total<br>£'000 | 2018 Total<br>£'000 |
|-------------------------------------------|-------------------------------------------------|------------------------------------|-------------------------------|--------------------------------------------------------------------------------|---------------------|---------------------|
| <b>All through Schools</b>                |                                                 |                                    |                               |                                                                                |                     |                     |
| Ark                                       | 6,983                                           | 1,393                              | 90                            | 2,175                                                                          | 10,641              | 10,657              |
| Burlington Danes                          | 6,564                                           | 1,443                              | 172                           | 2,683                                                                          | 10,862              | 11,575              |
| Globe                                     | 6,500                                           | 1,267                              | 161                           | 2,374                                                                          | 10,302              | 10,535              |
| Isaac Newton                              | 6,203                                           | 1,315                              | 135                           | 1,955                                                                          | 9,608               | 8,699               |
| John Keats                                | 5,652                                           | 1,095                              | 190                           | 1,783                                                                          | 8,720               | 6,617               |
| Kings                                     | 3,421                                           | 623                                | 119                           | 1,589                                                                          | 5,752               | 5,560               |
| King Solomon                              | 4,008                                           | 462                                | 73                            | 2,077                                                                          | 6,620               | 6,567               |
| Victoria                                  | 4,816                                           | 828                                | 177                           | 1,875                                                                          | 7,696               | 2,832               |
| <b>Secondary Schools</b>                  |                                                 |                                    |                               |                                                                                |                     |                     |
| Acton                                     | 6,269                                           | 789                                | 151                           | 2,751                                                                          | 9,960               | —                   |
| All Saints                                | 3,568                                           | 1,047                              | 65                            | 1,503                                                                          | 6,183               | 5,466               |
| Bolingbroke                               | 3,458                                           | 671                                | 159                           | 1,384                                                                          | 5,672               | 5,239               |
| Boulton                                   | 3,768                                           | 672                                | 76                            | 1,757                                                                          | 6,273               | 6,255               |
| Charter                                   | 3,361                                           | 907                                | 80                            | 1,547                                                                          | 5,895               | 5,572               |
| Elvin                                     | 4,213                                           | 909                                | 106                           | 1,883                                                                          | 7,111               | 7,463               |
| Evelyn Grace                              | 3,830                                           | 805                                | 112                           | 1,583                                                                          | 6,330               | 7,128               |
| Greenwich                                 | 2,611                                           | 553                                | 275                           | 1,227                                                                          | 4,666               | —                   |
| Helenswood                                | 3,562                                           | 982                                | 73                            | 1,078                                                                          | 5,695               | 5,630               |
| Putney                                    | 3,947                                           | 732                                | 99                            | 1,217                                                                          | 5,995               | 5,462               |
| St Alban's                                | 3,762                                           | 745                                | 73                            | 1,215                                                                          | 5,795               | 5,933               |
| Walworth                                  | 5,221                                           | 887                                | 179                           | 2,084                                                                          | 8,371               | 8,723               |
| William Parker                            | 3,138                                           | 658                                | 73                            | 1,180                                                                          | 5,049               | 4,971               |
| <b>Primary Schools</b>                    |                                                 |                                    |                               |                                                                                |                     |                     |
| Atwood                                    | 1,713                                           | 378                                | 43                            | 569                                                                            | 2,703               | 2,723               |
| Ayrton                                    | 1,691                                           | 309                                | 40                            | 565                                                                            | 2,605               | 2,486               |
| Bentworth                                 | 940                                             | 180                                | 41                            | 313                                                                            | 1,474               | 1,479               |
| Brunel                                    | 1,924                                           | 90                                 | 45                            | 577                                                                            | 2,636               | 2,788               |
| Blacklands                                | 1,614                                           | 265                                | 77                            | 464                                                                            | 2,420               | 2,257               |
| Byron                                     | 824                                             | 229                                | 27                            | 304                                                                            | 1,384               | 1,195               |
| Castledown                                | 1,349                                           | 165                                | 26                            | 337                                                                            | 1,877               | 2,062               |
| Chamberlain                               | —                                               | —                                  | —                             | —                                                                              | —                   | 2,340               |
| Conway                                    | 758                                             | 308                                | 40                            | 370                                                                            | 1,476               | 1,344               |
| Dickens                                   | 1,681                                           | 352                                | 50                            | 572                                                                            | 2,655               | 2,668               |
| Franklin                                  | 2,005                                           | 490                                | 54                            | 752                                                                            | 3,301               | 3,861               |
| John Archer                               | 1,471                                           | 171                                | 37                            | 574                                                                            | 2,253               | —                   |
| Little Ridge                              | 1,316                                           | 177                                | 44                            | 349                                                                            | 1,886               | 1,896               |
| Oval                                      | 1,984                                           | 421                                | 76                            | 832                                                                            | 3,313               | 3,423               |
| Paddington Green                          | 1,032                                           | 239                                | 27                            | 473                                                                            | 1,771               | 2,057               |
| Priory                                    | 1,225                                           | 275                                | 50                            | 462                                                                            | 2,012               | 1,790               |
| Swift                                     | 1,471                                           | 316                                | 61                            | 502                                                                            | 2,350               | 2,274               |
| Tindal                                    | 1,217                                           | 195                                | 74                            | 671                                                                            | 2,157               | 2,083               |
| Birmingham Teaching School                | 55                                              | —                                  | —                             | 3                                                                              | 58                  | —                   |
| Ark Schools Central                       | —                                               | 7,214                              | 250                           | 279                                                                            | 7,743               | 11,169              |
| <b>Ark Schools excluding subsidiaries</b> | 119,125                                         | 30,557                             | 3,700                         | 45,888                                                                         | 199,270             | 180,779             |

## Notes to the financial statements 31 August 2019

### 18. Analysis of net assets between funds

| Group                                               | Restricted funds            |                        |                          |                            | Total funds<br>2019<br>£'000 |
|-----------------------------------------------------|-----------------------------|------------------------|--------------------------|----------------------------|------------------------------|
|                                                     | Unrestricted funds<br>£'000 | General funds<br>£'000 | Pension reserve<br>£'000 | Fixed assets fund<br>£'000 |                              |
| Fund balances at 31 August 2019 are represented by: |                             |                        |                          |                            |                              |
| Tangible and investment assets                      | —                           | 1,177                  | —                        | 487,411                    | 488,588                      |
| Current assets                                      | 11,081                      | 32,621                 | —                        | 2,720                      | 46,422                       |
| Creditors: amounts falling due within one year      | —                           | (29,853)               | —                        | —                          | (29,853)                     |
| Pension scheme liability                            | —                           | —                      | (52,733)                 | —                          | (52,733)                     |
|                                                     | 11,081                      | 3,945                  | (52,733)                 | 490,131                    | 452,424                      |

|                                                            | Restricted funds            |                        |                          |                            | Total funds<br>2019<br>£'000 |
|------------------------------------------------------------|-----------------------------|------------------------|--------------------------|----------------------------|------------------------------|
|                                                            | Unrestricted funds<br>£'000 | General funds<br>£'000 | Pension reserve<br>£'000 | Fixed assets fund<br>£'000 |                              |
| <b>Ark Schools</b>                                         |                             |                        |                          |                            |                              |
| <b>Fund balances at 31 August 2019 are represented by:</b> |                             |                        |                          |                            |                              |
| Tangible and investment assets                             | —                           | 1,177                  | —                        | 487,394                    | <b>488,571</b>               |
| Current assets                                             | 11,081                      | 33,665                 | —                        | 2,737                      | <b>47,483</b>                |
| Creditors: amounts falling due within one year             | —                           | (30,897)               | —                        | —                          | <b>(30,897)</b>              |
| Pension scheme liability                                   | —                           | —                      | (52,733)                 | —                          | <b>(52,733)</b>              |
|                                                            | 11,081                      | 3,945                  | (52,733)                 | 490,131                    | <b>452,424</b>               |

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

During the year ended 31 August 2019, Ark John Archer and Ark Acton (2018 – Ark Castledown) joined the Ark Schools network. The schools were previously under Local Authority control and converted to academy status immediately prior to joining the network. The transfer to Ark Schools (for £nil consideration) has been accounted as a gift. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

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

| Overall position                | Unrestricted funds £'000 | Restricted general fund £'000 | Restricted fixed assets fund £'000 | Total 2019 £'000 | Total 2018 £'000 |
|---------------------------------|--------------------------|-------------------------------|------------------------------------|------------------|------------------|
| Leasehold land and buildings    | —                        | —                             | 14,600                             | <b>14,600</b>    | 3,500            |
| Budget surplus on transfer      | —                        | 231                           | —                                  | <b>231</b>       | —                |
| LGPS pension deficit            | —                        | (3,259)                       | —                                  | <b>(3,259)</b>   | (2,041)          |
| <b>Net assets (liabilities)</b> | <b>—</b>                 | <b>(3,028)</b>                | <b>14,600</b>                      | <b>11,572</b>    | <b>1,459</b>     |

## Notes to the financial statements 31 August 2019

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

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

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

### (b) Transfer from an existing academy trust

During the year ended 31 August 2019, Ark Greenwich Free School joined the Ark Schools network (2018 – Ark Victoria). The school was a re brokerage of an existing academy. These transfers to Ark have been accounted for using the acquisition method. The assets and liabilities transferred have been recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net income in the statement of financial activities.

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



## Notes to the financial statements 31 August 2019

### 19. (b) Transfer from an existing multi-academy trust (continued)

|                                       | Value<br>reported by<br>transferring<br>trust<br>£'000 | Fair<br>value<br>adjustments<br>£'000 | <b>Total<br/>2019<br/>£'000</b> | Total<br>2018<br>£'000 |
|---------------------------------------|--------------------------------------------------------|---------------------------------------|---------------------------------|------------------------|
| <b>Tangible fixed assets</b>          |                                                        |                                       |                                 |                        |
| . Freehold land and buildings         | 16,089                                                 | 461                                   | <b>16,550</b>                   | —                      |
| . Leasehold land and buildings        | —                                                      | —                                     | —                               | 18,000                 |
| . Furniture and equipment             | 25                                                     | —                                     | <b>25</b>                       | 970                    |
| . IT equipment                        | 23                                                     | —                                     | <b>23</b>                       | 870                    |
| <b>Net current assets</b>             | <b>1,348</b>                                           | <b>14</b>                             | <b>1,362</b>                    | —                      |
| <b>Defined benefit pension scheme</b> |                                                        |                                       |                                 |                        |
| . Pension scheme assets               | 599                                                    | —                                     | <b>599</b>                      | 77                     |
| . Pension scheme liabilities          | (965)                                                  | —                                     | <b>(965)</b>                    | (234)                  |
| <b>Net assets</b>                     | <b>17,119</b>                                          | <b>475</b>                            | <b>17,594</b>                   | <b>19,683</b>          |

### 20. Member Liability

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

### 21. Pensions and similar obligations

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

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

#### Central Office Money Purchase Scheme

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

## Notes to the financial statements 31 August 2019

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

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS. Central staff who are qualified teachers and remain responsible for student outcomes are eligible to join or remain in the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, Ark Schools has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan.

Ark Schools has set out the information available on the plan below and the implications for Ark Schools in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion, giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). The Department for Education has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The employer's pension costs paid to TPS in the period amounted to £10,847,000 (2018: £9,310,000).

## Notes to the financial statements 31 August 2019

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

#### Local Government Pension Scheme (LGPS)

Each Local Government Pension Scheme is a multi-employer funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The charitable company is currently part of fourteen different funds. The total contribution made (as referenced by the scheme actuaries) for the year ended 31 August 2019 was £5,521k (2018: £5,807k), of which employees' contributions totalled £1,359k (2018: £1,509k) and employers' contributions totalled £4,162k (2018: £4,298k). The agreed contribution rates for future years are between 14% and 29.4% for employers and between 5.8% and 9.9% for employees.

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

# Notes to the financial statements 31 August 2019

## 21. Pensions and similar obligations (continued)

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

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

# Notes to the financial statements 31 August 2019

## 21. Pensions and similar obligations (continued)

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

#### Range of principal actuarial assumptions

|                                      | 2019<br>%<br>Lowest | 2019<br>%<br>Highest | 2018<br>%<br>Lowest | 2018<br>%<br>Highest |
|--------------------------------------|---------------------|----------------------|---------------------|----------------------|
| Rate of increase in salaries         | 2.3                 | 3.8                  | 2.3                 | 3.8                  |
| Rate of increase in pension payments | 2.0                 | 2.3                  | 2.0                 | 2.4                  |
| Discount rates                       | 1.8                 | 1.9                  | 2.7                 | 2.9                  |
| Inflation assumptions                | 2.0                 | 2.3                  | 2.0                 | 2.4                  |

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:

|                             | 2019<br>Lowest | 2019<br>Highest | 2018<br>Lowest | 2018<br>Highest |
|-----------------------------|----------------|-----------------|----------------|-----------------|
| <b>Retiring today</b>       |                |                 |                |                 |
| Males                       | 20.7           | 25.0            | 21.6           | 24.5            |
| Females                     | 23.0           | 27.6            | 23.9           | 27.2            |
| <b>Retiring in 20 years</b> |                |                 |                |                 |
| Males                       | 22.1           | 25.5            | 23.8           | 26.8            |
| Females                     | 24.5           | 28.5            | 26.0           | 29.4            |

|                                                                      | At 31<br>August<br>2019<br>£'000 | At 31<br>August<br>2018<br>£'000 |
|----------------------------------------------------------------------|----------------------------------|----------------------------------|
| <b>Sensitivity analysis – increase (decrease) in overall deficit</b> |                                  |                                  |
| Discount rate +0.1%                                                  | (3,306)                          | (2,365)                          |
| Discount rate -0.1%                                                  | 3,387                            | 2,400                            |
| Mortality assumption – 1 year increase                               | 2,204                            | 1,631                            |
| Mortality assumption – 1 year decrease                               | (2,110)                          | (1,610)                          |
| CPI rate +0.1%                                                       | 2,824                            | 1,987                            |
| CPI rate -0.1%                                                       | (2,758)                          | (1,961)                          |

|                                                                        | Fair value<br>at 31<br>August<br>2019<br>£'000 | Fair value<br>at 31<br>August<br>2018<br>£'000 |
|------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>Ark Schools' share of the assets in the schemes was as follows:</b> |                                                |                                                |
| Equities                                                               | 48,083                                         | 44,256                                         |
| Corporate/government bonds                                             | 12,503                                         | 9,274                                          |
| Property                                                               | 7,765                                          | 6,622                                          |
| Cash                                                                   | 1,955                                          | 1,848                                          |
| Other                                                                  | 6,677                                          | 4,316                                          |
| <b>Total market value of assets</b>                                    | <b>76,983</b>                                  | <b>66,316</b>                                  |

## Notes to the financial statements 31 August 2019

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

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

| The amounts recognised in statement of financial activities were as follows: | 2019<br>£'000 | 2018<br>£'000 |
|------------------------------------------------------------------------------|---------------|---------------|
| Current service cost                                                         | 7,149         | 9,228         |
| Past service cost                                                            | 1,712         | 50            |
| Curtailments and settlements                                                 | 344           | —             |
| Net finance cost                                                             | 551           | 922           |
| Admin expenses                                                               | 80            | 11            |
| <b>Total amount recognised in the SOFA</b>                                   | <b>9,836</b>  | <b>10,211</b> |

| Movements on the overall deficit during the year was as follows:    | 2019<br>£'000   | 2018<br>£'000   |
|---------------------------------------------------------------------|-----------------|-----------------|
| Deficit at 1 September 2018                                         | (25,487)        | (29,723)        |
| Transferred in on conversion (note 19(a))                           | (3,259)         | (2,041)         |
| Transferred in on existing academies joining the trust (note 19(b)) | (366)           | (157)           |
| Current service cost                                                | (7,149)         | (9,228)         |
| Past service cost                                                   | (1,712)         | —               |
| Curtailments                                                        | (353)           | —               |
| Settlement received / (paid)                                        | 9               | —               |
| Administration cost                                                 | (80)            | (11)            |
| Employer contributions                                              | 4,162           | 4,298           |
| Net finance cost                                                    | (551)           | (922)           |
| Actuarial (loss) / gain                                             | (17,947)        | 12,297          |
| <b>At 31 August 2019</b>                                            | <b>(52,733)</b> | <b>(25,487)</b> |

| Changes in the present value of defined benefit obligations were as follows: | 2019<br>£'000  | 2018<br>£'000 |
|------------------------------------------------------------------------------|----------------|---------------|
| At 1 September 2018                                                          | 91,803         | 86,046        |
| Transferred in on conversion (note 19(a))                                    | 4,324          | 2,749         |
| Transferred in on existing academies joining the trust (note 19(b))          | 965            | 234           |
| Current service cost                                                         | 7,149          | 9,228         |
| Past service cost                                                            | 1,712          | —             |
| Administration cost                                                          | 66             | —             |
| Curtailments                                                                 | 353            | —             |
| Interest cost                                                                | 2,240          | 2,492         |
| Employee contributions                                                       | 1,359          | 1,509         |
| Actuarial loss / (gain)                                                      | 20,546         | (9,191)       |
| Settlement received / (paid)                                                 | (9)            | —             |
| Benefits paid                                                                | (792)          | (1,264)       |
| <b>At 31 August 2019</b>                                                     | <b>129,716</b> | <b>91,803</b> |

## Notes to the financial statements 31 August 2019

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

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

| Movements in the present value of defined benefit assets were as follows: | 2019<br>£'000 | 2018<br>£'000 |
|---------------------------------------------------------------------------|---------------|---------------|
| At 1 September 2018                                                       | 66,316        | 56,323        |
| Transferred in on conversion (note 19(a))                                 | 1,065         | 708           |
| Transferred in on existing academies joining the trust (note 19(b))       | 599           | 77            |
| Expected return on assets                                                 | 1,689         | 1,570         |
| Administration expenses                                                   | (14)          | (11)          |
| Employer contributions                                                    | 4,162         | 4,298         |
| Employee contributions                                                    | 1,359         | 1,509         |
| Actuarial gain                                                            | 2,599         | 3,106         |
| Benefits paid                                                             | (792)         | (1,264)       |
| <b>At 31 August 2019</b>                                                  | <b>76,983</b> | <b>66,316</b> |

The five years history of experience adjustments is as follows:

|                                        | 2019<br>£'000 | 2018<br>£'000 | 2017<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
|----------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Present value of scheme obligations    | (129,716)     | (91,803)      | (86,046)      | (84,528)      | (50,155)      |
| Fair value of assets                   | 76,983        | 66,316        | 56,323        | 47,582        | 35,215        |
| Net deficit in schemes                 | (52,733)      | (25,487)      | (29,723)      | (36,946)      | (14,940)      |
| Experience gains on scheme assets      | 2,599         | 3,106         | 3,444         | 5,439         | 218           |
| Experience gains on scheme liabilities | (20,546)      | 9,191         | 8,731         | (24,883)      | 717           |

### 22. Lease commitments

At 31 August 2019, the total of Ark Schools' future minimum lease payments under non-cancellable operating leases in relation to plant and machinery was:

|                                        | 2019<br>£'000 | 2018<br>£'000 |
|----------------------------------------|---------------|---------------|
| Amounts due within one year            | 446           | 370           |
| Amounts due between one and five years | 372           | 447           |
| Amounts due after five years           | 40            | —             |
|                                        | <b>858</b>    | <b>817</b>    |

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 2019, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

## Notes to the financial statements 31 August 2019

### 22. Lease commitments (continued)

| <b>Property occupied by Ark Kings Academy</b> | <b>2019<br/>£'000</b> | <b>2018<br/>£'000</b> |
|-----------------------------------------------|-----------------------|-----------------------|
| Amounts due within one year                   | 79                    | 79                    |
| Amounts due between one and five years        | 316                   | 316                   |
| Amounts due after five years                  | 1,422                 | 1,501                 |
|                                               | <b>1,817</b>          | <b>1,896</b>          |

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 2019, the total of Ark Schools' future minimum commitments under this sub-agreement was as follows:

| <b>Property occupied by Ark Acton Academy</b> | <b>2019<br/>£'000</b> | <b>2018<br/>£'000</b> |
|-----------------------------------------------|-----------------------|-----------------------|
| Amounts due within one year                   | 573                   | —                     |
| Amounts due between one and five years        | 2,294                 | —                     |
| Amounts due after five years                  | 4,540                 | —                     |
|                                               | <b>7,407</b>          | <b>—</b>              |

### 23. Capital commitments

At 31 August 2019, the group had capital commitments as follows:

|                                                             | <b>2019<br/>£'000</b> | <b>2018<br/>£'000</b> |
|-------------------------------------------------------------|-----------------------|-----------------------|
| Contracted for but not provided in the financial statements | 602                   | 18,610                |

### 24. Related party transactions

#### **Transactions with Ark**

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

During the year, Ark Schools received donations totalling £362k (2018: £1.9m) from Ark for our projects team and core costs. In addition to this, £1.1m donations were received for Ventures (2018: £1.7m). These are included in note 2 of the financial statements.

Ark Schools' central team shares offices with Ark. Ark Schools has made payments on behalf of Ark. These are recharged to Ark based on an agreed apportionment based on actual usage where possible, and otherwise in proportion to the number of desk spaces occupied by each entity's staff. The amounts recharged in respect of the year ended 31 August 2019 to Ark are included in the table below. Similar recharges are also made to Ark UK Programmes, a related party (see below). The amounts charged to Ark UK Programmes are also included in the table below.



## Notes to the financial statements 31 August 2019

### 24. Related party transactions (continued)

|                                       | 2019<br>£'000 | 2018<br>£'000 |
|---------------------------------------|---------------|---------------|
| <b>Recharged to Ark</b>               |               |               |
| Rent and service charges              | 172           | 164           |
| Technology services                   | 35            | 37            |
|                                       | <b>207</b>    | <b>201</b>    |
| <b>Recharged to Ark UK Programmes</b> |               |               |
| Technology services                   | 50            | 64            |

#### **Transactions with Ark UK Programmes**

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

Ark UK Programmes made no grants (2018: £232k) to Ark Schools during the course of the year. Ark Schools made payments of £323k (2018: £102k) to Ark UK Programmes for the provision of Mathematics Mastery and English Mastery resources and training, Now Teach recruitment fees and shared supplier accounts.

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

At 31 August 2019, the value of the amounts held by Ark UK Programmes in relation to the above endowments was £6.5m (2018: £6.4m). During the year, £390k of the endowment was withdrawn by Ark St Albans Academy for planned capital expenditure and has been recognised as income in these financial statements (note 2). The amount withdrawn was receivable by Ark Schools as at 31 August 2019 and included in year end debtors. There were no withdrawals from endowments in the year ended 31 August 2018 or balances owed in respect of withdrawals as at 31 August 2018.

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 2019, Ark UK Programmes had invested a cumulative amount of £750k in respect of Ark King Solomon Academy (2018: £750k in respect of Ark King Solomon Academy) as part of their investment strategy. The total market value of such investments at the balance sheet date was £1.2m (2018: £1.2m) and the cumulative unrealised gains amount £427k (2018: £427k) has been recognised through Ark Schools' statement of financial activities. The investment balance is owed to Ark Schools by Ark UK Programmes and included on the balance sheet.

## Notes to the financial statements 31 August 2019

### 24. Related party transactions (continued)

#### *Transactions with other related parties*

One of the directors of Ark Schools, Lord Fink, who was the Chairman of Zenith Hygiene Systems in prior years, resigned from Zenith on the 16th April 2018. Hence, related party transactions are no longer applicable from this year (2018: 11 schools paid £18k).

The total amount of donations receivable by Ark Schools from other related parties not separately disclosed above was £1.35m, all of which is included within debtors as at 31 August 2019 (2018: £0.5m).

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

### 25. Directors' emoluments

The Managing Director is also a statutory director of Ark Schools. The total amount of employee benefits paid by Ark Schools received by the Managing Director, Lucy Heller, was nil (2018: nil). The total paid to the Managing Director, Ark as the CEO of Ark, was £191,017 (2018: £189,769). There was an additional £19,102 paid in lieu of 10% pensions (2018: £18,977). This is also disclosed in note 10.

No directors of the company received any payment or other emoluments from Ark Schools in the reporting period (2018: none). No directors had any beneficial interest in any contract with Ark Schools during the year (2018: none).

### 26. Directors', Governors' and Officers' insurance

In accordance with normal commercial practice, the trust has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business with cover up to £2m in the aggregate inclusive of costs. The insurance additionally provides for corporate legal liability and employment practices liability. For the year ended 31 August 2019, the premium is £7,605 (2018: £7,560). The cost of this insurance is included in the total insurance cost.

### 27. Agency arrangements

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

|                                     | 2019<br>£'000 | 2018<br>£'000 |
|-------------------------------------|---------------|---------------|
| 16-19 bursaries for ESFA            | 209           | 119           |
| Teacher training bursaries for NCTL | 1,628         | 922           |
|                                     | <u>1,837</u>  | <u>1,041</u>  |

An amount of £29,800 is held in other creditors at the end of the year repayable to NCTL (2018: £92,000).

## Notes to the financial statements 31 August 2019

### 28. Teaching School trading account

|                                                   | 2019<br>£'000 | 2018<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| <b>Income</b>                                     |               |               |
| Direct income                                     | 60            | —             |
| Other income                                      | 38            | —             |
|                                                   | <b>98</b>     | <b>—</b>      |
| <b>Expenditure</b>                                |               |               |
| Direct staff costs                                | 54            | —             |
| Support staff costs                               | 1             | —             |
| Recruitment and support                           | 2             | —             |
| Other support costs                               | 1             | —             |
|                                                   | <b>58</b>     | <b>—</b>      |
| <b>Surplus for all services</b>                   | <b>40</b>     | <b>—</b>      |
| Teaching Schools balance at 1 September 2018      | —             | —             |
| <b>Teaching Schools balance at 31 August 2019</b> | <b>40</b>     | <b>—</b>      |

### 29. Taxation

Ark Schools is a charity (by statute) and therefore is not liable to income tax or corporation tax on income from charitable activities, as it falls within the exemptions available to registered charities.

### 30. Post balance sheet events

On 1 September 2019, Ark Pioneer joined the trust as a new start school with 180 pupils admissions. The assets and liabilities will be recognised within the financial statements ending 31 August 2020.

On 1 September 2019, the two single-sex Hastings schools, Ark William Parker and Ark Helenswood, merged into one co-educational and all through school, Ark Alexandra Academy. This reduced the current three sites to two with a sale of the Ark Helenswood upper school site planned in 2019-20. In 2018-19, the two schools had 1,277 pupils expected to increase to 1,380 in 2019-20 and then continue growth to 10 form entry capacity.

On 1 September 2019, Ark King Solomon, a two form entry all-through school and Ark Paddington Green, a one form entry primary school have merged to become a three form entry all-through school, Ark King Solomon Academy. In 2018-19, the pupil numbers were 1,048 across the two schools with primary three form entry across the two schools and secondary two form entry in Ark King Solomon. There will be an additional Year 7 class in 2019-20 with total expected pupils 1,082 which will continue over the next 5 years as the merger means the school expands to a three form entry all-through.

## Notes to the financial statements 31 August 2019

### 31. Comparative statement of financial activities

|                                                                 | Restricted funds            |                        |                          |                            | 2018                 |
|-----------------------------------------------------------------|-----------------------------|------------------------|--------------------------|----------------------------|----------------------|
|                                                                 | Unrestricted funds<br>£'000 | General funds<br>£'000 | Pension reserve<br>£'000 | Fixed assets fund<br>£'000 | Total funds<br>£'000 |
| <b>Income from:</b>                                             |                             |                        |                          |                            |                      |
| Donations and capital grants                                    | 2,107                       | 8,447                  | -                        | 56,838                     | 67,392               |
| Transfer from Local Authority                                   | -                           | -                      | (2,041)                  | 3,500                      | 1,459                |
| Transfer from other Academy Trusts                              | -                           | -                      | (157)                    | 19,840                     | 19,683               |
| Other trading activities                                        | 2,096                       | -                      | -                        | -                          | 2,096                |
| Investments and interest receivable                             | 37                          | -                      | -                        | -                          | 37                   |
| Income from charitable activities                               |                             |                        |                          |                            |                      |
| Funding for Ark Schools' educational operations                 | 4,490                       | 153,557                | -                        | -                          | 158,047              |
| Other income                                                    | 3,763                       | -                      | -                        | -                          | 3,763                |
| <b>Total income</b>                                             | <b>12,493</b>               | <b>162,004</b>         | <b>(2,198)</b>           | <b>80,178</b>              | <b>252,477</b>       |
| <b>Expenditure on:</b>                                          |                             |                        |                          |                            |                      |
| Raising funds                                                   | 887                         | -                      | -                        | -                          | 887                  |
| Charitable activities                                           |                             |                        |                          |                            |                      |
| Ark Schools' educational operations                             | 4,114                       | 168,345                | 5,863                    | 17,176                     | 195,498              |
| Development costs                                               | 16                          | 2,441                  | -                        | -                          | 2,457                |
| <b>Total expenditure</b>                                        | <b>5,017</b>                | <b>170,786</b>         | <b>5,863</b>             | <b>17,176</b>              | <b>198,842</b>       |
| Net gains on investments                                        | -                           | 74                     | -                        | -                          | 74                   |
| <b>Net income (expenditure) before transfers</b>                | <b>7,476</b>                | <b>(8,708)</b>         | <b>(8,061)</b>           | <b>63,002</b>              | <b>53,709</b>        |
| <b>Gross transfers between funds</b>                            | <b>(11,437)</b>             | <b>8,558</b>           | <b>-</b>                 | <b>2,879</b>               | <b>-</b>             |
| <b>Net (expenditure) income</b>                                 | <b>(3,961)</b>              | <b>(150)</b>           | <b>(8,061)</b>           | <b>65,881</b>              | <b>53,709</b>        |
| <b>Other recognised gains and losses</b>                        |                             |                        |                          |                            |                      |
| Actuarial gains on defined benefit pension schemes              | -                           | -                      | 12,297                   | -                          | 12,297               |
| <b>Net movement in funds</b>                                    | <b>(3,961)</b>              | <b>(150)</b>           | <b>4,236</b>             | <b>65,881</b>              | <b>66,006</b>        |
| Fund balances brought forward at 1 September 2017 (as restated) | 15,378                      | 4,076                  | (29,723)                 | 376,851                    | 366,582              |
| <b>Fund balances carried forward at 31 August 2018</b>          | <b>11,417</b>               | <b>3,926</b>           | <b>(25,487)</b>          | <b>442,732</b>             | <b>432,588</b>       |

# Notes to the financial statements 31 August 2018

## 32.Reconciliation of operating position

### Year ended 31 August 2019

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

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

### Year ended 31 August 2018

|                                                                                   | General funds               |                           |                                 | Other funds              |                            | Total funds<br>£'000 |
|-----------------------------------------------------------------------------------|-----------------------------|---------------------------|---------------------------------|--------------------------|----------------------------|----------------------|
|                                                                                   | Unrestricted funds<br>£'000 | Restricted funds<br>£'000 | Total Revenue Reserves<br>£'000 | Pension Reserve<br>£'000 | Fixed assets fund<br>£'000 |                      |
| Fund balance brought forward (restated)                                           | 15,378                      | 4,076                     | 19,454                          | (29,723)                 | 376,851                    | 366,582              |
| Fund balance carried forward (restated)                                           | 11,417                      | 3,926                     | 15,343                          | (25,487)                 | 442,732                    | 432,588              |
| Net (decrease) / increase in funds (as per the statement of financial activities) | (3,961)                     | (150)                     | (4,111)                         | 4,236                    | 65,881                     | 66,006               |
| <b>Add:</b>                                                                       |                             |                           |                                 |                          |                            |                      |
| ESFA income for expensed capital items                                            |                             |                           | 2,879                           |                          |                            |                      |
| <b>Operational loss</b>                                                           |                             |                           | <b>(1,232)</b>                  |                          |                            |                      |