



Department  
for Education

# Academy Schools Sector in England

## Consolidated Annual Report and Accounts

For the year ended 31 August 2019  
HC 486



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Department  
for Education

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## Consolidated Annual Report and Accounts

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For the year ended 31 August 2019

Accounts presented to House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000. Annual Report presented to the House of Commons by Command of Her Majesty and Section 11 of the Academies Act 2010.

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Annexes to the accounts can be found at:

<https://www.gov.uk/government/collections/academies-sector-annual-reports-and-accounts>

# Introduction to the Academy Schools Sector Annual Report and Accounts

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Academies are independent state schools that are directly funded by the Department for Education (DfE) via the Education and Skills Funding Agency (ESFA). Every academy is required to be part of an academy trust (AT), which is a charity and company limited by guarantee. Every AT enters into a funding agreement with the Secretary of State for Education that sets out the requirements for individual academies and the conditions under which grants are paid. There are a number of different types of academy, providing a range of academic provision.

This publication provides an overview of all academy schools in England. It fulfils the reporting requirements of the Academies Act 2010<sup>1</sup> alongside the requirement to report on the finances of the sector<sup>2</sup>.

The Academies Act 2010 requires reporting of performance information over the academic year ending 31 July. The 'Accounts Direction' (see annex 4) provided by HM Treasury to DfE defines the academic year as ending 31 August. In order to meet legislative requirements, performance data has been provided for the academic year as defined by the Academies Act 2010. However, where relevant, these figures have also been presented in line with the Accounts Direction definition in either footnotes or annexes.

The academies Sector Annual Report and Accounts (SARA) is presented in line with the Government Financial Reporting Manual (FReM), except for the derogations noted in annex 4. The most notable areas for deviations from the FReM are in the staff report and accountability report, primarily due to structural differences between the sector and central government departments, such as the lack of a sectoral board of directors. Where possible, the spirit of the requirements has been followed.

The SARA is structured as follows:

- Financial performance report – a summary of the financial position (page 15) and wider performance of the sector;
- Accountability report – a summary of DfE's governance structures that provide oversight over the academies sector and also including the sector's remuneration and staff report (page 49); and
- Financial statements – the standard reporting requirement required by HM Treasury, including details of related party transactions in the sector (page 83).

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1 Section 11 of the Academies Act 2010 places a duty on the Secretary of State for Education to prepare, publish and lay an annual report on academies in England before Parliament. This legislation requires the inclusion of information on the academy arrangements entered into and the performance of academies during the year. In relation to performance, the annual report must contain information collected under regulations made under section 537 of the Education Act 1996 and under the contractual arrangements academies enter into with the Secretary of State for Education.

2 In line with the accounting requirements of the FReM (<https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>).

# Ministerial Overview

This report, my first as Minister for the School System, reflects a milestone year in which 51% of children in state-funded education were educated in academies. This represents a growth in the number of academies of 10%, with primary academies making up the majority of the increase.

I am also pleased to report that the trend of academies joining or coming together with other academies to form multi academy trusts has continued throughout 2018/19. Whilst the sector has grown, both in terms of the number of pupils it educates and the number of academies, the number of academy trusts has decreased to 2,865 (2017/18: 2,986), because of the trend towards joining multi academy trusts. This reflects the direction of travel that both this government and I personally support, because we believe that schools are strongest together.

These accounts are illustrative of our commitment to financial transparency. DfE has continued to support trusts in deploying appropriate controls over their expenditure, encouraging increased transparency and accountability. We introduced measured controls over related party transactions in 2018/19, designed to ensure these transactions represented value for money and due propriety. Accordingly, I can report that both the number and value of related party transactions has decreased in 2018/19.

Regarding high pay, I will continue to challenge where it is neither proportionate nor directly linked to improving pupil outcomes. DfE has taken a number of steps to challenge high pay and to ensure that there is transparency in reporting. These are outlined further in the Financial Overview section.

Whilst supporting school leaders and those working to advance education, I will work tirelessly to hold to account those who misuse both the public funds and trust placed in them. Fraud, financial irregularity and theft against ATs is an area that particularly affected the sector in 2018/19. We have a zero tolerance towards fraud and will investigate all allegations of concern to protect public money.

Work has continued to disseminate best practice in governance across the sector. The Schools Resource Management Advisors (SRMA)



programme piloted in 2017/18 was well received by trusts and identified opportunities for savings or income generation of £35.3 million. SRMAs are sector experts, they help ensure resources are optimised and allocated to areas that have the greatest impact on educational outcomes. The success of the pilot has led to it being rolled out across the sector.

The Covid-19 pandemic has had a significant impact on the academy sector. I have been inundated with testimony of the civic role played by academy trusts in the Covid-19 response. The interventions and financial support implemented by the Department in response to Covid-19 occurred after the year end therefore details of the nature and impact of these will be reflected in future year's accounts. Further information is included in note 16 of the financial statements.

I am extremely grateful to staff and pupils for their continuing commitment in these challenging times, and for all their hard work and achievements in the 2018/19 academic year.

**Baroness Berridge**  
Parliamentary Under-Secretary  
for the School System

# Permanent Secretary's Overview

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I am pleased to introduce the fourth combined academy sector annual report and accounts – which sets out the consolidated performance and financial results for all academy schools and trusts in England over the 2018/19 academic year.

The academies sector continues to grow with a further 918 academies opened over the course of the 2018/19 academic year. The majority of these took the choice to do so. As at 31 July 2019 there were 8,728 open academies and free schools in England, an increase of 10% from 31 July 2018. By August 2019, 76% of secondary schools and 34% of primary schools had become academies and free schools. Over half of all pupils who are in state-funded education in England are educated in academies and free schools.

The number of free schools also continues to increase with 59<sup>3</sup> new free schools opening their doors in the year to July 2019. As at 31 July 2019 there were 523 open free schools in England.

Our key objective is to ensure that all children can access a place at a 'good' or 'outstanding' school, and it's vital that academies continue to contribute to that goal. By looking at the academies sector as a whole – taking financial and educational performance side-by-side we can work to achieve this. That is why this report



remains an important part of our accountability framework and I am grateful to all academies for their support and co-operation in the preparation of this report.

**Jonathan Slater**  
Permanent Secretary  
9 July 2020

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<sup>3</sup> Including the trust transfers that took place of 11 open free schools, 70 free schools are listed as opening in the year to July 2019 in the register of schools and colleges in England ([www.get-information-schools.service.gov.uk](http://www.get-information-schools.service.gov.uk)).



# Key Data: The Academy Sector at a glance



The number of academies has increased during the year to 31 July to **8,728** (2017/18: 7,920).



**Over half of all pupils** are now educated in an academy setting.



The number of ATs<sup>4</sup> has decreased during the year to 31 August to **2,865** (2017/18: 2,986).



**82% of all academies (7,132 academies)** are in an AT with more than 1 academy (2017/18; 78%, 6,177 academies).



The number of pupils educated at academies has **increased by 12.6%** during the year to 4.2 million (2017/18: 3.8 million).



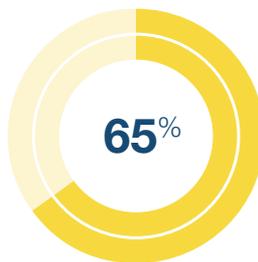
**99.3%** of ATs (excluding ATs who didn't return their accounts to DfE) received an unqualified audit opinion as at 31 August (2017/18: 98.5%).

<sup>4</sup> During the year the number of ATs has decreased. This is primarily due to reorganisation within the sector, with a decrease in the number of single academy trusts and multi academy trusts with only one academy and a trend towards academies being in multi academy trusts with more than two academies.



**At Key Stage 2 (KS2),** mainstream academies had an average maths progress score in line with the national average, writing progress score of 0.1 scaled score points above the national average and reading progress score 0.1 scaled points below the national average.

**Progress Score Calculation:** compares pupils' key stage 2 results to those of other pupils nationally with similar prior attainment<sup>5</sup>.

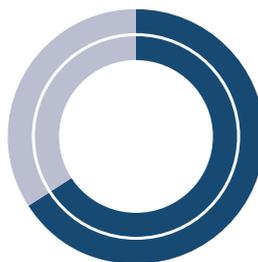


**At KS2 65%** of pupils in mainstream academies reached the expected standard in Reading, Writing and Maths (66% for all state funded mainstream schools).



**At Key Stage 4 (KS4),** the average progress 8 score in mainstream academies was 0.03 grades (across pupils' best 8 subjects) above the national average.

**Progress 8:** compares pupils' key stage 4 results to those of other pupils nationally with similar prior attainment<sup>6</sup>.



**At KS4** the percentage of pupils achieving 9-4 in English and Maths was **66.0%** in mainstream academies (65.6% for state funded mainstream schools).

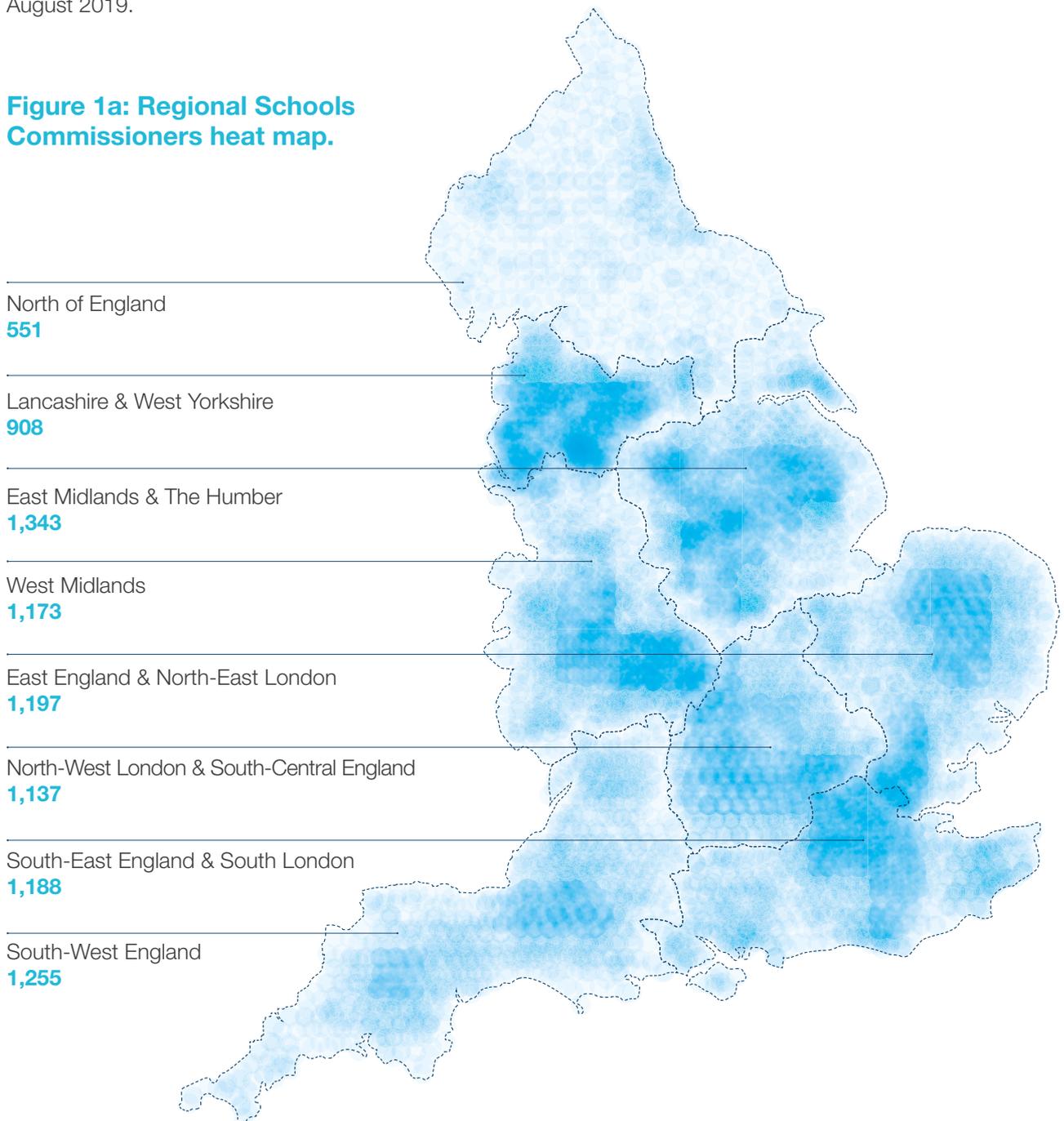
5 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/851791/KS2-Revised\\_tables\\_2019.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/851791/KS2-Revised_tables_2019.xlsx)

6 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/863942/2019\\_KS4\\_revised\\_national\\_tables.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/863942/2019_KS4_revised_national_tables.xlsx)

# Geographical Analysis

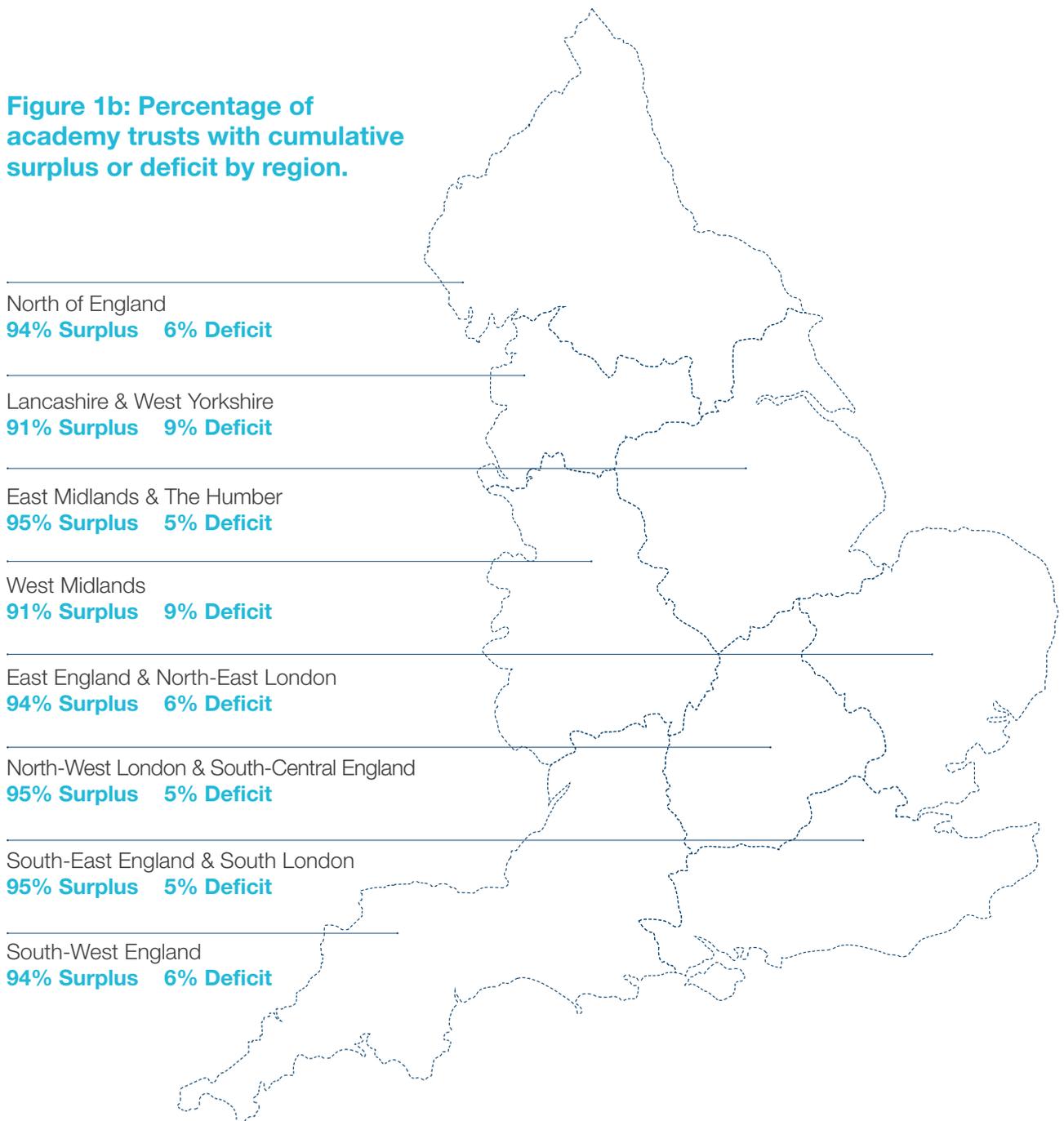
The geographical representation below shows the number of academies in the sector by Regional Schools Commissioner (RSC) boundaries at 31 August 2019.

**Figure 1a: Regional Schools Commissioners heat map.**



The geographical analysis below shows the percentage of ATs with a cumulative surplus or deficit by region.

**Figure 1b: Percentage of academy trusts with cumulative surplus or deficit by region.**





# Financial Performance Report

# Financial Performance

## Financial Overview

Figure 2: Income and expenditure in 2018/19 - reconciliation of revenue reserves

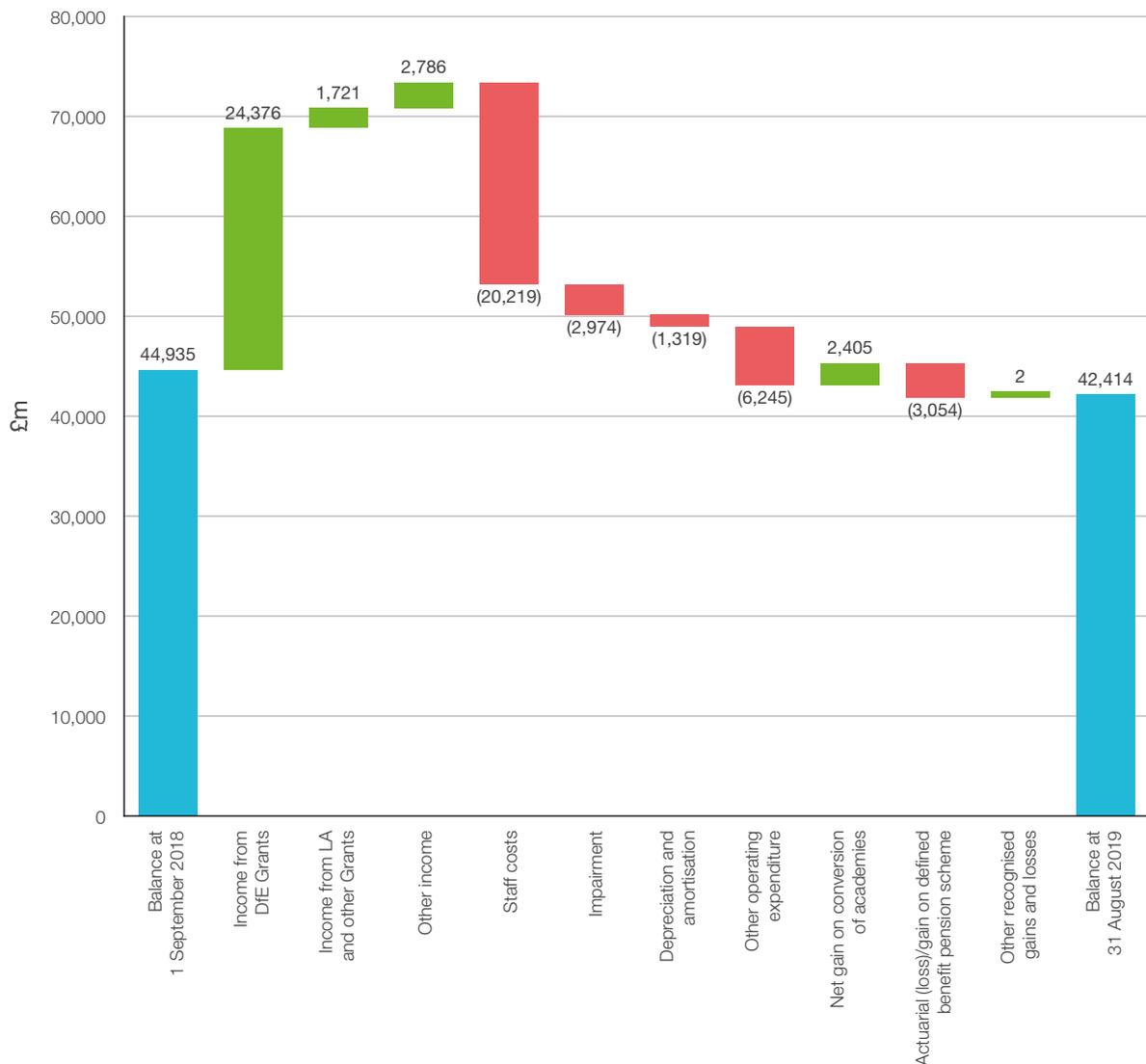
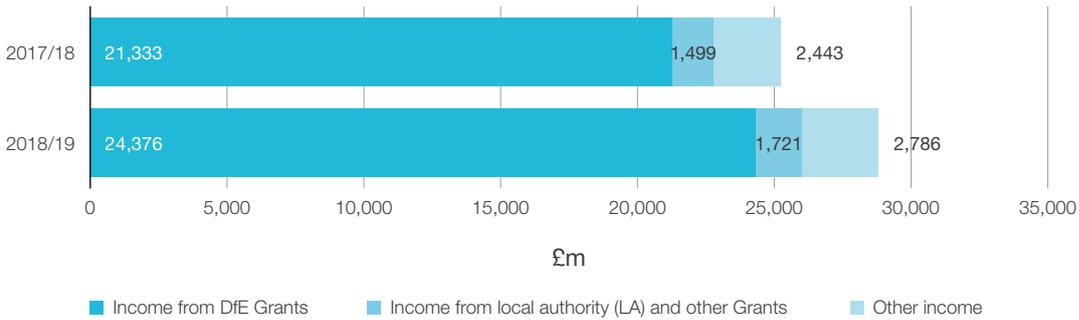


Figure 2 reconciles the opening and closing revenue reserve (Charitable Funds) position. It does not show the net gain on revaluation of property, plant and equipment of £3.3 billion (2017/18 £1.4 billion) which is charged to the revaluation reserve.

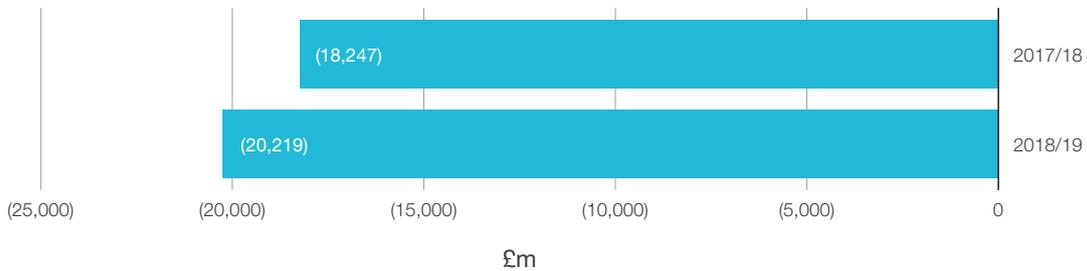
The significant elements of the movement, significant either because they are large in value or are exceptional in nature, are discussed below.

**Figure 3: Income in 2018/19 and 2017/18**



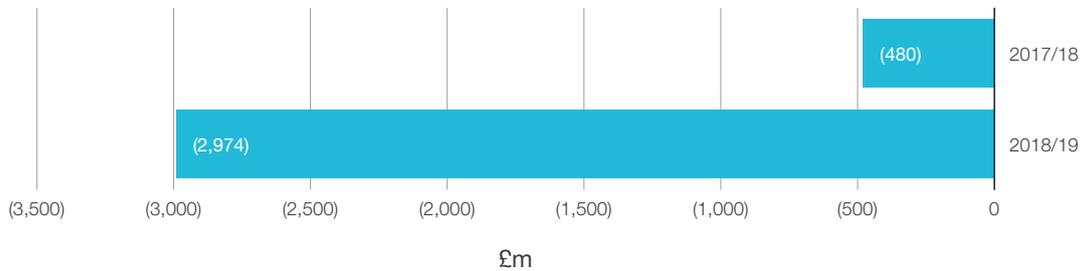
Income is largely comprised of grants, both from DfE and from other sources including local authorities (LA) and other. The largest element of grant income that ATs receive, the General Annual Grant, is linked to pupil numbers. As the academy sector continues to grow and LA maintained schools convert to academies, pupil numbers have increased by 12.6% over the year. Revenue income has increased by 10.9%, which is broadly in line with the increase in pupil numbers.

**Figure 4: Staff costs in 2018/19 and 2017/18**



Staff costs have increased by 10.8%, which is in line with the increase in pupil numbers. A further breakdown of staff costs can be found in the Remuneration and Staff Report on page 66 and in note 6.

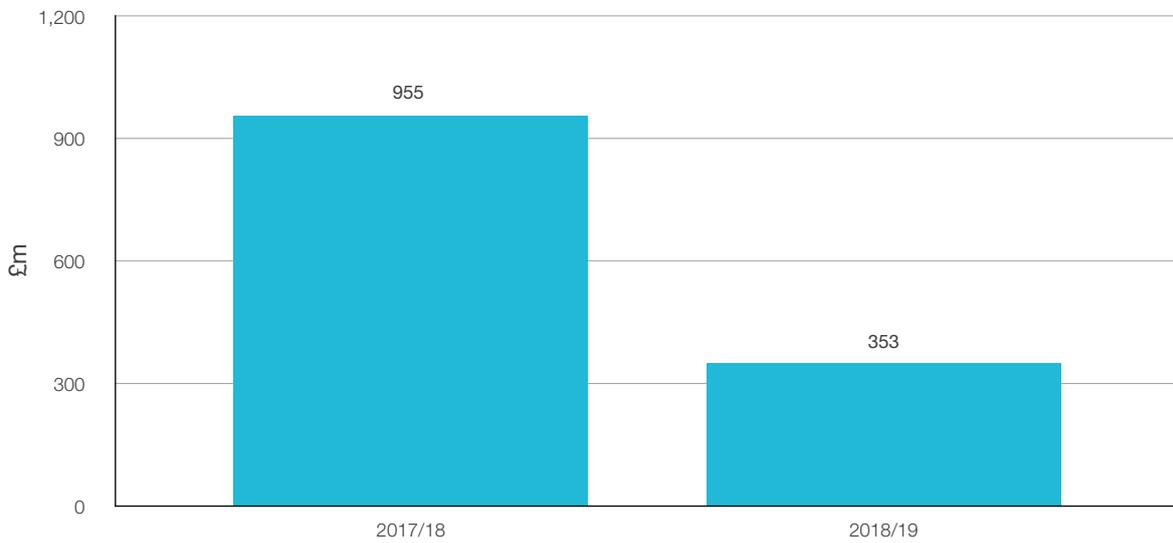
**Figure 5: Impairment in 2018/19 and 2017/18**

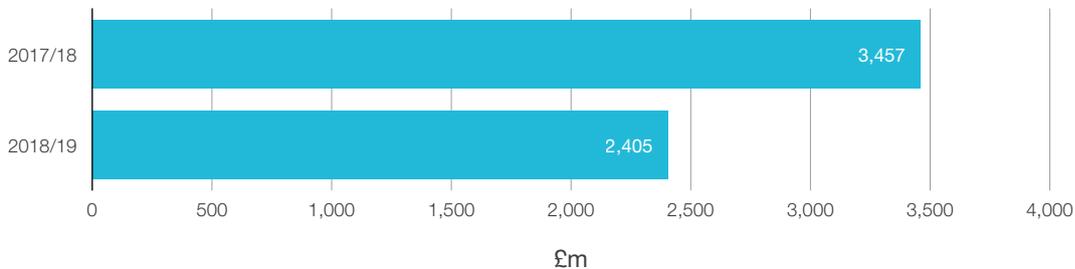


The impairment charge in 2018/19 is significantly larger than the impairment charge in 2017/18. This does not represent a reduction in the underlying condition of academies' land and buildings assets, but rather a change in market prices, particularly for land, combined with an increase in the number of valuations conducted in 2018/19 and a refined revaluation methodology. More information on property, plant and equipment valuation methodology can be found in note 2.

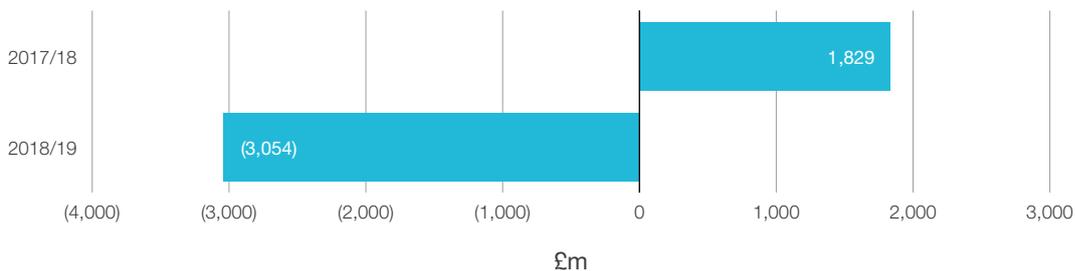
There is also a £3.3 billion (2017/18: £1.4 billion) revaluation gain (charged to the revaluation reserve) meaning that the net impact of revaluations is an increase in land and buildings values of £0.4 billion (2017/18: £1.0 billion) which can be seen in figure 6 below.

**Figure 6: Net revaluation movement in 2018/19 and 2017/18**



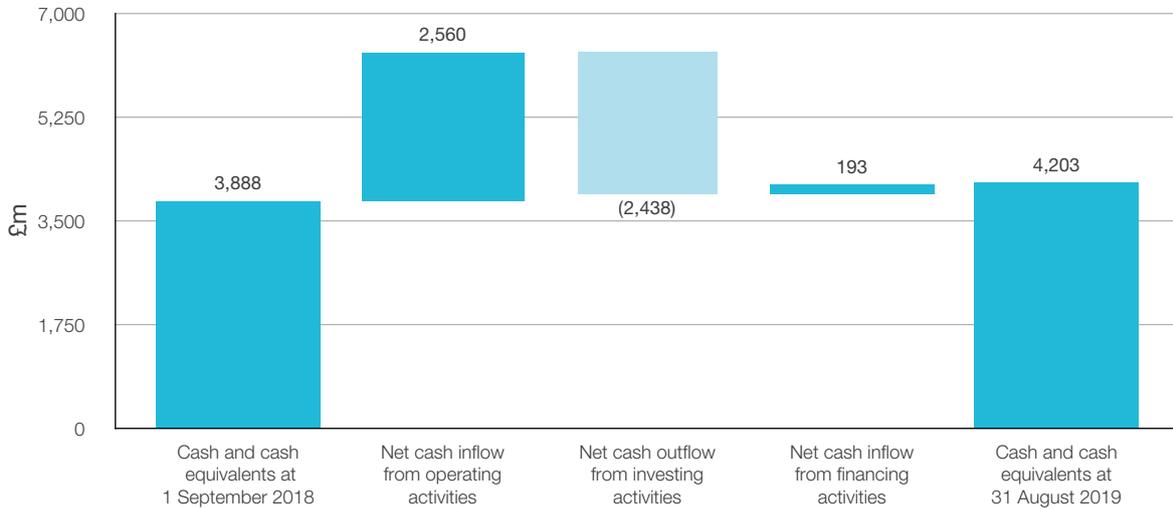
**Figure 7: Net gain on conversion to academies in 2018/19 and 2017/18**

The net gain on conversion to academies has fallen as there has been a reduction in the number of schools converting to academies during 2018/19. In 2018/19 918 schools converted to academy status, compared to 1,172 in 2017/18 (see figure 13). In addition, a change to the discount rate as well as other actuarial assumptions means that the net Local Government Pension Scheme (LGPS) pension deficit increased during the year in both the academy and LA sector. This reduces the value of net assets recognised on conversion and therefore reduces the value of the net gain recognised on conversion. Further details on pension movements are provided in note 14.

**Figure 8: Actuarial (loss)/gain on defined benefit pension schemes in 2018/19 and 2017/18**

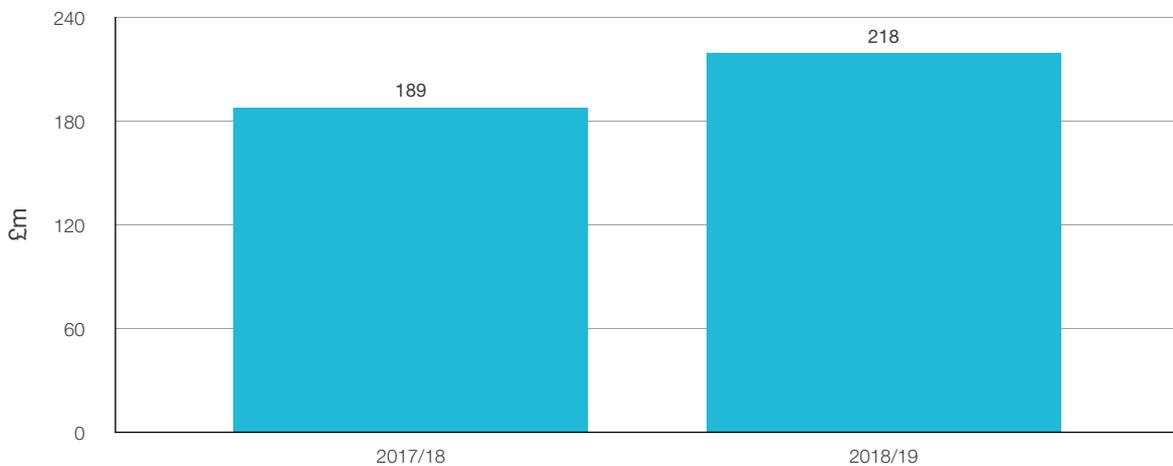
The significant actuarial loss in 2018/19 is predominantly driven by changes in actuarial assumptions, particularly a decrease in the discount rate. This has increased the current value of the net pension liability recognised in the 2018/19 SARA but it does not alter the amount of cash ultimately required to settle these liabilities and thus has no bearing on the financial sustainability of the sector. Discount rates are subject to fluctuation and the decrease during 2018/19 may be reversed in future years. More information on the actuarial gain/loss on defined benefit pension schemes is provided in note 14.

**Figure 9: Movement in cash and cash equivalents (net of overdraft)**



During the year, the value of cash and cash equivalents held by the sector has increased by £315 million. £97 million of this increase is attributable to cash brought in to the sector on conversion of schools to academies during the year, this is showing within “Net cash inflow from financing activities” in figure 9 above. The majority of the increase in cash is generated by ATs as part of their day to day operations. Although the sector has returned an operating deficit during 2018/19, much of this is attributable to non-cash expenditure. After non-cash operating expenditure is added back, the sector has had a net inflow of cash from its usual operating activities. Much of this cash was used to fund the purchase of property, plant and equipment leaving a small increase after operating and financing activities of £122 million. A further £96 million of cash was brought in to the sector through other financing activities creating a £218 million increase in cash before considering cash on conversion. This is shown in figure 10 below.

**Figure 10: Increase in cash and cash equivalents excluding cash on conversion in 2018/19 and 2017/18**



**Statement of Financial Position:** The net assets of the sector recognised in these accounts have increased to £49.7 billion as at 31 August 2019 compared to £48.9 billion at 31 August 2018. This increase reflects the overall increase in the size of the sector (see 'sector development' section on page 28).

Excluding property, plant and equipment and pension liabilities, which are less directly impacted by day-to-day management decisions, the sector's net assets have increased to £3.2 billion compared to the prior year (2017/18 £2.9 billion), an increase of 10.3%.

**Distribution of assets and liabilities by category:**

| <b>Assets</b>                       | <b>2018/19<br/>£billion</b> | <b>2018/19<br/>%</b> | <b>2017/18<br/>£billion</b> | <b>2017/18<br/>%</b> |
|-------------------------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| Land and buildings                  | 54.6                        | 86.3%                | 50.0                        | 86.6%                |
| Other property, plant and equipment | 3.0                         | 4.7%                 | 2.5                         | 4.3%                 |
| Cash and cash equivalents           | 4.2                         | 6.6%                 | 3.9                         | 6.7%                 |
| Receivables                         | 1.4                         | 2.2%                 | 1.3                         | 2.2%                 |
| Other                               | 0.1                         | 0.2%                 | 0.1                         | 0.2%                 |
| <b>Total</b>                        | <b>63.3</b>                 | <b>100%</b>          | <b>57.8</b>                 | <b>100%</b>          |

| <b>Liabilities</b> | <b>2018/19<br/>£billion</b> | <b>2018/19<br/>%</b> | <b>2017/18<br/>£billion</b> | <b>2017/18<br/>%</b> |
|--------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| Pension deficit    | (11.1)                      | 80.9%                | (6.6)                       | 73.6%                |
| Payables           | (2.6)                       | 19.0%                | (2.3)                       | 26.3%                |
| Other              | <(0.1)                      | 0.1%                 | <(0.1)                      | 0.1%                 |
| <b>Total</b>       | <b>(13.7)</b>               | <b>100%</b>          | <b>(8.9)</b>                | <b>100%</b>          |

The land and buildings value has increased as a result of new academies joining the sector during the year. The pensions deficit has increased as a result of changes in actuarial assumptions as outlined in the actual gain/loss on the defined benefit scheme section above.

**Income and expenditure by category:**

| <b>Income</b>        | <b>2018/19<br/>£billion</b> | <b>2018/19<br/>%</b> | <b>2017/18<br/>£billion</b> | <b>2017/18<br/>%</b> |
|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| Revenue grant income | 23.4                        | 81.0%                | 21.1                        | 83.4%                |
| Capital grant income | 2.7                         | 9.3%                 | 1.8                         | 7.1%                 |
| Other income         | 2.8                         | 9.7%                 | 2.4                         | 9.5%                 |
| <b>Total</b>         | <b>28.9</b>                 | <b>100%</b>          | <b>25.3</b>                 | <b>100%</b>          |

| <b>Expenditure</b>    | <b>2018/19<br/>£billion</b> | <b>2018/19<br/>%</b> | <b>2017/18<br/>£billion</b> | <b>2017/18<br/>%</b> |
|-----------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| Staff costs           | 20.2                        | 65.8%                | 18.2                        | 71.0%                |
| Other operating costs | 10.5                        | 34.2%                | 7.5                         | 29.0%                |
| <b>Total</b>          | <b>30.7</b>                 | <b>100%</b>          | <b>25.7</b>                 | <b>100%</b>          |

During the period to 31 August 2019, the number of academies within the sector has increased by 10%. This has driven the increase in pupil numbers in the sector and is the main driver for the year-on-year increase in income of £3.6 billion from £25.3 billion to £28.9 billion. Expenditure has increased by £5.0 billion from £25.7 billion to £30.7 billion. However, when excluding non-cash costs in both years, the underlying increase in expenditure is 10.7% which is broadly comparable with the increase in income. More detail on non-cash costs can be found in note 7.

Staff costs make up a significant proportion of total expenditure and these costs have increased by 10.8% in the year. Average staff numbers within the sector have increased by 7.6%, indicating that staff costs per employee are slightly higher than in 2017/18. These increases generally align with the increased number of academies in the sector this year.

## Emoluments paid in the sector

During 2018/19, ATs have reported staff emoluments including employer pension contributions. This is a change which has impacted the 2018/19 reporting only and therefore the 2017/18 information is not directly comparable and has been presented as a separate table. As this was a new requirement for the sector, DfE conducted a significant review of the values provided back to the individual AT financial statements, and where relevant made amendments to the data submitted.

### 2018/19 number of ATs paying at least one individual above £150,000 or between £100,000 and £150,000 including employer pension contributions

|                                     | 2018/19: Number of AT's paying at least one individual above this <sup>7</sup> | Proportion of ATs in sector |
|-------------------------------------|--|-----------------------------|
| Emoluments of £150k or more         | 325  | 11.1%                       |
| Emoluments of between £100k - £150k | 1,387  | 47.5%                       |

### 2017/18 number of ATs paying at least one individual above £150,000 or between £100,000 and £150,000 excluding employer pension contributions

|                                     | 2017/18: Number of AT's paying at least one individual above this <sup>7</sup> | Proportion of ATs in sector |
|-------------------------------------|--|-----------------------------|
| Emoluments of £150k or more         | 146  | 4.8%                        |
| Emoluments of between £100k - £150k | 988  | 32.4%                       |

As outlined above, the 2018/19 information includes employer pension contributions whereas the 2017/18 information does not. Therefore the 2018/19 information has a higher number of ATs paying between £100,000 and £150,000 and paying over £150,000.

An individual in the pension scheme who was paid £150,000 in 2017/18 would have been presented in the £150,000 - £160,000 emoluments banding. Assuming this individual has no changes to their base pay in 2018/19 their emolument including employer pension contributions would be £175,000 which would be presented in the £170,000 - £180,000 emoluments banding. Included on page 68 below the 2018/19 trustee remuneration table is an additional table which outlines the impact on emoluments as a result of including employers pension contributions in 2018/19.

<sup>7</sup> The figures in the above table are based on whether an AT reported any individuals being paid over £100,000 (but less than £150,000) or greater than £150,000. As a result the numbers within this table could include the same AT within the £100,000 - £150,000 and then greater than £150,000 section.

DfE has taken steps to challenge and reinforce the message to the sector that there is need for robust evidence-based processes in setting pay, and to ensure in particular that pay of leadership teams in the sector is transparent, proportionate and justifiable, including:

- publication of ATs paying a member of staff or trustee £150,000 or more, or multiple salaries between £100,000 and £150,000;
- a requirement for ATs to reproduce on the AT's website the high pay disclosure provided in their financial statements. The AT must publish on its website in a readily accessible form the number of employees whose benefits exceeded £100,000, in £10,000 bandings;
- ATs in the defined Excessive Executive Pay (EEP) category can face up to a 4 point deduction on Capital Improvement Fund (CIF) bids. Any ATs with EEP who remain successful after the points deduction will need to commit to taking steps to address EEP as a condition of CIF funding;
- seeking assurance from chairs of trustees that structured pay policies and procedures are in place where ATs pay any individual over £150,000 or two or more over £100,000 each;
- with reference to the size of the AT, challenging ATs to justify their decision-making where a member of staff is paid over £150,000 or two or more salaries are over £100,000 each; and
- publication of guidance for ATs on setting executive salaries<sup>8</sup>.

Whilst the challenge to academy leader excessive pay was carried out during 2017/18 and has continued into 2018/19, any change as a result of these actions will take some time to be reflected in the note above and the full impact will be realised in future years.

## Cumulative AT Revenue Deficits

The Statement of Financial Position shows that the sector is reporting a net surplus, however there are a number of ATs in a net deficit position. There were 189 ATs with a surplus greater than £3 million which represents 6.9% of ATs with a surplus/deficit reported in the year. The total aggregate cumulative deficit for 2018/19 has reduced from 2017/18, as has the number of ATs in cumulative deficit. There were 168 ATs with a cumulative deficit (see figures 11a - 11c below) which represents 6.1% of ATs with a surplus/deficit reported in the year.

Any AT reporting a cumulative deficit must agree a recovery plan with ESFA to put the AT back on a financially sustainable path<sup>9</sup>. Where an AT is reporting a cumulative deficit, it may require financial support, as part of that recovery plan.

Decisions on financial support are made on a case by case basis and will only be approved in the most serious circumstances, taking into account the financial, educational and governance aspects of the AT, and after the AT have explored all other options. If approved, financial support will be repayable to ESFA within an agreed timeframe – non-repayable funding will only be agreed where there is no other means to protect pupils' interests<sup>10</sup>.

8 <https://www.gov.uk/government/publications/setting-executive-salaries-guidance-for-academy-trusts>

9 <https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-deficit-recovery>

10 <https://www.gov.uk/government/publications/financial-support-for-academy-trusts-in-financial-difficulty>

**Figure 11a: Number of ATs with cumulative revenue surplus/(deficit)**

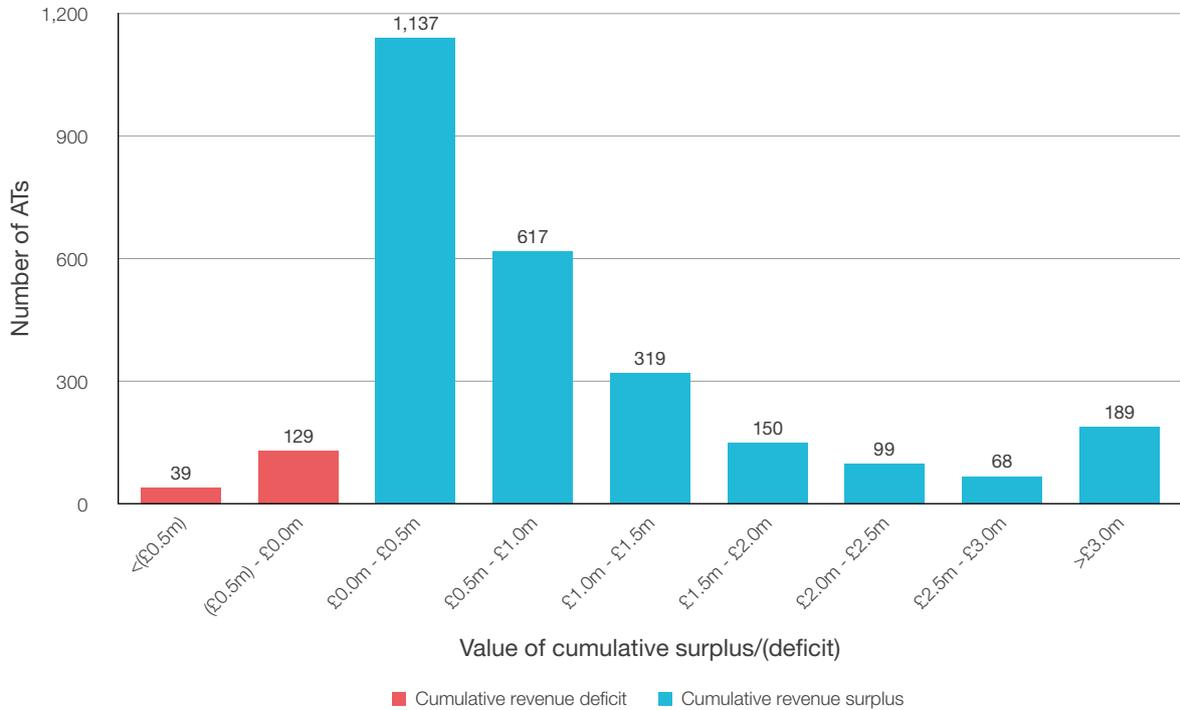


Figure 11a above shows the total number of ATs by size of cumulative revenue surplus/(deficit). This outlines that the majority of ATs have a cumulative revenue surplus.

**Figure 11b: Analysis of ATs with cumulative revenue surplus/(deficit) by size of AT**

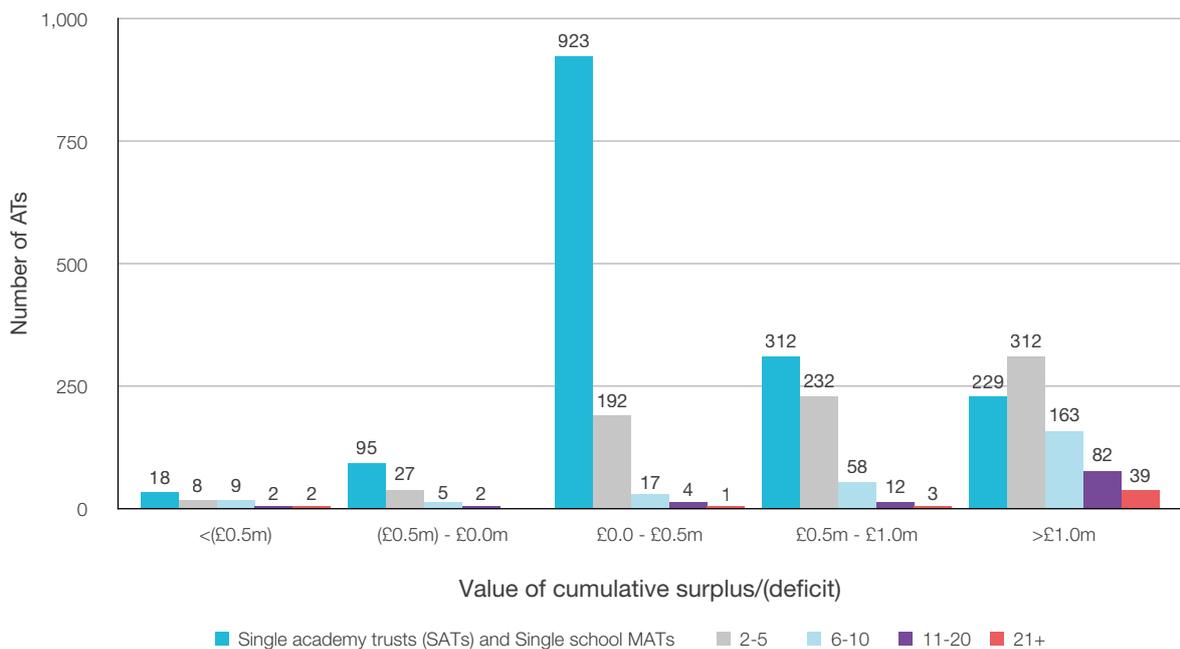


Figure 11b above shows that the majority of ATs have a cumulative revenue surplus. This is consistent throughout all sizes of AT.

**Figure 11c: Analysis of ATs with cumulative deficits by size of AT**

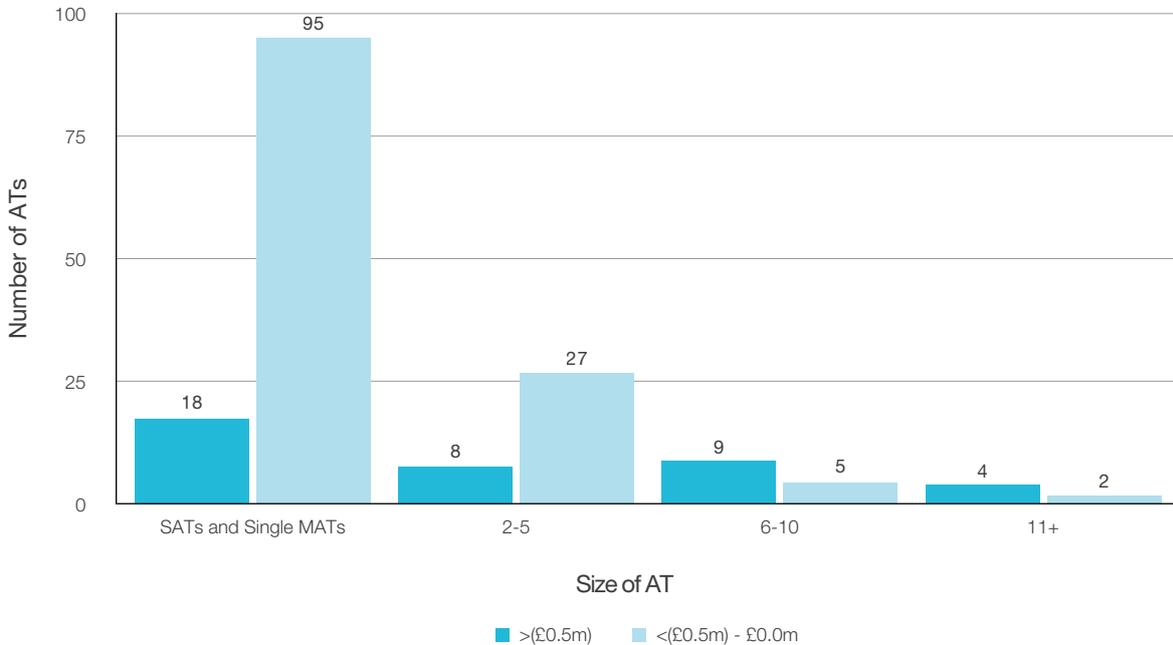


Figure 11c shows only ATs with a cumulative revenue deficit by size of AT. This shows that the majority of ATs with a cumulative revenue deficit are ATs with only one academy.

| Number of ATs in cumulative deficit at 31/08/2019 | Proportion of ATs in cumulative deficit at 31/08/2019 | Number of ATs in cumulative deficit at 31/08/2018 | Proportion of ATs in cumulative deficit at 31/08/2018 |
|---|---|---|---|
| 168   | 6.1%  | 195   | 6.4%  |

The above table and figure 11a present the proportion of those ATs with a cumulative deficit as a percentage of all ATs with a cumulative deficit or surplus reported within the SARA in 2018/19 and 2017/18 respectively. This differs slightly from the data published on the schools financial benchmarking website which is based on the raw data as submitted by ATs<sup>11</sup>. Figure 11b presents the cumulative deficit and surplus by size of ATs and figure 11c presents those ATs with a cumulative deficit in 2018/19 by size of AT.

The deficit figures above are calculated from cumulative revenue reserves and exclude capital income and expenditure and pension deficits. The total aggregate cumulative deficit for 2018/19 was £64 million (£78 million for 2017/18), compared to total cumulative aggregate surplus of £2.8 billion (£2.5 billion for 2017/18). Included within the current year number of ATs with a cumulative deficit figure are 113 ATs which also reported a cumulative deficit in the prior year. ESFA are working with these ATs to support them back to a financially sustainable position.

<sup>11</sup> <https://schools-financial-benchmarking.service.gov.uk/Help/DataSources>

## Cash balances

|                                    | 2018/19<br>£m | 2017/18<br>£m | % change |
|------------------------------------|---------------|---------------|----------|
| <b>Total cash balances</b>         | 4,204         | 3,889         | 8.1%     |
| <b>Average balance per academy</b> | 0.5           | 0.5           | 0.0%     |

The total value of cash held by the sector has increased by £0.3 billion from £3.9 billion to £4.2 billion (8.1%), which represents a slightly lower rate than the increase in sector size. The percentage of cash held to operational expenditure remains stable at 13.7% in 2018/19 compared to 15.1% in 2017/18 (which represents approximately two month's cash expenditure). The sector is encouraged to manage its cash position carefully and avoid becoming overdrawn. The total value of overdrafts held by the sector is stable at £1 million. The total number of ATs with an overdraft at the reporting date was 12 which represents 0.4% of all ATs at year end (2017/18: 15 ATs representing 0.5% of all ATs at year end).

## Related party transactions

|                 | 2018/19<br>number of<br>transactions | 2017/18<br>number of<br>transactions | % change | 2018/19<br>value of<br>transactions<br>£m | 2017/18<br>value of<br>transactions<br>£m | % change |
|-----------------|--------------------------------------|--------------------------------------|----------|---|---|----------|
| <b>Paid</b>     | 2,209                                | 2,390                                | (7.6%)   | 93  | 106                                       | (12.3%)  |
| <b>Received</b> | 1,061                                | 1,101                                | (3.6%)   | 77  | 139                                       | (44.6%)  |

Both the number and value of payments received from related parties and payments made to related parties have decreased. Related party transactions can offer the best option for an AT. Details of types of related party transactions can be found in note 3. Principles applying to related party transactions ensure ATs are even-handed in their relationship with a related party. This includes a requirement for open and transparent procurement, conflicts of interest to be adequately and appropriately managed, and for goods and services exceeding £2,500 to be provided at cost without profit. DfE is actively managing governance risks around related parties. In April 2019, new reporting arrangements were introduced<sup>12</sup>, where ATs must declare their intention to enter into an agreement with a related party before confirming it with their supplier. They must also seek approval from ESFA before they agree any related party transaction exceeding £20,000 – whether as a single contract, or cumulative value with the same supplier. This reporting requirement relates to new agreements made on or after 1 April 2019 and is in addition to existing reporting arrangements. ATs should continue to disclose related party transactions in their annual financial statements.

<sup>12</sup> <https://www.gov.uk/government/news/esfa-introduces-new-arrangements-for-related-party-transactions>

# Sector Development

The number of schools operating as academies in England continued to grow in 2018/19, with an increase in the number of academies of 10% between 31 July 2018 and 31 July 2019. Figure 12 shows the growth in the number of academies over recent years.

**Figure 12: Net total of academies opened (by academy type)<sup>13, 14</sup>**  
 (source: <https://get-information-schools.service.gov.uk/>)

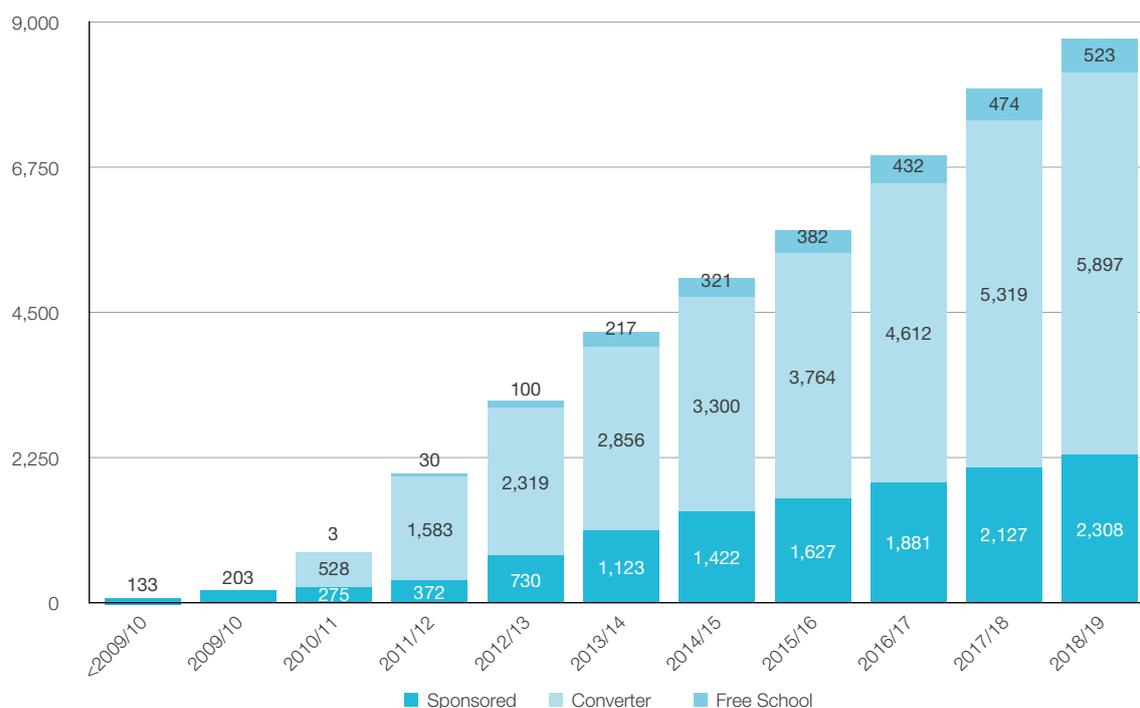


Figure 12 shows the number of academies that were open at and that opened during the year to 31 July 2019, broken down by different types of provision.

13 This figure shows the number of academies open as at 31 July each year, taking into account any closures during that year. Between 1 August 2018 and 31 July 2019, 101 academies closed. These are listed in annex 1. During August 2019, a further 34 academies closed. The academies that closed during August 2019 are also listed in annex 1.

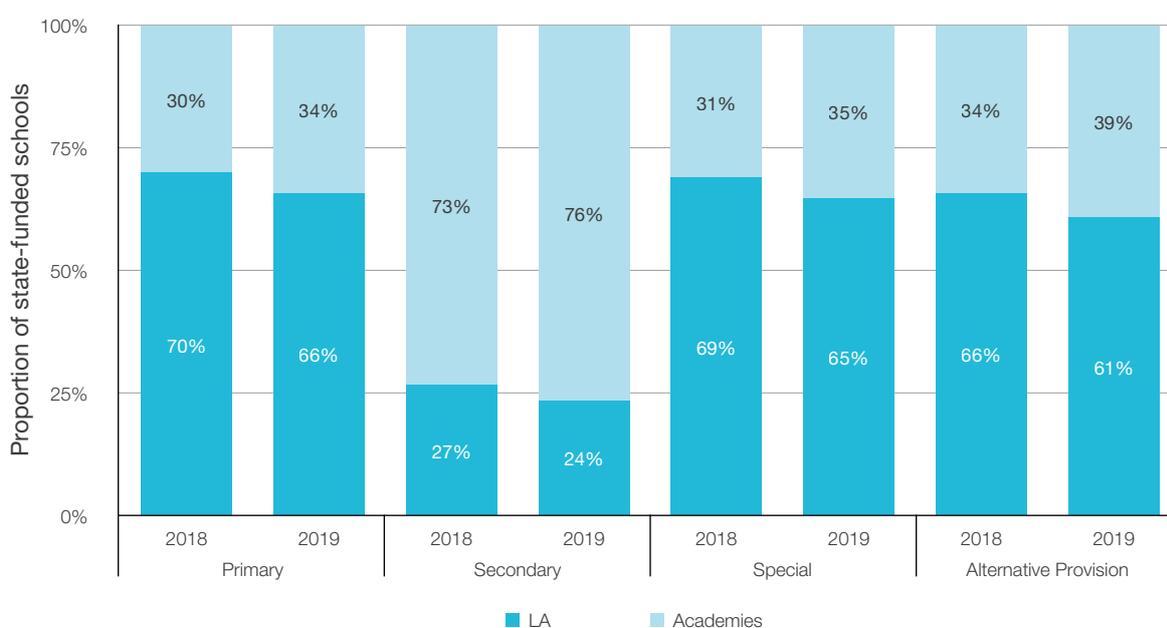
14 Free schools are a type of academy. They are brand new state-funded schools. Any suitable sponsor - including local parents, private businesses and ATs - can apply to the Secretary of State for Education to open a free school; Converter academies are usually strongly performing schools, or schools on an upward performance trajectory, prior to converting to academy status; Sponsored academies are usually underperforming schools prior to converting to academy status. They are run via an AT by sponsors; For further details of types of academies please see annex 7.

**Figure 13: Number of academies by type and provision open at 31 July 2019, including the number opened during the year to 31 July<sup>15, 16</sup> (source: <https://get-information-schools.service.gov.uk/>)**

|                                       | Provision type |              |              |            |                       | Total        |
|---------------------------------------|----------------|--------------|--------------|------------|-----------------------|--------------|
|                                       | Academy type   | Primary      | Secondary    | Special    | Alternative provision |              |
| Total open at 31 July 2019            | Sponsored      | 1,482        | 738          | 64         | 24                    | 2,308        |
|                                       | Converter      | 3,969        | 1,609        | 251        | 68                    | 5,897        |
|                                       | Free school    | 170          | 274          | 34         | 45                    | 523          |
|                                       | <b>Total</b>   | <b>5,621</b> | <b>2,621</b> | <b>349</b> | <b>137</b>            | <b>8,728</b> |
| Number opened in year to 31 July 2019 | Sponsored      | 155          | 59           | 11         | 4                     | 229          |
|                                       | Converter      | 509          | 66           | 33         | 11                    | 619          |
|                                       | Free school    | 22           | 38           | 5          | 5                     | 70           |
|                                       | <b>Total</b>   | <b>686</b>   | <b>163</b>   | <b>49</b>  | <b>20</b>             | <b>918</b>   |

At 31 July 2019, 40% of state-funded schools were operating as academies, although this proportion varied by type of provision, as shown in figure 14. While academies accounted for 76% of all secondary provision, they accounted for between 34% and 39% of other types of provision. Additionally, as there are fewer state-funded secondary schools than primary schools, a smaller number of secondary academies represents a bigger proportion of state-funded secondary schools.

**Figure 14: Proportion of state-funded schools operating as academies by provision type at 31 July 2019<sup>17, 18</sup> (source: <https://get-information-schools.service.gov.uk/>)**



<sup>15</sup> Restated for 31 August 2019 in annex 1.

<sup>16</sup> Sponsored academies are established and managed by sponsors from a wide range of backgrounds, including high performing schools and colleges, universities, individual philanthropists, businesses, the voluntary sector, and the faith communities. Converter academies are former schools which have chosen to convert to academy status.

<sup>17</sup> At 31 August 2019, 41% of schools were operating as academies.

<sup>18</sup> Further detail can be found in annex 2.

Academies as a proportion of state-funded provision continued to vary by Local Authority (LA). Of the 151 LAs with state-funded schools in England, 150 offered state-funded primary provision. 37 LAs had at least 50% of their state-funded primary provision operating as academies. There were no LAs where all state-funded primary schools were academies. Two LAs with state-funded schools had no primary academy provision, and five had 5% or less primary academy provision.

State-funded secondary level provision was provided by 150 LAs. There were 15 LAs where all provision was through academies, and a further 116 where more than 50% were academies. One LA with state-funded schools had no secondary academy provision, but all others had at least 10%.

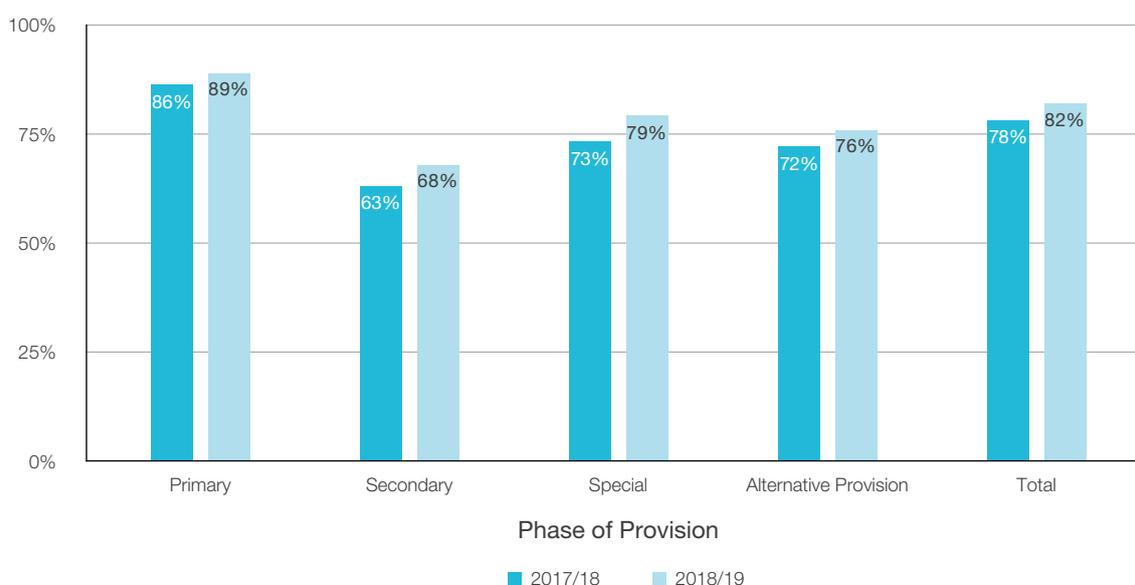
State-funded special provision was offered by 149 LAs. 33 of these LAs had no academy special provision and 13 LAs had 100% academy provision.

There were 142 LAs with state-funded alternative provision, of which 64 LAs had no academy alternative provision. There were 59 LAs with 50% or more - including 33 with 100% academy alternative provision.

### Multi academy trusts

At 31 July 2019, there were 7,132 (82%) academies (including free schools, studio schools and UTCs) in trusts with more than one academy, forming 1,186 multi academy trusts (compared to 5,850 academies in 1,082 multi academy trusts with more than one academy at 31 July 2018). There were 1,596 academies, free schools, studio schools and University Technical Colleges (UTCs) in a single academy trust, or in a multi academy trust with only one academy. Figures 15a and 15b show the number of multi academy trusts broken down by phase and type of academy.

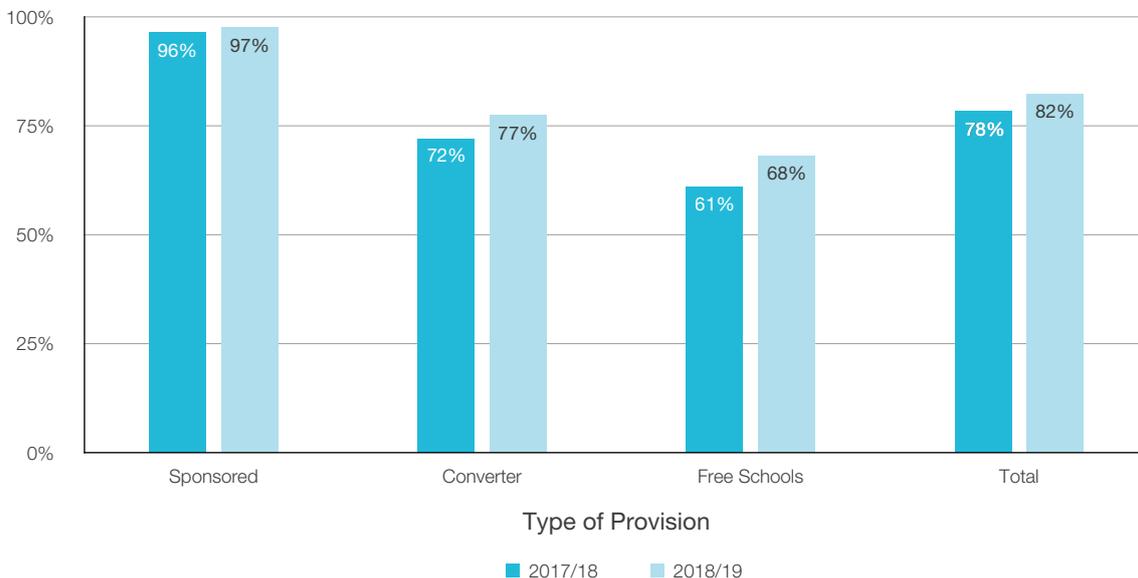
**Figures 15a and 15b: Percentage of academies in a trust with more than one academy as at 31 July 2019 by phase and type<sup>19, 20, 21</sup>**



19 Restated for 31 August 2019 in annex 1. Available at: <https://get-information-schools.service.gov.uk/>

20 The 2017/18 SARA presented phase and type of provision split for all multi academy trusts. This includes a small number of multi academy trusts with only one academy. Figures 15a and 15b present the phase and type respectively for academies in multi academy trusts with more than one academy. This means that 2017/18 figures quoted above may not agree to the 2017/18 SARA.

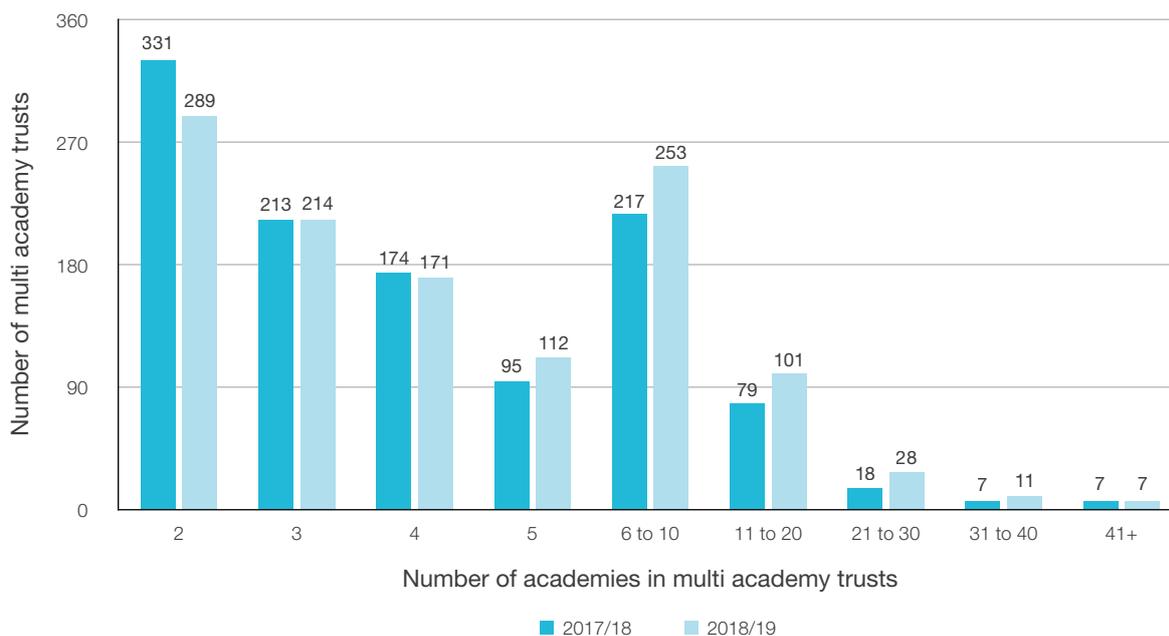
21 Sponsored academies are established and managed by sponsors from a wide range of backgrounds, including high performing schools and colleges, universities, individual philanthropists, businesses, the voluntary sector, and the faith communities. Converter academies are former schools which have chosen to convert to academy status.



As of July 2019, sponsored academies were more likely to be part of a multi academy trust than other types of academy as the majority of sponsors were academy converters. More information on academy sponsorship is provided in the following section.

The mean number of academies in multi academy trusts with more than one academy was six. The smallest had two academies (although some ATs with one academy were technically constituted as multi academy trusts), while the largest had 63. Figure 16 shows the variation in the number of academies per multi academy trusts.

**Figure 16: Number of academies in multi academy trusts as at 31 July 2019<sup>22</sup> (source: <https://get-information-schools.service.gov.uk/>)**



<sup>22</sup> Restated for 31 August 2019 in annex 1

## Academy sponsorship

Underperforming schools can be supported by a sponsor. Sponsors work with the academies they support through an AT. Sponsors support their AT to improve standards across the academies they manage. The AT is responsible for the academy’s educational performance, governance and financial management.

Sponsors can come from different backgrounds including universities, independent schools, businesses, charities, faith organisations, as well as existing multi and single academy trusts. In order to be approved as a sponsor the organisation needs to demonstrate it has the capacity and capability to drive up standards and provide effective school improvement. The relevant Regional Schools Commissioner (RSC), advised by their Head Teacher Board (HTB) for the region, take decisions on sponsor applications.

## Strengthening trusts’ boards

The Department funds the Academy Ambassadors programme<sup>23</sup>. Academy Ambassadors provides a free, bespoke recruitment service matching high-calibre business professionals with MATs looking to strengthen their boards. For the period 1 August 2018 to 31 July 2019, funded by DfE, the programme resulted in 388<sup>24</sup> experienced leaders providing support to MATs by joining trust boards as non-executive directors (386 leaders joined trust boards between 1 August 2017 and 31 July 2018<sup>25</sup>).

## How academies support school improvements as ‘system leaders’

In Summer 2018, the Department carried out an internal review of system leadership programmes, including Teaching Schools, National Leaders of Education (NLEs) and National Leaders of Governance (NLGs). At this point, the Department paused any further system leadership designations.

In its Recruitment and Retention Strategy (January 2019), the Department committed to carrying out a wholesale review of system leadership designations, to ensure that the support offered to underperforming schools is as strong as possible.

Acting upon this commitment, the Department formed an external advisory group, chaired by Ian Bauckham CBE, CEO, the Tenax Schools Trust, in June 2019, to review the current NLE programme and to make recommendations on future changes. The external advisory group made a number of recommendations that centred around increasing the quality and impact of NLEs, including by opening-up new eligibility routes, adopting a clear set of standards against which NLEs will be accredited, and introducing more robust selection and training arrangements. We are now taking these recommendations forward.

Academies take part in a range of school improvement programmes. These include:

- **Teaching schools (TS):** These are strong schools with responsibility for collaborating with other institutions in their local area to deliver initial teacher training (ITT), professional development, succession planning, school-to-school support and research and development. As at 31 July 2019, there were 778 TSs, of which 499 were Academies with TS status (compared to 835 TSs, of which 530 were Academies with TS status as at 31 July 2018).
- **National Leaders of Education and National Support Schools (NLEs/NSSs):** NLEs are head teachers of strong schools who, together with the staff from their school, use their skills and experience to aim to improve the quality of teaching and leadership in schools in challenging circumstances. As at 31 July 2019, there were 1,182 NLEs, of which 730 were NLEs working within Academies (compared to 1,319 NLEs, of which 781 were within Academies as at 31 July 2018).

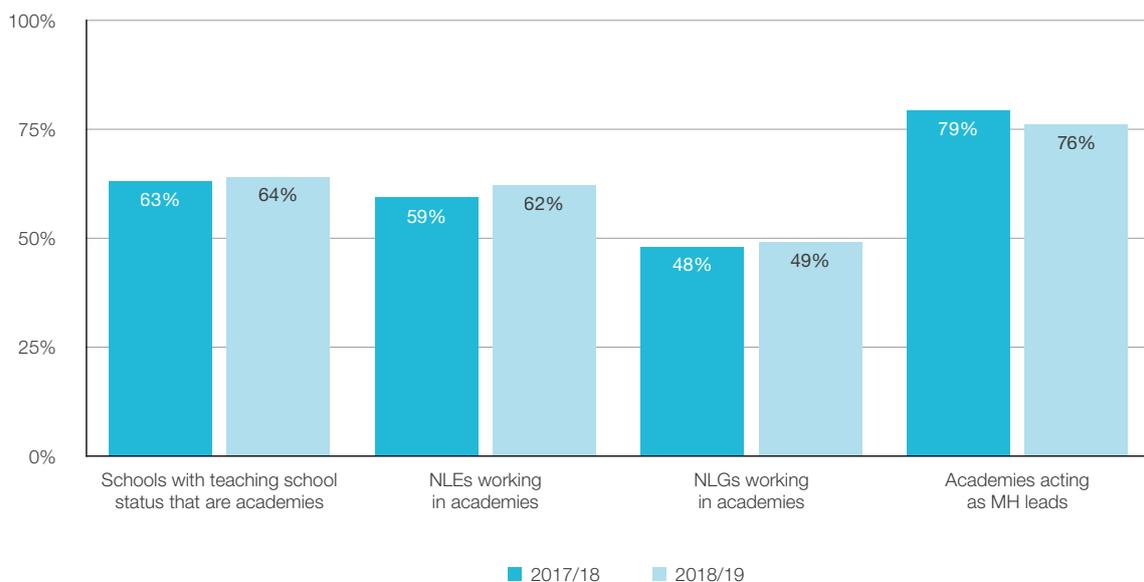
<sup>23</sup> Academy Ambassadors programme: <https://www.academyambassadors.org/>

<sup>24</sup> A further 2 appointments were made in August 2019.

<sup>25</sup> A further 12 appointments were made in August 2018.

- Maths hubs (MHs):** Maths hubs are responsible for delivering the Teaching for Mastery programme, which promotes a pedagogical method of teaching based on approaches seen in top performing international jurisdictions. There are 37 Maths hubs across the country which act as a national network of schools that harnesses local maths leadership and expertise through a school-led model of school-to-school support to encourage the development and reach of excellence in the teaching of mathematics.
- Computing hubs:** The National Centre for Computing Education (NCCE) is responsible for coordinating a national network of school-based computing hubs. There are currently 34 hubs which provide an effective network of support to ensure that computing teachers in primary and secondary schools and further education (FE) colleges have access to a wide range of high quality continuous professional development (CPD); draw in local expertise to provide a range of CPD opportunities for all teachers; and build local expertise and capacity for school-to-school support, including work plans to improve poor performing schools.
- English hubs:** English hubs are a network of 34 schools with excellent early language and reading teaching, backed by £26.3 million of funding. They are working to increase reading standards across the country and to improve educational outcomes for the most disadvantaged children, particularly in underperforming schools. The three main aims of the English hubs programme are: excellent phonics teaching, early language development and reading for pleasure.
- National Leaders of Governance (NLGs):** NLGs are highly effective chairs of governors who support chairs of governors in other schools. As at 31 July 2019, there were 383 NLGs, of which 189 were NLGs working within Academies (compared to 442 NLGs, of which 214 were within Academies as at 31 July 2018).

**Figure 17: Academies designated and funded to take part in school improvement programmes<sup>26</sup>**



<sup>26</sup> The figures reported for 2017/18 have been revised from: 68% to 63% for TSs, 61% to 59% for NLEs and 50% to 48% for NLGs to correct a previous reporting error. The previous figures removed independent schools (and only included state-funded schools), this has since been corrected to maintain consistency. This means that 2017/18 figures quoted above may not agree to the 2017/18 SARA.

## Supporting schools to maximise value from resources

DfE is committed to helping schools improve outcomes for pupils and promote social mobility by getting the best value for money from all of their resources. In August 2018 we published the School Resource Management Strategy, which includes the schools financial benchmarking service<sup>27</sup>, the self-assessment tool<sup>28</sup> and the efficiency metric which allows schools and trusts to compare their performance and use of resources with similar schools.

We have continued to develop and roll out our School Resource Management<sup>29</sup> offer to help schools get the best out of their budgets. This has included:

- Further developing the schools financial benchmarking website, which allows schools to compare themselves against others that are similar, and accelerating the pace at which new financial data is uploaded.
- Rolling out School Resource Management Advisers to provide expert, hands-on support to schools on using their resources effectively<sup>30</sup>.
- Continuing to roll out the Teaching Vacancies Service, a free jobs listing site to reduce the £75 million that schools spend on recruitment.
- Helping schools get the best value when purchasing, including through a range of national buying deals and end-to-end purchasing support through pilot Buying Hubs.

## Equality and provision for vulnerable and disadvantaged pupils

Statistics on pupil characteristics in academies are obtained on an annual basis through the School Census, with information in this report taken from the January 2019 results, to be congruent with the reporting period.

### Gender

The gender split in primary academies is broadly in line with the national average. Boys represent 50.9% of the pupils in primary converter academies and 51.1% in sponsored academies, compared with 51.0% across all state-funded primary schools. 50.5 % of pupils at secondary converter academies are girls, compared with 49.8% across all state-funded secondary schools (see figure 18). At secondary sponsored academies 51.4% of pupils are boys, and 48.6% girls.

### Ethnicity

Sponsored academies have a higher percentage of minority ethnic pupils than the national average. Conversely, converter academies have a lower percentage of minority ethnic pupils than the national average.

In 2019 across all state-funded primary schools, 33.5% of pupils were from a minority ethnic group. In primary sponsored academies, the percentage of pupils from a minority ethnic group was 37.6% and in primary converter academies it was 29.7%. In 2019, across all state-funded secondary schools, 31.3% of pupils were from a minority ethnic group. In secondary sponsored academies the percentage was 33.6% and in secondary converter academies it was 27.7% (see figure 18).<sup>31</sup>

<sup>27</sup> <https://schools-financial-benchmarking.service.gov.uk/>

<sup>28</sup> <https://www.gov.uk/government/publications/school-resource-management-self-assessment-tool>

<sup>29</sup> Source resource management hub: <https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>

<sup>30</sup> School resource management adviser (SRMA) pilot evaluation <https://www.gov.uk/government/publications/school-resource-management-adviser-srma-pilot-evaluation>

<sup>31</sup> Schools, Pupils and their Characteristics: January 2019, underlying data <https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2019>

**Figure 18: Distribution of gender and ethnicity of pupils split by type and phase of academy as at January 2019 (source: School Census January 2019)**

|                                      | Sponsored   | Converter   | Free Schools <sup>34</sup> | LA Maintained | All state-funded |
|--------------------------------------|-------------|-------------|----------------------------|---------------|------------------|
| <b>Mainstream Primary Schools</b>    |             |             |                            |               |                  |
| <b>Gender</b>                        |             |             |                            |               |                  |
| Boys                                 | 51.1%       | 50.9%       | 50.8%                      | 51.0%         | 51.0%            |
| Girls                                | 48.9%       | 49.1%       | 49.2%                      | 49.0%         | 49.0%            |
| <b>Ethnicity</b>                     |             |             |                            |               |                  |
| White                                | 71.5%       | 76.6%       | 47.1%                      | 73.0%         | 73.5%            |
| Mixed                                | 6.5%        | 5.8%        | 11.4%                      | 6.4%          | 6.3%             |
| Asian                                | 11.5%       | 10.0%       | 25.1%                      | 11.4%         | 11.2%            |
| Black                                | 6.5%        | 4.4%        | 9.4%                       | 5.7%          | 5.5%             |
| Chinese                              | 0.3%        | 0.5%        | 0.7%                       | 0.5%          | 0.5%             |
| Any other ethnic group               | 2.4%        | 1.6%        | 3.8%                       | 2.1%          | 2.0%             |
| Unclassified                         | 1.3%        | 1.1%        | 2.6%                       | 1.0%          | 1.0%             |
| <b>Total<sup>32</sup></b>            | <b>100%</b> | <b>100%</b> | <b>100%</b>                | <b>100%</b>   | <b>100%</b>      |
| Minority ethnic pupils <sup>33</sup> | 37.6%       | 29.7%       | 62.5%                      | 34.0%         | 33.5%            |
| <b>Mainstream Secondary Schools</b>  |             |             |                            |               |                  |
| <b>Gender</b>                        |             |             |                            |               |                  |
| Boys                                 | 51.4%       | 49.5%       | 55.9%                      | 49.8%         | 50.2%            |
| Girls                                | 48.6%       | 50.5%       | 44.1%                      | 50.2%         | 49.8%            |
| <b>Ethnicity</b>                     |             |             |                            |               |                  |
| White                                | 71.9%       | 76.2%       | 52.3%                      | 70.7%         | 73.2%            |
| Mixed                                | 5.9%        | 5.2%        | 7.8%                       | 5.5%          | 5.5%             |
| Asian                                | 10.0%       | 10.6%       | 21.1%                      | 12.6%         | 11.3%            |
| Black                                | 7.6%        | 4.5%        | 10.2%                      | 7.2%          | 6.0%             |
| Chinese                              | 0.3%        | 0.5%        | 0.4%                       | 0.4%          | 0.4%             |
| Any other ethnic group               | 2.4%        | 1.5%        | 3.2%                       | 2.0%          | 1.9%             |
| Unclassified                         | 1.9%        | 1.6%        | 5.1%                       | 1.5%          | 1.7%             |
| <b>Total<sup>32</sup></b>            | <b>100%</b> | <b>100%</b> | <b>100%</b>                | <b>100%</b>   | <b>100%</b>      |
| Minority ethnic pupils <sup>33</sup> | 33.6%       | 27.7%       | 50.8%                      | 34.5%         | 31.3%            |

<sup>32</sup> Numbers may not sum due to rounding.

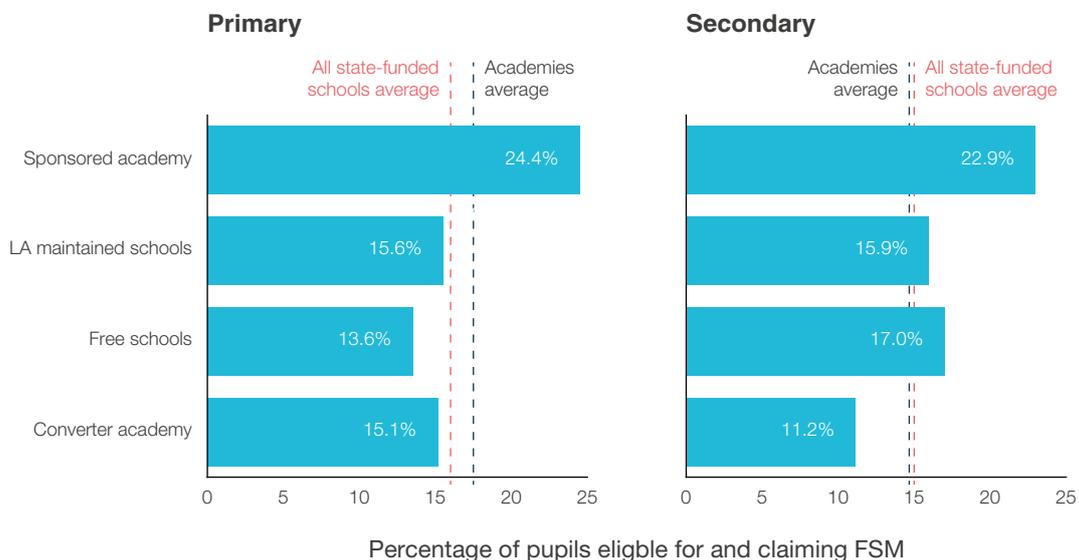
<sup>33</sup> Includes all pupils classified as belonging to an ethnic group other than White British (excludes unclassified).

<sup>34</sup> Including studio schools and UTCs.

## Pupils eligible for free school meals

Overall, the percentage of pupils eligible for and claiming free school meals (FSM) in primary academies is higher than the national average across all state-funded primary schools. In January 2019, 17.6% of primary academy pupils were known to be eligible for and claiming FSM<sup>35</sup>, compared with 16.2% across all state-funded primary schools (see figure 19). Conversely, the percentage of FSM pupils in all secondary academies is slightly lower than the average across all state-funded schools. In secondary academies, 14.7% of pupils were known to be eligible for and claiming FSM compared with 15.0% across all state-funded secondary schools.<sup>36</sup>

**Figure 19<sup>37</sup>: Percentage of pupils eligible for and claiming FSM by type and phase of academy as at January 2019**



Free schools in figure 19 above includes UTC and studio schools at Secondary

In primary and secondary sponsored academies, there is a higher percentage of pupils eligible for and claiming FSM than the national average. At primary level, 24.4% of pupils in sponsored academies are eligible for and claiming FSM compared with 16.2% across all state-funded primary schools. In primary free schools, 13.6% of pupils are eligible for and claiming FSM, below the average for all state-funded primary schools. In secondary sponsored academies, 22.9% of pupils are eligible for and claiming FSM, compared with 15.0% in all state-funded secondary schools. In secondary free schools, 17.0% of pupils are eligible for and claiming FSM.

<sup>35</sup> Based on all full time pupils aged 15 and under, and part time pupils aged 5 to 15.

<sup>36</sup> Schools, Pupils and their Characteristics: January 2019.

<sup>37</sup> Details in table A in annex 3.

## Special educational needs

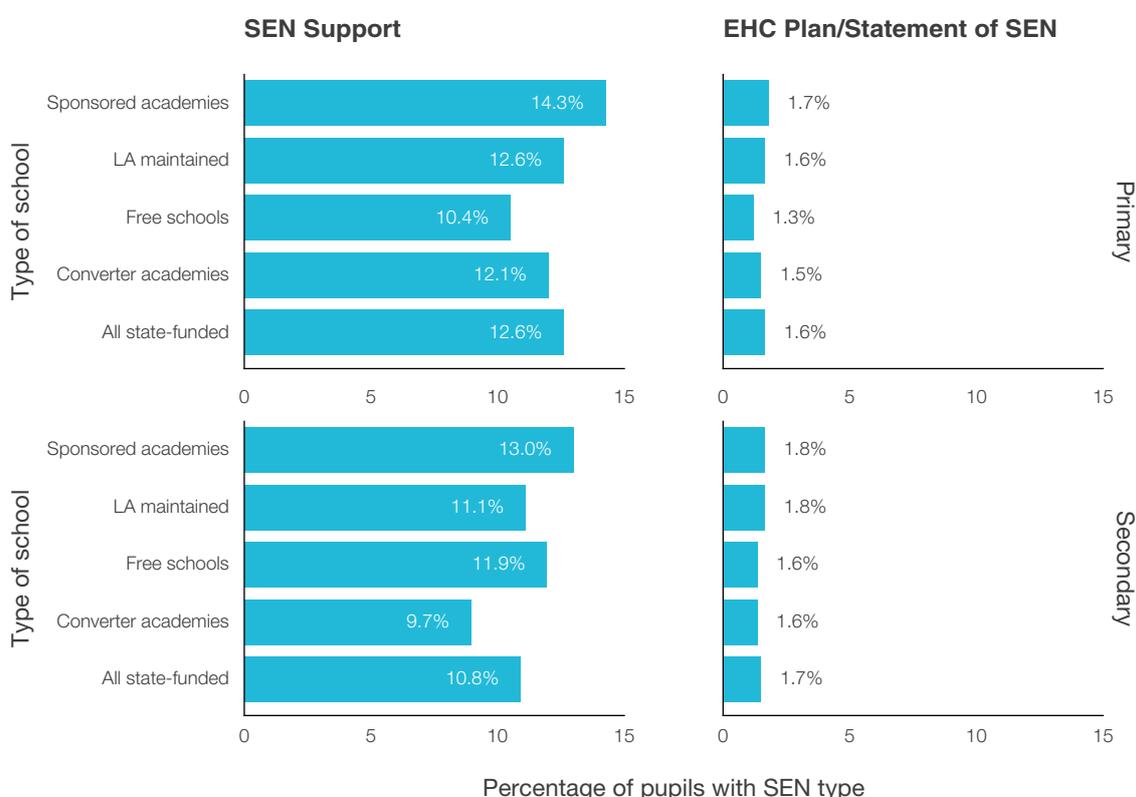
The law and statutory guidance on special educational needs (SEN)<sup>38</sup> and exclusions<sup>39</sup> apply equally to academies and LA maintained schools. Under the Children and Families Act 2014, academies have a duty to promote and safeguard the education of children and young people with SEN.

Academies have a similar proportion of pupils with SEN to that of all state-funded schools. Sponsored academies have a higher percentage of pupils with SEN than the national average, whilst converter academies are below the national average.<sup>40</sup>

In January 2019, across all state-funded primary schools, 14.2% of pupils were identified as having a special educational need (including both SEN Support and education, health and care plans or SEN statements). In primary sponsored academies, the percentage was 16.0% and in primary converter academies it was 13.6%. In primary free schools, 11.7% of pupils were identified as having SEN.

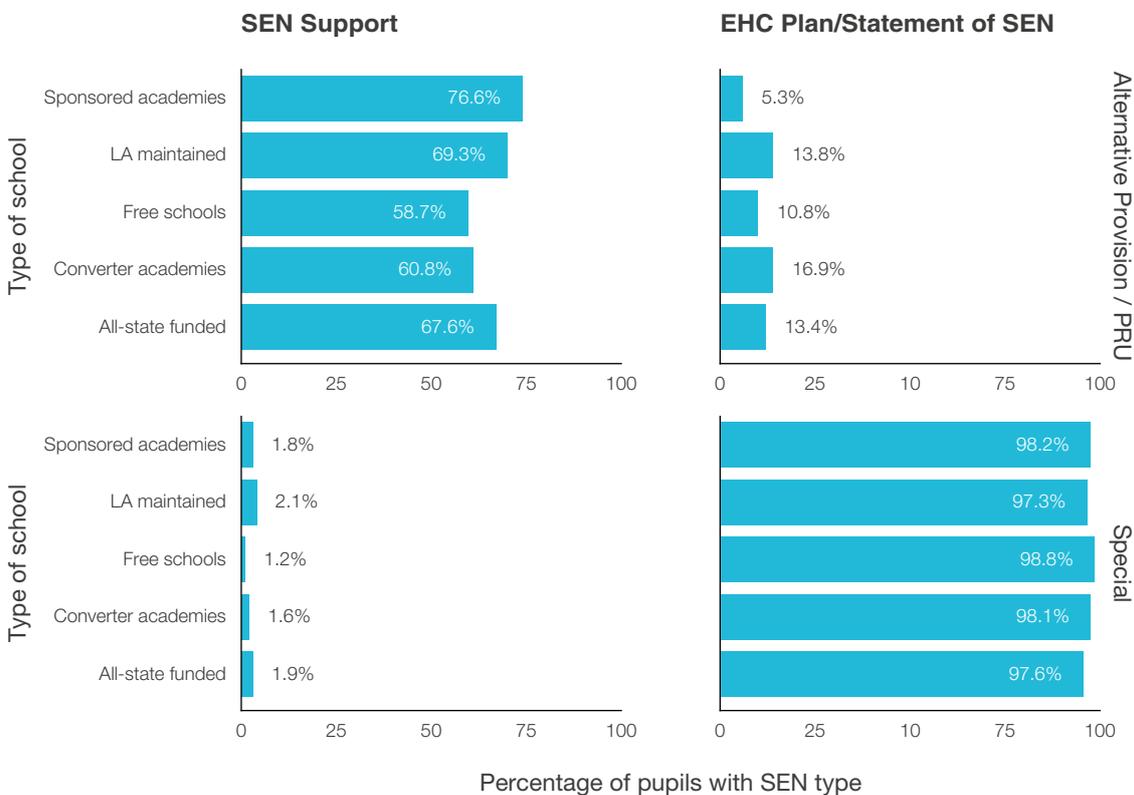
Across all state-funded secondary schools, 12.4% of pupils were identified as having SEN. In secondary sponsored academies, the percentage was 14.8% and in secondary converter academies it was 11.3%. In secondary free schools, UTCs and studio schools, 13.5% of pupils were identified as having SEN (see figure 20 and Table B in annex 3).

**Figure 20<sup>41</sup>: Special educational needs split by type and phase of academy as at January 2019**  
**Primary and Secondary schools – SEN by school type, 2019**



38 The Children and Families Act 2014: <http://www.legislation.gov.uk/ukpga/2014/6/contents/enacted> and the associated SEND Code of Practice: <https://www.gov.uk/government/publications/send-code-of-practice-0-to-25>  
 39 Statutory guidance on school-exclusion: <https://www.gov.uk/government/publications/school-exclusion>  
 40 Special Educational needs in England: January 2019, <https://www.gov.uk/government/statistics/special-educational-needs-in-england-january-2019>  
 41 Details in table B in annex 3.

Alternative provision and special schools – SEN by school type, January 2019



Special academies have close to 100% of pupils with some SEN requirement, with almost all having a statement of SEN or an Education, Health and Care (EHC) plan - see Table B, annex 3. Proportions of EHC plan / SEN statements and support across all types of state-funded special schools are similar.

Although offering a different type of provision, over three-quarters of pupils in alternative provision (AP) in 2019 had SEN requirements, but with a smaller proportion having a statement of SEN or EHC plan than in special academies. Converter AP academies had 77.7% of pupils identified as SEN in 2019, while sponsored AP academies had 81.9%, both slightly higher than LA provision. However, AP free schools had 69.5% of pupils identified as SEN, a lower proportion than in other types of state-funded AP.

# Educational Performance

Making fair comparisons between sponsored academies and LA schools is complex. For example, many of the poorest performing schools have now become sponsored academies, which raises the average quality of the remaining LA maintained schools. Conversely, many high performing LA maintained schools have become converter academies and this can act to reduce the average quality of the remaining LA maintained schools. In addition, the group of schools included in each category changes from one year to the next. This means that comparisons of the headline performance figures for types of school over time reflect not only the change in performance and the effect of reforms, but also the changes in composition of the groups of schools.

In 2019 the Department published analysis of the performance of sponsored academies that takes into account the different make-up of groups of schools in the academies sector and the LA maintained sector.<sup>42</sup>

The key findings of that analysis were:

- Standards in underperforming schools that became sponsored academies in recent years have, in many cases, risen more quickly than in similar LA maintained schools;
- Sponsored academies which had been open for longer had made substantial gains in performance and were in line with similar non-academies;
- Thousands of pupils were benefiting from higher standards in their schools after they had become sponsored academies;
- For some groups of sponsored academies, changes in performance between years were not always improvements. For some groups performance year-on-year is volatile and oscillates around that of similar schools.

Academy performance statistics in the remainder of this document refer to those academies that had been open for at least one full academic year. That means the statistics in this report refer to academies that were open by September 2018.

This report focuses on the results from tests and teacher assessments completed by pupils at the end of key stage 2 (KS2 – pupils aged 11), key stage 4 (KS4 - pupils aged 16), and key stage 5 (usually pupils aged 16-19).

## Performance at primary academies

The 2019 KS2 assessments were the fourth to assess the new national curriculum which was introduced in 2015. Because of these changes to the curriculum, figures for 2016 onwards are not comparable to those for earlier years.

At KS2, there are externally graded tests taken in maths and reading, and writing is teacher assessed (TA) over the academic year. Looking at the combined results for all three assessments (see figure 21), average KS2 attainment in sponsored academies is below the average for LA maintained mainstream schools and the average across all state-funded schools. Converter academies have a higher percentage of pupils achieving the expected standard in the three assessments than other types of academy.

At KS2, the progress made by pupils in converter academies is marginally higher or the same as the national average in all subjects, as shown in figure 22 below. Pupils in sponsored academies made less progress in reading than pupils with similar prior attainment in other types of schools. However, they made the same or better progress in writing in comparison to pupils across all types of schools.

<sup>42</sup> <https://www.gov.uk/government/publications/sponsored-academy-performance>

**Figure 21: KS2 attainment by type of school, 2018/19**

| School type                         | Attainment in Reading, Writing and Mathematics |                            | Reading                        | Writing teacher assessment | Mathematics | Grammar, punctuation and spelling |
|-------------------------------------|--|----------------------------|--------------------------------|----------------------------|-------------|-----------------------------------|
|                                     | Reaching the expected standard                 | Reaching a higher standard | Reaching the expected standard |                            |             |                                   |
| Sponsored academies                 | 58%  | 7%                         | 66%                            | 74%                        | 73%         | 80%                               |
| Converter academies                 | 68%  | 11%                        | 76%                            | 81%                        | 81%         | 80%                               |
| Free schools                        | 62%  | 12%                        | 72%                            | 77%                        | 77%         | 78%                               |
| LA Maintained schools               | 66%  | 11%                        | 75%                            | 80%                        | 80%         | 80%                               |
| All State-funded mainstream schools | 66%  | 11%                        | 74%                            | 79%                        | 80%         | 79%                               |

**Figure 22<sup>43</sup>: KS2 progress in Reading, Writing and Maths by type of school, 2018/19**

| School type                         | Number of schools | Reading        |                     | Writing        |                     | Maths          |                     |
|-------------------------------------|-------------------|----------------|---------------------|----------------|---------------------|----------------|---------------------|
|                                     |                   | Progress score | Confidence Interval | Progress score | Confidence Interval | Progress score | Confidence Interval |
| Sponsored academies                 | 1,353             | -0.6           | -0.6 to -0.5        | 0.1            | 0.1 to 0.2          | -0.3           | -0.4 to -0.3        |
| Converter academies                 | 3,352             | 0.1            | 0.0 to 0.1          | 0.1            | 0.1 to 0.2          | 0.2            | 0.1 to 0.2          |
| Free schools                        | 81                | -0.6           | -0.8 to -0.4        | -0.5           | -0.7 to -0.3        | -0.7           | -0.9 to -0.5        |
| LA Maintained schools               | 10,367            | 0.2            | 0.2 to 0.2          | 0.1            | 0.1 to 0.1          | 0.2            | 0.1 to 0.2          |
| All State-funded mainstream schools | 15,153            | 0.1            | 0.1 to 0.1          | 0.1            | 0.1 to 0.1          | 0.1            | 0.1 to 0.1          |

These breakdowns are by type of academy, and cannot be used to calculate the total progress for all mainstream academies.

As shown in figure 22, sponsored academies had an average progress score lower than other mainstream state-funded schools in reading and maths. However, sponsored academies performed at a similar level to other state-funded establishments for progress in writing.

<sup>43</sup> Details including a more detailed breakdown by subject and pupil characteristic can be found in National table N13 from [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/851791/KS2-Revised\\_tables\\_2019.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/851791/KS2-Revised_tables_2019.xlsx)

## Performance at secondary academies

In 2017, pupils sat reformed GCSEs in English language, English literature and Mathematics for the first time, graded on a 9-1 scale. New GCSEs in other subjects were phased in for first teaching over 3 years: from September 2016, 2017 and the remainder from 2018. When comparing headline measures between 2016 and 2018, it is important to note these developments<sup>44</sup>.

Attainment in 2019 in English and Maths by school type can be found in figure 23. Other headline measures of attainment can be found in the KS4 performance data publication<sup>45</sup>.

Converter academies have on average higher attainment and progress across the headline measures than the average for all state-funded schools. This may be at least partly explained by the fact that these were already high performing schools that chose to convert to academies.

Since 2018, the percentage of pupils achieving grade 4 or above in English and Maths has increased in both sponsored academies and converter academies. In 2019, 55.1% of pupils in sponsored academies achieved this, compared with 54.3% in 2018. In converter academies, 71.1% of pupils achieved a grade 4 or above in English and Maths, compared with 70.7% of pupils achieving the same grades in English and Maths in 2018. This means that performance in converter academies remains above the national average for all state-funded schools on this measure (see figure 23).

**Figure 23: Percentage of pupils achieving grade 4 or above in English and Maths by year and academy type in 2019**<sup>46</sup>

| Academy type                                  | Percentage of pupils who achieved a 9-4 pass in English and Maths in 2019 | Percentage of pupils who achieved a 9-4 pass in English and Maths in 2018 |
|---|---|---|
| Sponsored academies                           | 55.1%   | 54.3%   |
| Converter academies                           | 71.1%   | 70.7%   |
| Free Schools                                  | 67.3%   | 68.0%   |
| University technical colleges                 | 51.7%   | 50.5%   |
| Studio Schools                                | 45.5%   | 41.3%   |
| Local Authority maintained mainstream schools | 64.6%   | 64.0%   |
| All state-funded mainstream schools           | 65.9%   | 65.5%   |

Figure 24 shows sponsored academies that had been open for two academic years had the lowest percentage of pupils achieving a grade 4 or above in 2019 for English and Maths (51.4%), and those open for ten years or more had the highest percentage (57.9%). However, sponsored academies open between two and ten years do show a consistent increase in results.

Converter academies tend to have a higher percentage of pupils achieving a grade 4 or above in English and Maths the longer they have been open. Those open for six years are an exception and have a lower percentage than those open for five years (67.2% compared to 69.4% - see figure 24).

44 A more detailed explanation of the change to the methodology can be found in [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/676213/SFR01\\_2018\\_QualityandMethodology.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/676213/SFR01_2018_QualityandMethodology.pdf)

45 <https://www.gov.uk/government/statistics/key-stage-4-performance-2019-revised>

46 Source: Table 2 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/863942/2019\\_KS4\\_revised\\_national\\_tables.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/863942/2019_KS4_revised_national_tables.xlsx)

**Figure 24<sup>47</sup>: Percentage of pupils achieving grade 4/C or above in English and Maths by number of academic years open and academy type in 2018/19**

|                                      | Number of schools with results | % achieving grade 4/C or above in English and Maths |             |             |             |
|--------------------------------------|--------------------------------|---|-------------|-------------|-------------|
|                                      |                                | 2015/16   | 2016/17     | 2017/18     | 2018/19     |
| <b>Sponsored Academies</b>           |                                |   |             |             |             |
| Open for one academic year           | 69                             | 51.0  | 52.1        | 53.9        | 55.2        |
| Open for two academic years          | 65                             | 46.9  | 48.6        | 49.7        | 51.4        |
| Open for three academic years        | 41                             | 49.0  | 51.0        | 52.3        | 51.8        |
| Open for four academic years         | 56                             | 53.3  | 53.9        | 55.7        | 55.9        |
| Open for five academic years         | 60                             | 52.3  | 54.4        | 55.2        | 54.8        |
| Open for six academic years          | 70                             | 48.5  | 52.8        | 52.1        | 54.1        |
| Open for seven academic years        | 54                             | 51.4  | 49.5        | 51.9        | 53.7        |
| Open for eight academic years        | 44                             | 53.9  | 51.6        | 54.0        | 56.2        |
| Open for nine academic years         | 59                             | 48.3  | 50.4        | 50.0        | 52.7        |
| Open for ten or more academic years  | 176                            | 57.0  | 56.3        | 58.0        | 57.9        |
| <b>All sponsored academies</b>       | <b>694</b>                     | <b>53.4</b>   | <b>53.6</b> | <b>54.2</b> | <b>55.1</b> |
| <b>Converter academies</b>           |                                |   |             |             |             |
| Open for one academic year           | 65                             | 62.2  | 65.4        | 64.1        | 66.3        |
| Open for two academic years          | 76                             | 60.0  | 61.2        | 62.2        | 62.2        |
| Open for three academic years        | 57                             | 62.3  | 64.1        | 64.2        | 65.3        |
| Open for four academic years         | 46                             | 65.8  | 66.3        | 66.5        | 69.4        |
| Open for five academic years         | 64                             | 66.3  | 66.3        | 67.0        | 69.4        |
| Open for six academic years          | 148                            | 64.5  | 66.0        | 66.6        | 67.2        |
| Open for seven academic years        | 365                            | 68.2  | 68.9        | 69.3        | 69.9        |
| Open for eight academic years        | 633                            | 73.1  | 73.5        | 73.9        | 74.5        |
| Open for nine or more academic years | 26                             | 77.1  | 76.8        | 78.9        | 78.2        |
| <b>All converter academies</b>       | <b>1,480</b>                   | <b>70.2</b>   | <b>70.5</b> | <b>70.6</b> | <b>71.1</b> |
| <b>All LA maintained schools</b>     | <b>838</b>                     | <b>61.9</b>   | <b>62.6</b> | <b>63.8</b> | <b>64.6</b> |

Note: shaded grey cells indicate results relating to schools before they converted to academies.

Following the changes to the English and Mathematics GCSEs in 2017, Attainment 8 scores were calculated on different point scales compared to 2016. This makes it difficult to draw comparisons with previous years and may have had a different effect across school types, as changes to accountability may lead schools to prioritise performance in a variety of ways. The following analysis concentrates on progress measures. Similarly, Progress 8 scores are not comparable between years so this report does not present comparisons between 2017, 2018 and 2019 Progress 8 scores. Further information about Attainment 8 and Progress 8 is available in 'Key stage 4 performance 2019 (revised)'.<sup>48</sup>

47 Details in table 2 of published key stage 4 performance data – National tables <https://www.gov.uk/government/statistics/key-stage-4-performance-2019-revised>

48 <https://www.gov.uk/government/statistics/key-stage-4-performance-2019-revised>

Progress 8 aims to capture the progress pupils make from the end of KS2 to the end of KS4 (from the end of primary school to the end of secondary school). It compares pupils' achievement – their Attainment 8 score – with the average Attainment 8 score of all pupils nationally who had a similar starting point (or 'prior attainment'), calculated using assessment results from the end of primary school.

A school's Progress 8 score is calculated as the average of its pupils' Progress 8 scores. It gives an indication of whether, as a group, pupils in the school made above or below average progress compared to similar pupils in other schools.

- A score of zero means pupils in this school on average made similar progress at KS4 to other pupils across England who got similar results at the end of KS2.
- A score above zero means pupils made more progress, on average, than pupils across England who got similar results at the end of KS2.
- A score below zero means pupils made less progress, on average, than pupils across England who got similar results at the end of KS2, but does not necessarily mean pupils made no progress, or the school has failed.

Converter academies on average have higher Progress 8 scores compared with LA maintained mainstream schools. The converse is true of sponsored academies, which perform below the average for LA maintained schools. Converter academies are more numerous than sponsored academies in the state-funded secondary sector.

Pupils eligible for and claiming free school meals made slightly less progress in sponsored academies compared to those with similar prior attainment in LA maintained schools, and had lower Progress 8 scores than pupils eligible for free school meals in converter academies (figure 25).

**Figure 25: Average Progress 8 score per pupil by school type and pupil characteristic, 2019 (source: KS4 performance data 2019)<sup>49</sup>**

| Pupil characteristic                               | Sponsored | Converter | LA maintained | All mainstream state-funded |
|--|-----------|-----------|---------------|-----------------------------|
| All Pupils   | -0.18     | 0.11      | -0.03         | 0.01                        |
| Pupils eligible for and claiming free school meals | -0.52     | -0.38     | -0.48         | -0.45                       |
| All other pupils                                   | -0.09     | 0.17      | 0.05          | 0.08                        |
| White  | -0.29     | 0.03      | -0.13         | -0.08                       |
| Mixed  | -0.15     | 0.15      | -0.02         | 0.03                        |
| Asian  | 0.33      | 0.60      | 0.41          | 0.51                        |
| Black  | 0.14      | 0.27      | 0.11          | 0.17                        |
| Chinese  | 1.00      | 0.87      | 0.88          | 0.89                        |
| No Identified SEN                                  | -0.11     | 0.17      | 0.04          | 0.08                        |
| All SEN pupils                                     | -0.59     | -0.35     | -0.47         | -0.44                       |
| SEN support  | -0.58     | -0.32     | -0.44         | -0.42                       |
| SEN with a statement or EHC plan                   | -0.60     | -0.48     | -0.59         | -0.54                       |

<sup>49</sup> Characteristics table CH3a – National characteristics tables, <https://www.gov.uk/government/statistics/key-stage-4-performance-2019-revised>

## Performance at academies with post-16 provision

Since 2018, qualifications have been required to meet the full set of characteristics requirements (including size, content and assessment) in order to count in performance tables. Information on the requirements can be found in the published technical guidance for awarding bodies.<sup>50</sup>

The level 3 attainment measures show the results<sup>51</sup> that students achieved by the end of advanced level study. They take into account results achieved in all level 3 qualifications recognised in the 2019 performance tables and during all years of 16-18 study.

In 2019, converter academies had a higher average point score per entry than the state-funded school average across A Levels, academic qualifications, tech levels and applied general qualifications. Sponsored academies had a lower average point score per entry across those same groups of qualifications apart from applied general qualifications, where an above average score was achieved.

It is important to note that prior attainment at KS4 is not taken into account in these figures. The ability of the student intake may vary significantly across institution types and therefore impact on the patterns seen in the results. For example, sponsored academies may have lower prior attainment due to their background as typically underperforming schools that are taken over by a sponsor.

Level 3 value added does take into account the prior attainment of pupils and gives an indication of the progress that pupils in a school have made in each of the qualification types, compared to other pupils with similar prior attainment.

Converter academies had an overall A Level value added score that was slightly above the average for all state-funded schools. Sponsored academies had an A Level value added score below the average for all state-funded schools<sup>52</sup>.

In applied general qualifications, sponsored academies had an overall average value added score that was below the national average for all state-funded schools. Pupils in converter academies, on average, made similar progress to the national average in applied general qualifications<sup>53</sup>.

Converter academies and sixth form colleges have the largest number of students enrolled in A level programmes (44.5% and 15.4% of the total number of A level students respectively). Similarly, 37.0% of students in applied general programmes are in converter academies, but the second largest number of students are in other FE sector colleges (21.3%). In contrast, almost two-thirds (60.1%) of students in Tech Level programmes are in other FE sector colleges. For Technical Certificate and level 2 vocational programmes, over 90% are in other FE sector colleges (94.8% and 94.1% respectively). A level programmes at converter academies had the highest retention rate (93.5%). Sponsored academies had a retention rate of 91.2%. Meanwhile, UTCs had the lowest retention rate (73.9%). Studio schools had a retention rate in 2019 of 79.8%.

<sup>50</sup> 16-18 accountability measures; technical guide [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/819734/16-18\\_Accountability\\_Measures\\_Technical\\_Guide\\_July\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819734/16-18_Accountability_Measures_Technical_Guide_July_2019.pdf)

<sup>51</sup> 16-18 attainment data: <https://www.gov.uk/government/statistics/a-level-and-other-16-to-18-results-2018-to-2019-revised>, table 1a.

<sup>52</sup> 16-18 attainment data: <https://www.gov.uk/government/statistics/a-level-and-other-16-to-18-results-2018-to-2019-revised>, table 1d.

<sup>53</sup> 16-18 attainment data: <https://www.gov.uk/government/statistics/a-level-and-other-16-to-18-results-2018-to-2019-revised>, table 1d.

## Attainment at MAT level

In 2020, the Department published MAT performance measures based on the 2018/19 school performance data. These are consistent with the school accountability system.

For KS2, the Department published four separate current year progress measures at MAT level – one for each of reading, writing and maths along with the combined reading, writing and maths attainment.

At KS4, the Department published four measures at MAT level based on current year Progress 8, EBacc entry, EBacc APS, EBacc 9-4/9-5 and MAT performance measures which also include measures for disadvantaged pupils.

At KS5, the Department published two measures at MAT level based on current year level three value added (L3VA). One measured progress in academic qualifications and the other in Applied General qualifications.

At KS2, these measures capture the progress that pupils at a school make on average in each of the three subjects from the end of KS1 to the end of KS2. At KS4, Progress 8 aims to capture the progress that pupils at a school make on average from the end of primary school to the end of secondary school. At KS5, L3VA aims to capture the progress that pupils at a school make on average from the end of KS4 to the end of KS5.

To be included in the MAT performance measures, the MAT must have at least three academies with results in the relevant key stage as published in the school performance tables, and these must have been part of the MAT for at least three full academic years. The measures include state funded mainstream schools only. As these eligibility criteria are applied, the figures cannot be used to interpret how the MAT system is performing as a whole. Where a MAT is above the national average by a statistically significant amount it can be said that pupils in these MATs do better than other pupils with similar prior attainment nationally. It should be noted that the bandings for MATs have been aligned last year to the methodology used to produce the school level progress bandings reported in the school performance tables and are therefore not comparable with bandings for MATs from previous years. When interpreting this data it is important to note that the make-up of pupils within MATs in these measures may not reflect the national pupil population.

**Figure 26: 2018/19 MAT performance at KS2, KS4 and KS5 compared to national average**<sup>54</sup>

| Key Stage and measure                    | Well below average |           | Below average  |           | Average        |           | Above Average  |           | Well above average |           |
|--|--------------------|-----------|----------------|-----------|----------------|-----------|----------------|-----------|--------------------|-----------|
|  | Number of MATs     | % of MATs | Number of MATs | % of MATs | Number of MATs | % of MATs | Number of MATs | % of MATs | Number of MATs     | % of MATs |
| KS2 Reading                              | 7                  | 2.4%      | 80             | 26.9%     | 150            | 50.5%     | 55             | 18.5%     | 5                  | 1.7%      |
| KS2 Writing                              | 10                 | 3.4%      | 50             | 16.8%     | 146            | 49.2%     | 80             | 26.9%     | 11                 | 3.7%      |
| KS2 Maths                                | 6                  | 2.0%      | 77             | 25.9%     | 143            | 48.1%     | 63             | 21.2%     | 8                  | 2.7%      |
| KS4 Progress 8                           | 10                 | 9.8%      | 30             | 29.4%     | 30             | 29.4%     | 26             | 25.5%     | 6                  | 5.9%      |
| Key Stage 5 Level 3 VA - Academic        | 0                  | 0.0%      | 35             | 60.3%     | 17             | 29.3%     | 6              | 10.3%     | 0                  | 0.0%      |
| Key Stage 5 Level 3 VA – Applied general | 1                  | 2.2%      | 7              | 15.2%     | 24             | 52.2%     | 13             | 28.3%     | 1                  | 2.2%      |

<sup>54</sup> <https://www.compare-school-performance.service.gov.uk/download-data>

The headline results are shown in figure 26. 297 MATs satisfied the definition for inclusion in the KS2 MAT performance measures, representing 1,788 individual schools and 73,887 pupils, which was 11.6% of the mainstream state-funded KS2 cohort. 102 MATs satisfied the definition for inclusion in the KS4 MAT performance measures, representing 581 individual schools and 87,346 pupils, which was 16.4% of the state-funded mainstream KS4 cohort. 58 MATs satisfied the definition for inclusion in the KS5 Academic performance measures, and 46 for Applied General. This corresponds to 18,246 students in the academic cohort (9.5% of all state-funded mainstream entries), and 6,118 entries in the applied general cohort (12.9% of all state-funded mainstream entries).

At key stage 2, 57.1% of schools included in MAT performance measures were converter academies, 41.9% were sponsored academies, and 1.0% were free schools. In comparison, nationally pupils in converter academies made up 24.1% of pupils and pupils in sponsored academies made up 9.2% of the maintained mainstream cohort at key stage 2.

At key stage 4, sponsored academies made up 60.9% of pupils included in Progress 8 and converter academies 30.1%. In comparison, nationally pupils in sponsored and converter academies made up 19.8% and 52.0% of pupils in Progress 8 respectively.

At key stage 5, converter academies represented 30.8% of the entries in academic MAT performance measures, with 60.6% of entries from sponsored academies and 8.6% of entries from free schools. In applied general MAT performance measures, converter academies accounted for 27.0% of academies included, with 65.7% of entries in sponsored academies, and 7.3% in free schools.

## Key Stage 2 MAT Performance

In 2019, 20.2% of MATs performed above the national average in the reading progress measure by a statistically significant amount whilst 29.3% of MATs performed significantly below the national average – 1.7% of MATs were classified as well above average and 2.4% as well below average. The remaining 50.5% were not above or below the national average by a statistically significant amount.

In the writing progress measure, 30.6% of MATs performed above the national average by a statistically significant amount whilst 20.2% of MATs performed significantly below the national average – 3.7% of MATs were classified as well above average and 3.4% as well below average. The remaining 49.2% were not above or below the national average by a statistically significant amount.

In the maths progress measure, 23.9% of MATs performed above the national average by a statistically significant amount whilst 27.9% of MATs performed significantly below the national average – 2.7% of MATs were classified as well above average and 2.0% as well below average. The remaining 48.1% were not above or below the national average by a statistically significant amount.

Disadvantaged pupils in MATs make more or similar progress at KS2 on average in writing than the national average for each type of pupil characteristic. However, disadvantaged, SEN pupils, non-SEN pupils, low prior attainment pupils, non-disadvantaged pupils, pupils with English as an additional language and pupils with English as a first language in MATs make the same or less progress in reading than their respective national averages.

The gap between disadvantaged and non-disadvantaged pupils is smaller in MATs than the national average. However, the gap between SEN and non-SEN pupils, English as an additional language (EAL) pupils and pupils with English as a first language, and between low and high prior attainment pupils, is the same or larger in MATs than the national average.

At KS2, it was National lead MATs – which tend to be the largest and have academies spread across a wider geographical area - that were most often above or well above average in KS2 performance measures (Table I, annex 3), with 36% of them above or well above average in reading, 64% in writing, and 45% in Maths.

MAT performance at KS2 (Table J, annex 3), shows no clear relationship between the number of schools in a MAT and their performance in KS2 progress measures.

### Key Stage 4 MAT Performance

In 2019, 25.5% of MATs had Progress 8 scores above the national average and 5.9% were well above average. 29.4% of MATs were below the national average and 9.8% well below average. The remaining 29.4% were not above or below the national average by a statistically significant amount.

The national average in MATs for Progress 8 is mainly lower than the average for all mainstream schools because of different proportions of sponsor led and converter academies. In MATs, sponsored academies made up 60.9% of schools included in Progress 8 and converter academies 30.1%. In comparison, nationally sponsor led and converter academies made up 19.8% and 52.0% of schools included in Progress 8 respectively.

MATs with a national lead or those with lead RSC region North West London and South Central more commonly performed above or well above average in KS4 Progress 8 (Table G, annex 3), with 5 out of 10 of these MATs above average for both groups. West Midlands and North had the highest proportions below or well below average in terms of Progress 8. It is worth noting that National lead MATs tend to be larger, with more pupils, which in turn makes it more likely that any MAT level Progress 8 score is statistically significant.

### 16-19 MAT Performance

Academic cohort: In 2019, 10.3% of MATs had progress scores above the national average for the academic cohort and no MATs were well above. 60.3% of MATs were below the national average with no MATs well below. The remaining 29.3% were not significantly different from the national average.

Applied General cohort: In 2019, 28.3% of MATs had progress scores above the national average for the applied general cohort with 2.2% of MATs well above. 15.2% of MATs were below the national average with 2.2% of MATs well below. The remaining 52.2% were not significantly different from the national average.

Disadvantaged pupils in MATs make slightly less progress than the national average for disadvantaged pupils in the L3VA academic cohort. In the Applied General cohort pupils in MATs make slightly greater progress than the national average for disadvantaged pupils. Information about the performance of disadvantaged pupils in individual MATs can be found in the Multi Academy Trust 16-18 performance data<sup>55</sup>.

Full information on the performance of MATs can be found in the MAT performance measures sections of the KS2, KS4 and KS5 performance data and further breakdown can be found in Tables G to K of annex 3.



**Jonathan Slater**  
Permanent Secretary  
9 July 2020

<sup>55</sup> <https://www.gov.uk/government/statistics/16-to-18-multi-academy-trust-performance-2019-revised>



# Accountability Report

# Corporate Governance Report

The purpose of the corporate governance report is to explain the composition and organisation of DfE's governance structures and to show how they support the achievement of the sector's objectives.

## Statement of accounting officer's responsibilities

As the Principal Accounting Officer (AO) for DfE, I am responsible for the academies sector annual report and accounts (SARA).

Under the terms of my appointment as AO, I am responsible for ensuring that appropriate systems and controls are in place to ensure that:

- any grants that are made to the sector are properly accounted for;
- ATs are properly accountable for the grants they receive, for other sources of income and for the expenditure that this finances, including its regularity and propriety.

These sector accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the sector as a whole – including changes in taxpayers' equity, and cash flows for the academic year.

In preparing these accounts, I am required to comply with the requirements of the **Government Financial Reporting Manual**<sup>56</sup> (FReM) and in particular to:

- observe the Accounts Direction issued by HM Treasury (annex 4), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;

- state whether the applicable accounting standards have been followed, as set out in the FReM, and disclose and explain any material departures in the accounts;
- prepare the accounts for the sector as a going concern.

In addition to these responsibilities, and specifically with regard to the SARA, I am responsible for:

- agreeing the process for producing the SARA and for ensuring that relevant data is collected and processed accurately and appropriately;
- ensuring that there is an appropriate control environment for the production of the SARA.

I can confirm that I have discharged my responsibilities appropriately, and that:

- as far as I am aware, there is no relevant audit information of which the entity's auditors are unaware;
- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information;
- the SARA as a whole is fair, balanced and understandable;
- I take personal responsibility for the SARA and the judgements required for determining that it is fair, balanced and understandable.

<sup>56</sup> FReM 2018-19: <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

# Governance Statement

## Scope of responsibility

As the Permanent Secretary and Principal AO for DfE, I am responsible for ensuring there is an adequate framework in place to provide assurance that all resources are managed in an effective and proper manner, and that value for money is secured.

The sector operates under a strict system of accountability. The key features of this system are set out in DfE's system accountability statement.<sup>57</sup> ATs have statutory responsibilities under company and charity law, and are ultimately accountable - through me, and the ESFA AO - to Parliament.

**Figure 27: System of accountability**



Within this system, my officials have designed and implemented a robust governance framework. I have delegated specific responsibilities to both the Chief Executive of ESFA and to ATs. These responsibilities are articulated within the **Academies Financial Handbook 2018 (AFH)**.<sup>58</sup>

I confirm that I have reviewed the effectiveness of internal control arrangements across the sector, through my review of ESFA's work in overseeing financial management and governance.

<sup>57</sup> DfE Accountability System Statement: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/641079/Accounting\\_Officer\\_System\\_Statement\\_v2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/641079/Accounting_Officer_System_Statement_v2.pdf)

<sup>58</sup> Academies Financial Handbook 2018/19: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/811261/Academies\\_Financial\\_Handbook\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811261/Academies_Financial_Handbook_2019.pdf)

## Control framework at trust level

ATs are held to account through a contract with government and bound by both company and charity law. Each AT has a direct Funding Agreement (FA) with the Secretary of State that sets out the conditions on which the trust receives funding, its responsibilities and the Secretary of State's intervention powers.

ATs are responsible for:

- ensuring the quality of educational provision;
- challenging and monitoring the performance of their academies;
- overseeing the management of the trust's finance and property;
- overseeing the management of the staff;
- ensuring that the trust complies with charity and company law;
- operating in accordance with the FA and the AFH, including ensuring that their accounts are reviewed by external auditors to provide an audit opinion and conclusion on their regularity;
- providing accurate data returns to DfE.

The AFH covers the financial accountability requirements for ATs. It sets out the areas of HM Treasury's **Managing Public Money**<sup>59</sup> that directly apply to ATs. In addition, DfE's **Governance Handbook**<sup>60</sup> describes the elements of good governance to which trusts must give due regard. The AFH is updated annually to cover improvements to governance and financial management arrangements, reflecting the monitoring and feedback applied to the sector.

## Department review processes

All academies are required to submit an annual census return that records pupil numbers and provides the basis on which main revenue funding allocations are agreed. ESFA, on a sample basis, carries out a programme of funding audits at academies, to ensure that grant funding paid to academies is based upon accurate and complete data, that is recorded in accordance with the funding policy and guidance provided by DfE. During the programme of 2018 to 2019 audits, ESFA identified that error rates relating to census data returns remained low at less than 0.1%, which was a similar position to previous years.

Any new AT is required to complete a financial management and governance self-assessment (FMGS) return and submit it to ESFA. Where the AT is setting up as a new entity, a full FMGS return is required within four months (this changed to two months from 1 September 2019). Where the AT is joining an existing AT, an alternative FMGS return is required within six weeks, however this requirement was withdrawn on 31 August 2019 following the introduction of a new return, the School Resource Management Self-Assessment return (SRMSAT).

The FMGS return provides a self-assessment on the implementation of the AFH requirements within the new trust and is approved by the AT's board of trustees before submission, to provide accountability for the quality of the return.

A sample of FMGS returns are subject to a validation, where they are reviewed and AT actions and implementation dates are assessed for reasonableness. Any outstanding returns are pursued by ESFA.

ESFA has arrangements to follow up recommendations made in FMGS reports to ensure ATs take appropriate actions in a timely manner.

In July 2019, ESFA introduced a mandatory requirement for all ATs open on 31 August 2019, to complete a School Resources Management Self-Assessment Tool (SRMSAT) and submit it to ESFA by 14 November 2019. Any outstanding returns are pursued by ESFA.

<sup>59</sup> Managing Public Money: <https://www.gov.uk/government/publications/managing-public-money>

<sup>60</sup> Governance Handbook, March 2019: <https://www.gov.uk/government/publications/governance-handbook>

The SRMSAT provides a self-assessment on how the AT adheres to the academy accountability framework. The SRMSAT returns are not validated, the responses are used to assess risk. A sample of the SRMSAT returns are reviewed and recommendations are made to the AT. Arrangements are in place to follow up the recommendations made in SRMSAT reports to ensure the AT takes appropriate action.

During 2018/19, ESFA did not identify serious concerns in the FMGS review process. There were no identified major control weaknesses in financial management or governance but where weaknesses were identified, they were followed up with appropriate intervention.

It is best practice for ATs to make an annual assessment of their governance and report it in their governance statements. The assessment should include a review of the composition of their board – in terms of skills, effectiveness, leadership and impact - to ensure that the quality of governance remains high. **The Governance Handbook**<sup>61</sup> identifies a range of training material to help AT boards do this.

Each AT is required to appoint its own AO, which should be a senior executive leader of the AT. Their role is to be accountable to Parliament, through me and the ESFA Chief Executive, for the resources under the trust's control. They are required to provide assurance on the management of public funds, particularly that:

- there is economic, efficient and effective use of resources in their charge (value for money);
- public money is spent for the purposes intended by Parliament (regularity);
- appropriate standards of conduct, behaviour and corporate governance are maintained when applying funds under their control (propriety).

I require AT AOs to sign a statement of regularity, propriety and compliance each year and submit it to DfE as part of the AT's audited accounts.

ATs Funding Agreements require ATs to prepare and publish their own annual report and accounts in accordance with the Companies Act 2006, Charities SORP and Academy Accounts Direction. ATs are required to appoint an independent auditor who reports on whether the accounts present a true and fair view of the AT's financial performance and position. The AFH also requires the auditor to give a conclusion, addressed jointly to the AT and ESFA, on whether any matters of irregularity have come to their attention and include this conclusion within the audited accounts.

The reporting requirements placed on ATs provide independent assurance over ATs using public funds for the purposes intended by Parliament and that ATs are acting within the authorities delegated to them in the AFH.

DfE requires each AT to submit their audited financial statements to the Department by 31 December each year, covering the period ending 31 August. ATs are required to publish their financial statements on their website to assist financial transparency. Copies of an AT's audited financial statements are also available from **Companies House website**<sup>62</sup> as required by the **Companies Act 2006**.<sup>63</sup>

There were expected to be 2,865 financial statements from ATs for the period ending 31 August 2019. At publication, 2,847 (99.4%) had been received, with 18 outstanding. We are continuing to pursue all outstanding financial statements.<sup>64</sup>

61 Governance Handbook, March 2019: <https://www.gov.uk/government/publications/governance-handbook>

62 Companies House website: <https://www.gov.uk/government/organisations/companies-house>

63 Companies Act 2006: <http://www.legislation.gov.uk/ukpga/2006/46/contents>

64 Late submission of financial returns can be found at: <https://www.gov.uk/government/publications/academy-trusts-late-financial-returns-2018-to-2019/academy-trusts-late-financial-returns-2018-to-2019>

## Independent auditors' opinions on the academy trust accounts

Independent auditors undertake audits of AT accounts and provide independent opinions on whether they show a 'true and fair' view and comply with the published **Accounts Direction**<sup>65</sup> as well as the level of compliance with the AFH and consistency with the ATs' financial records. A summary of audit opinions is presented below.

**Figure 28: Summary of auditors' opinion**

|  | 2018/19      |               | 2017/18      |               |
|--|--------------|---------------|--------------|---------------|
|  | Number       | %             | Number       | %             |
| Unqualified  | 2,618        | 91.4%         | 2,719        | 91.1%         |
| Unqualified – Emphasis of matter other   | 5            | 0.2%          | 5            | 0.2%          |
| Unqualified – Accounts produced on non-going concern basis (trust closing)           | 119          | 4.2%          | 117          | 3.9%          |
| Unqualified – Material uncertainty to continue as a going concern (financial issues) | 84           | 2.9%          | 100          | 3.3%          |
| Qualified  | 21           | 0.7%          | 35           | 1.2%          |
| Disclaimer of opinion  | -            | -             | 1            | 0.0%          |
| Adverse  | -            | -             | -            | -             |
| Accounts not received  | 18           | 0.6%          | 9            | 0.3%          |
|  | <b>2,865</b> | <b>100.0%</b> | <b>2,986</b> | <b>100.0%</b> |

An unqualified opinion means that the auditor was able to conclude the accounts to be materially correct with no significant matters to bring to the reader's attention. In 2018/19, over 98% of AT accounts received unqualified opinions (2017/18: over 98% of AT accounts also received unqualified opinions).

The audit opinions that were 'qualified' (or that contained an 'emphasis of matter') were largely due to issues in the following areas:

- recognition of land and buildings;
- local government pension scheme actuarial valuation.

The number of ATs reporting a material uncertainty relating to going concern due to financial weakness has decreased slightly from the previous year. This indicates an improvement in AT's financial management. The number of ATs producing accounts on a non-going concern basis due to the trust closing has increased slightly from the previous year. This is attributable to a continuing trend of ATs closing following rebrokerage and change in the sector.

## Independent auditor's conclusions on regularity

AT accounts include an independent reporting accountant's assurance report on regularity, which provides assurance that the income and expenditure incurred by the AT is in accordance with the purposes intended by Parliament and allowable within the delegated authority contained in the FA and AFH.

<sup>65</sup> Academies accounts direction 2018/19: <https://www.gov.uk/guidance/academies-accounts-direction#academies-accounts-direction-2018-to-2019>

The table below shows that, at the time of publication, there were 202 instances where these assurance reports identified regularity exceptions.

A regularity exception means that the independent auditors found some element of income or expenditure that may have been outside permitted use, or where AT's own agreed procedures were not followed.

**Figure 29: Summary of auditors' opinions on regularity**

|                               | 2018/19      |               | 2017/18      |               |
|-------------------------------|--------------|---------------|--------------|---------------|
|                               | Number       | %             | Number       | %             |
| No regularity exception noted | 2,645        | 92.3%         | 2,800        | 93.8%         |
| Regularity exception noted    | 202          | 7.1%          | 177          | 5.9%          |
| Accounts not received         | 18           | 0.6%          | 9            | 0.3%          |
|                               | <b>2,865</b> | <b>100.0%</b> | <b>2,986</b> | <b>100.0%</b> |

Auditors concluded that there were no regularity exceptions in trust accounts for just over 92% of trusts. There has been an increase in the number of modified auditor regularity opinions, however there were 26 instances where a modification was reported in relation to the new requirement prohibiting any purchase of alcohol. In the majority of cases, this related to where trusts had purchased alcohol for school events, including awards evenings and where alcohol had been purchased for resale.

ESFA reviewed the exceptions raised for the remaining 8% of ATs. The areas where the auditors identified failure of ATs to comply fully with AFH requirements were broadly similar to last year and included:

- procurement processes;
- no independent checks of internal controls;
- related party transactions or the 'at cost' policy relating to goods and services purchased from related parties or pre-approval not sought for those transactions greater than £20,000 post 1 April 2019.

The majority of the regularity exceptions reported related to the system of internal control primarily relating to financial management or reporting. These are key parts of the governance statement and breaches of the AFH and were not related to specific transactions. These exceptions do not have a material impact on the SARA.

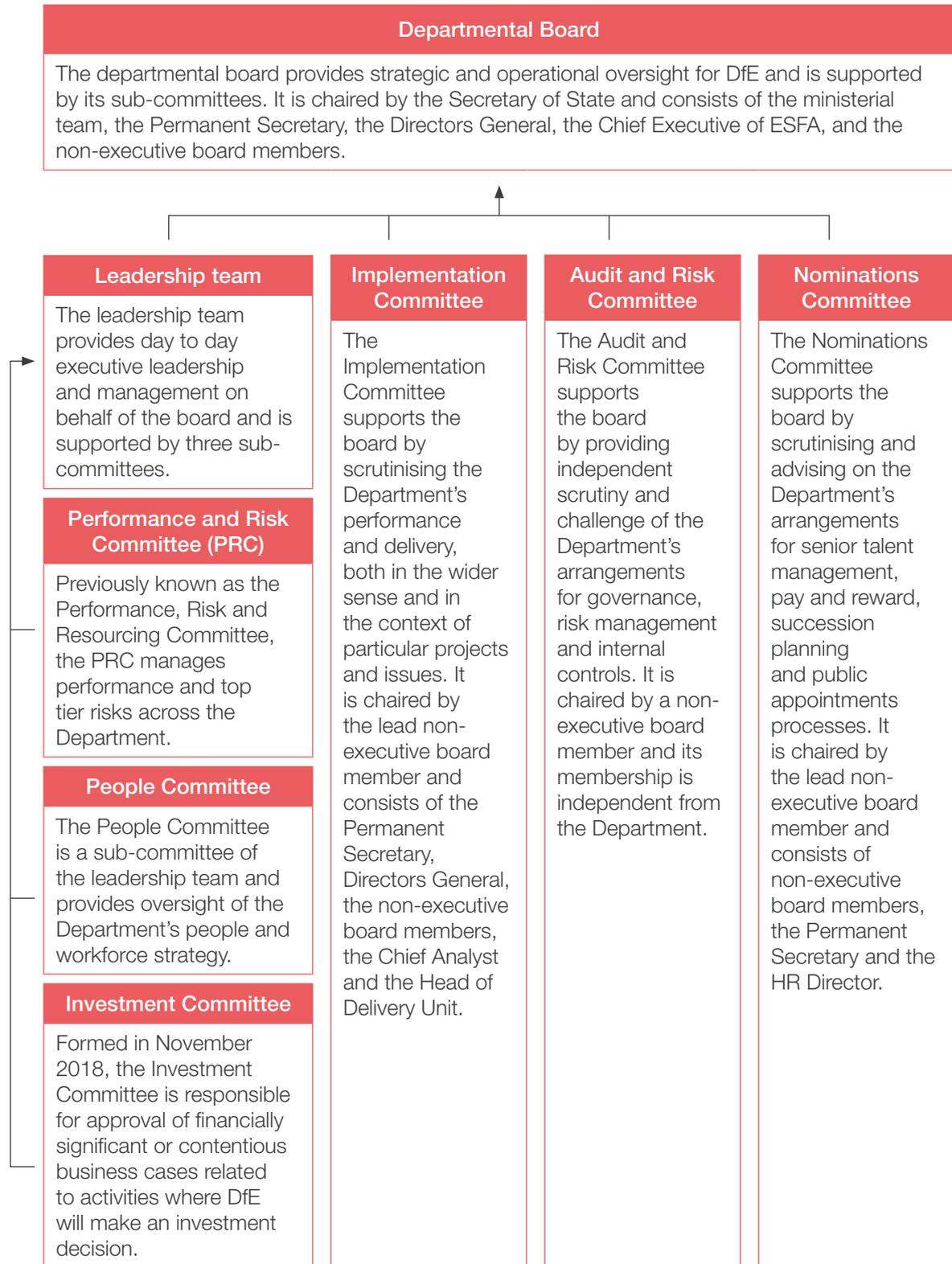
ESFA reviews audit opinions, regularity report conclusions, audit management letters and accounting officer statements of regularity, propriety and compliance. Where ESFA identifies issues of a material nature, proportionate action is taken within the AT to strengthen and improve its controls so that they comply with ESFA requirements. More details on the role of ESFA in the control framework are provided below.

## The Department's governance structures

ESFA's Audit and Risk Committee (ARC) and the departmental Audit and Risk Committee provide assurance that suitable controls are in place to ensure both that public funds are properly spent and that value for money for the taxpayer is achieved. ESFA's Provider Market Oversight Directorate provides assurance to ESFA and specifically its Accounting Officer over funds disbursed to ATs. It reports to ESFA's Accounting Officer through an annual statement of assurance.

Figure 30 shows how the ARC reports into the departmental board, alongside the role of the Department's other committees.

**Figure 30: The Department's governance structures**



## Role of ESFA within the control framework

ESFA was established on 1 April 2017 as an Executive Agency of DfE. It brought together the responsibilities of the Education Funding Agency (EFA) and Skills Funding Agency (SFA), creating a single body responsible for:

- funding education and training for children, young people, and adults;
- providing assurance that public funds are properly spent, achieve value for money for the taxpayer, and deliver the policies and priorities set by the Secretary of State;
- intervening if there is a risk of financial failure, or where there is evidence of mismanagement of public funds.

ESFA's management board plays a key role in oversight of the sector. It provides strategic leadership, direction, support and guidance to ensure the delivery of ESFA's business plan objectives, organisational effectiveness and performance, and alignment with DfE's mission, strategy and purpose.

ESFA communicates the financial control framework for ATs through the AFH. It also publishes an **Academies Accounts Direction**<sup>66</sup> to help ATs prepare their annual financial statements and to support auditors with the effective audit of AT accounts.

ESFA actively engages with the sector to raise standards of financial management and governance. In 2018/19, it ran or participated in events and seminars for ATs and audit firms to promote understanding of the accountability framework and to feedback findings from its assurance programme.

While the primary responsibility for the oversight of ATs rests with trustees themselves, ESFA undertakes an annual risk-based programme of assurance work to review ATs' compliance with the framework. This includes analysis of AT financial statements, risk-based focused reviews and validation of financial management and governance self-assessment forms by new ATs. ESFA was able to provide substantial assurance from this work that there were no specific matters giving rise to a material impact on the SARA.

ESFA operates an annual assurance programme which reviews a broad range of AT data and intelligence to identify risk, including audited accounts and a number of annual financial returns and takes action where appropriate.

Where ESFA has concerns about financial management or governance in an AT, it intervenes proportionately to the scale and nature of the risk, taking account of local circumstances. Intervention actions can include corresponding with the AT, working with it to reach a stronger position; developing a recovery plan or supporting the AT with a School Resource Management Adviser visit; through to more formal actions, such as issuing and publishing a Financial Notice to Improve (FNtI) or termination of the FA.<sup>67</sup>

An FNtI sets out the actions ESFA requires an AT to take in order to address its concerns. The AFH requires that ATs comply with the terms of an FNtI and, in exceptional circumstances, the FA could be terminated due to non-compliance with the terms the FNtI sets out.

15 FNtIs (representing 0.5% of the total sector by number of ATs) were issued between 1 August 2018 and 31 July 2019, with no further notices issued during August 2019<sup>68</sup> (15 FNtIs representing 0.5% of the total sector by number of ATs were issued between 1 August 2017 and 31 July 2018 with two further notices issued in August 2018).

<sup>66</sup> Academies accounts direction 2018/19: <https://www.gov.uk/guidance/academies-accounts-direction#academies-accounts-direction-2018-to-2019>

<sup>67</sup> Further details are available within ESFA's Annual Report and Accounts for the year ended 31 March 2019 (Pages 24-26, 30): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/819926/P3297\\_ESFA\\_Annual\\_Report\\_FINAL\\_Web\\_single\\_pages.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819926/P3297_ESFA_Annual_Report_FINAL_Web_single_pages.pdf) and in Part 6 of the Academies Financial Handbook on 'the regulator and intervention': <https://www.gov.uk/guidance/academies-financial-handbook/part-6-the-regulator-and-intervention>

<sup>68</sup> Financial notices 'to improve': <https://www.gov.uk/government/collections/academies-financial-notices-to-improve>

In the same period, between 1 August 2018 and 31 July 2019, 18 FNtIs were closed, with a further two notices closed during August 2019 (9 FNtIs were closed between 1 August 2017 and 31 July 2018 with three further notices closed during August 2018).

Between 1 August 2018 and 31 July 2019, ESFA received 46 allegations relating to fraud and/or financial irregularity in academies from a variety of sources (compared with 31<sup>69</sup> for the year to 31 July 2018), including whistle-blowers. A further three allegations were received during August 2019.

Following review and analysis, including triage of allegations where appropriate, ESFA undertook 16 visits between 1 August 2018 and 31 July 2019 (compared to 15 in 2017/18). This comprised:

- six fact-finding visits (compared to four in 2017/18);
- six financial management and governance reviews (compared to six in 2017/18);
- four investigations (compared to five in 2017/18).

There was one financial management and governance review visit in August 2019.

Between 1 August 2018 and 31 July 2019, ESFA published four financial management and governance reviews (compared to four in 2017/18) and three investigation reports (compared to none in 2017/18). One financial management and governance review report was published during August 2019. Reports on the investigations are available online<sup>70</sup>. None of the concerns raised resulted in a material financial impact on the SARA.

In accordance with the AFH 2018 (s4.9) requirement and the need for ATs to notify ESFA of instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any academy financial year, ESFA received 68 notifications from ATs<sup>71</sup> between 1 August 2018 and 31 July 2019 (compared to 49 in 2017/18). One further notification was received during August 2019.

The value of fraud, irregularity or theft against ESFA confirmed during the period 1 August 2018 to 31 July 2019 was £227,697 (compared to £449,119 in 2017/18<sup>72</sup>). At the reporting date, the amount recovered by ESFA during the period 1 August 2018 to 31 July 2019 was £377,697 (compared to £75,363 in 2017/18<sup>72</sup>). Fraud, irregularity and theft against ESFA of £3,541,914 was confirmed in August 2019<sup>73</sup>.

The value of fraud, irregularity or theft against ATs confirmed between 1 August 2018 and 31 July 2019 was £2,296,331 (compared to £976,950 in 2017/18<sup>72</sup>). Further fraud values of £69,747 were confirmed in August 2019. The amount recovered by ATs during the period 1 August 2018 to 31 July 2019 was £3,850,364<sup>74</sup> (compared to £703,101 in 2017/18<sup>72</sup>). A further £120,229 was recovered in August 2019. The value of fraud reported to DfE by LAs relating to LA-controlled schools was £1.9 million for the 2018-19 LA financial year.<sup>75</sup>

69 Reported as 28 in 2017/18. Three cases were referred after 2017/18 statistics compiled.

70 Academies investigation reports: <https://www.gov.uk/government/collections/academies-investigation-reports>

71 ATs may report frauds of a lower amount which are included in this number.

72 During the year ESFA changed the methodology used to report fraud and irregularity. Fraud values and recoveries now reflect the level of fraud and irregularity confirmed during the year and may include cases referred to ESFA in prior years. In the 2017/18 and previous SARA, the fraud values and recoveries were reported for cases referred in-year. Prior year comparative figures have been restated to reflect the new reporting methodology. This means that prior year comparative data may not agree to the 2017/18 SARA.

73 This relates to one specific case and is a mixture of fraud and irregularity.

74 This figure includes ongoing recovery against cases referred in prior years and is likely to increase as more information is received for those cases.

75 LA fraud runs on a different reporting cycle (different academic and financial reporting periods) therefore this fact is included for information but is not directly comparable to fraud reported by ATs. The LA reported fraud figure may include values that have occurred in a previous reporting period as this depends on when the LA identified the fraud.

ESFA has a zero tolerance towards fraud and will investigate all allegations of concern to protect public money. The Academies Financial Handbook makes clear that ESFA may commission its own investigations into actual or potential fraud, and may involve other authorities including the police. The handbook also explains that ATs must put in place proportionate controls to address the risk of fraud and take appropriate action where it is suspected or identified.

To ensure lessons are learnt, ESFA commits to publishing all investigation and financial management and governance reviews undertaken in response to allegations<sup>76</sup>, alongside relevant fraud and irregularity guidance<sup>77</sup>.

### Secretary of State as Principal Regulator

On 1 August 2011, the Secretary of State became Principal Regulator (PR) for foundation and voluntary schools, ATs and sixth form colleges, as exempt charities. The Secretary of State became PR for further education corporations from 9 November 2016. One of the key duties of the PR is to promote compliance with charity law and the government has a duty to report on how the Secretary of State carries out these duties. As agreed in the memorandum of understanding between the Charity Commission and DfE, this duty is discharged in this report<sup>78</sup>.

The memorandum of understanding between the Charity Commission and DfE sets out how they work together, both in co-ordinating regulatory operations and formulating policy. DfE has promoted compliance by ensuring information on the role of the PR, coupled with information about academy compliance and trustee responsibilities, is published on GOV.UK<sup>79</sup>.

The articles of association for each AT set out the AT's charitable objects, as well as the accounts and reports an AT must produce. Full details of the Secretary of State's powers are set out in the FA for each academy.

ESFA takes action if it suspects charity law has been breached and in such cases shares information with the Charity Commission to facilitate effective investigation. In 2018/19, DfE and Charity Commission officials met regularly to share information relating to ATs and produce internal and external guidance. During this period, there were no instances where the Secretary of State invited the Charity Commission to use its regulatory powers towards an AT.

76 Financial management and governance reviews: <https://www.gov.uk/government/collections/academies-financial-management-and-governance-reviews>

77 Fraud and irregularity guidance: <https://www.gov.uk/guidance/academies-guide-to-reducing-any-risk-of-financial-irregularities>

78 The reporting requirements placed upon the Secretary of State in relation to sixth form colleges, foundation and voluntary schools can be found in the memorandum of understanding between the Charity Commission and the Department: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/640051/Charity\\_Commission\\_-\\_Department\\_for\\_Education\\_-\\_MOU.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/640051/Charity_Commission_-_Department_for_Education_-_MOU.pdf)

79 Exempt charities and the role of the Secretary of State as PR: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/294996/Academies\\_as\\_exempt\\_charities\\_FINAL3.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/294996/Academies_as_exempt_charities_FINAL3.pdf)

## Further sources of assurance

### Regional Schools Commissioners (RSC)

The role of RSCs was established on 1 September 2014. RSCs are civil servants, accountable to the National Schools Commissioner, and appointed to take decisions in the name of the Secretary of State for Education. The Secretary of State remains responsible for the overall schools system.

As well as other roles, RSCs work to ensure that academy expenditure secures better outcomes for pupils. RSC roles include:

- taking action where academies and free schools are underperforming;
- intervening in academies where governance is inadequate;
- deciding on applications from LA maintained schools to convert to academy status;
- improving underperforming maintained schools by matching them to support from a strong sponsor;
- encouraging and deciding on applications from sponsors to operate in a region;
- taking action to improve poorly performing sponsors;
- advising on proposals for new free schools;
- advising on whether to cancel, defer or enter into Funding Agreements with free school projects;
- deciding on applications to make significant changes to academies and free schools.

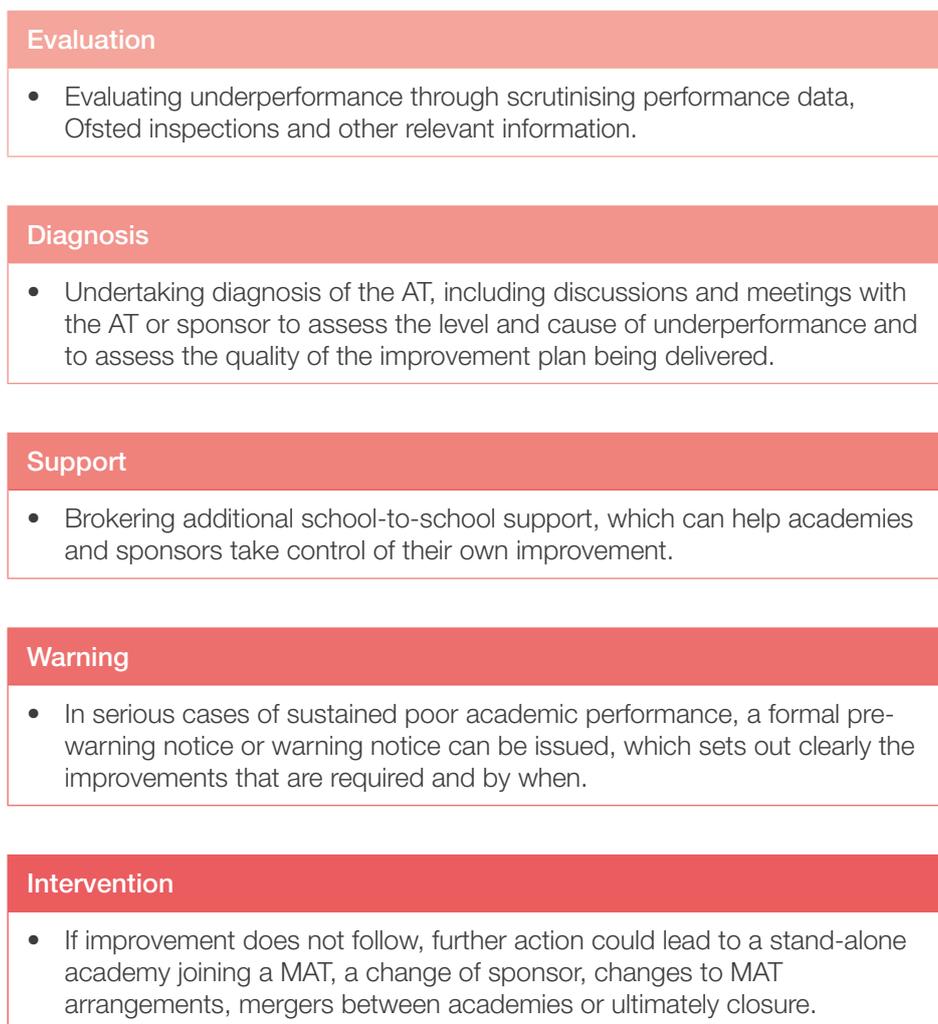
Each RSC is supported by a head teacher board (HTB), made up of six to eight members. On each HTB, four members are elected by existing academies. Up to four further members can be appointed or co-opted to fill particular skills or expertise gaps. HTB members are responsible for advising (and challenging) their RSC and contributing their local knowledge and professional expertise to aid the RSC's decision-making. Elected members of HTBs hold office for three years. Having been initially established in 2014 the third round of elections will be held in Spring this year (2020) for the next cohort of elected HTB members, who will assume their positions in November 2020.

HTBs provide important local scrutiny to the decisions of an RSC. If an RSC takes a decision that contradicts the advice given by the majority of their HTB, this must be reported to the National Schools Commissioner and the minister.<sup>80</sup>

Prior to the Secretary of State's speech at the National Association of Head Teachers (NAHT) conference in May 2019, RSCs used a range of intervention strategies of escalating severity to address underperformance in academies (see figure 31). Whilst RSCs continue to carry out their functions within a published national framework,<sup>81</sup> since May 2019 they have only intervened in academies on educational grounds for those rated Ofsted inadequate. Individual decisions are made with reference to each academy's FA, relevant legislation and published criteria. However, the regional approach means that RSCs are able to tailor their ways of working to meet local needs and priorities. The HTB advises the RSC on the best strategies to secure this improvement.

80 A complete guide to HTB membership is available in the HTB terms of reference: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/624689/HTB\\_Terms\\_of\\_Reference.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/624689/HTB_Terms_of_Reference.pdf)

81 RSC decision-making framework: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/857055/RSC\\_decision\\_making\\_framework\\_December\\_2016\\_rev\\_Jan20.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/857055/RSC_decision_making_framework_December_2016_rev_Jan20.pdf)

**Figure 31: RSC escalation approach for educational performance concerns in academies**

RSCs are not responsible for carrying out school improvement activities, but may advise the AT on suitable options. The responsibility for taking the necessary action to improve outcomes remains with the AT.

Underperforming academies are those that have been judged to be inadequate following an Office for Standards in Education, Children's Services and Skills (Ofsted) inspection.

Between 1 August 2018 and 31 July 2019, 19 RSC notices were issued to sponsored academies, 19 to converter academies, and six to a free school<sup>82</sup> (between 1 August 2017 and 31 July 2018, 10 RSC notices were issued to sponsored academies, four to converter academies, three to free schools with a further two RSC notices issued in August 2018).<sup>83</sup>

<sup>82</sup> Two further RSC notices were issued during August 2019.

<sup>83</sup> The data for 2017/18 is the most up to date information which includes retrospective updates which have occurred since the publication of the 2017/18 SARA, therefore the comparative information disclosed above may differ to the 2017/18 published SARA.

**Figure 32: RSC notices issued between 1 August 2018 and 31 July 2019**<sup>84</sup>

| Minded to terminate letter  | Pre-warning notices  | Termination warning notices  | Termination notices   |
|---|--|--|---|
| <ul style="list-style-type: none"> <li>• 11 to sponsored academies (compared to 4 in 2017/18)</li> <li>• 8 to converter academies (compared to 0 in 2017/18)</li> <li>• 1 to free schools (compared to 0 in 2017/18)</li> </ul> | <ul style="list-style-type: none"> <li>• 6 to sponsored academies (compared to 0 in 2017/18)</li> <li>• 3 to converter academies (compared to 0 in 2017/18)</li> <li>• 1 to free schools (compared to 0 in 2017/18)</li> </ul> | <ul style="list-style-type: none"> <li>• 2 to sponsored academies (compared to 6 in 2017/18)</li> <li>• 7 to converter academies (compared to 4 in 2017/18)</li> <li>• 3 to free schools (compared to 2 in 2017/18)</li> </ul> | <ul style="list-style-type: none"> <li>• 1 to an academy converter (compared to 0 in 2017/18)</li> <li>• 1 to a free school (compared to 1 in 2017/18)</li> </ul> |

DfE publishes letters to ATs about poor performance or weaknesses in safeguarding, governance or financial management online<sup>85</sup>.

RSCs lead the relationship with sponsors operating solely in their region and with agreed national sponsors. They are responsible for managing the sponsor market in their region and intervening if any AT is failing. Discussions with sponsors focus on their performance and capacity, including plans for growth. An appropriate approach to growth is agreed with all sponsors reflecting their capacity and this becomes a guideline for working together to find solutions for failing schools.

In addition to interventions in specific academies causing concern, a sponsor’s growth may be ‘paused’ if there are:

- serious financial concerns and the ESFA has issued a Financial Notice to Improve (FNtI);
- serious concerns about the leadership or governance of the sponsor including where there are due diligence issues with sponsors or AT senior management;
- serious unresolved concerns with educational impact.

This could include a combination of the Department having issued pre-warning notices, considering academy closure, and/or where, following support from the Department, the sponsor has failed to act rapidly.

Where improvements are not achieved rapidly at a sponsored academy or a sponsor is not providing good enough support, the RSC can take action. In line with the funding agreement the RSC can challenge and, if necessary, move the academy to another AT. Where the decision is taken to transfer an academy to a new sponsor, the Department ensures that this is completed as quickly as possible, with minimum disruption to pupils, so they can benefit from improved standards as soon as possible.

The RSC will only intervene in LA maintained schools on the grounds of educational underperformance where Ofsted has judged them to be inadequate, at which point RSCs will match these schools with an appropriate academy sponsor. During the year up until 31 July 2019, 105 such schools were identified and issued with an academy order. RSCs will consider the use of their intervention powers in maintained schools in cases of a breakdown in financial management and/or governance or where the safety of staff or pupils is threatened. RSCs may use their powers on these grounds regardless of the school’s Ofsted rating.

<sup>84</sup> One termination warning notice was issued to a Free School in August 2019.

<sup>85</sup> Letters to ATs about poor performance: <https://www.gov.uk/government/collections/letters-to-academies-about-poor-performance>

307 academies moved ATs in the financial year 2018-19. This increased from 255 in 2017-18. Out of these 307 academies, 57 of these transfers were a result of intervention, 67 of these were a result of sponsor closures, and the remaining 183 transfers were initiated by the outgoing AT.

An academy transfer is when an academy moves from its current AT ('the outgoing AT') to another AT ('the incoming AT'). A transfer can only happen with the agreement of the RSC acting on behalf of the Secretary of State for Education. There are a range of reasons for an academy transfer:

- Transfer initiated by the outgoing AT – most academies that transfer between ATs do so based on a decision by the outgoing AT. This might be to ensure stronger school-to-school support or economies of scale (e.g. a SAT joining a MAT). It might also be for strategic reasons (e.g. academies moving to an AT that is closer geographically).
- Intervention – a small number of academies transfer each year due to intervention following, for example, an Ofsted inadequate judgement. In such cases, or where there are financial, governance or safeguarding failures, RSCs and ESFA have the power to terminate funding agreements and transfer the academy into a new AT.
- Sponsor or AT closure – in the rare event that an AT closes, academies in the closing AT must be transferred to a new AT as part of the closure. Academies within a closing AT must be transferred even if they themselves are not otherwise eligible for intervention<sup>86</sup>.

### Working with the Education and Skills Funding Agency (ESFA)

RSCs and ESFA work together to develop a coherent and joined up picture of an AT that considers:

- educational performance (led by RSCs)
- finance (led by ESFA)
- governance (RSCs and ESFA both contribute)

RSCs and ESFA work with members, trustees and leadership teams to:

- build school improvement capacity and financial expertise
- support better resource management
- strengthen governance oversight at leadership and board level

RSCs engage with ATs to ensure strong processes are in place to maintain and improve educational performance. They will intervene where there is an inadequate Ofsted judgement.

ESFA takes a proportionate, risk-based approach and will intervene if the trust does not comply with the funding agreement and academies financial handbook.

In cases of failure both RSCs and ESFA may issue formal intervention notices. This may require the submission of a:

- trust school improvement plan
- financial plan agreed between the trust and ESFA

RSCs and ESFA work together to build leadership and governance capability in ATs. This involves optional activities such as networks, conferences, and signposting to resources and external organisations.

<sup>86</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/818404/Official\\_Statistics\\_Publication\\_Academy\\_Transfers\\_and\\_Funding\\_Finalv3.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818404/Official_Statistics_Publication_Academy_Transfers_and_Funding_Finalv3.pdf)

## National Audit Office

The National Audit Office (NAO) undertakes around 60 value for money studies each year which Parliament use to hold the government to account for how it spends public money. Each study examines an area of government expenditure, and their objective is to form a judgement on whether value for money has been achieved.

The NAO defines good value for money as the optimal use of resources to achieve the intended outcomes. Its role is not to question government policy objectives, but to provide independent and rigorous analysis to Parliament on the way in which public money has been spent to achieve those policy objectives. As well as reaching an overall conclusion on value for money, the NAO makes recommendations on how to achieve better value for money and to improve the services under examination. More information regarding value for money studies can be found online.<sup>87</sup>

The NAO also undertakes investigations, which are shorter, more focussed pieces of work, designed to establish the facts on a particular topic.

Since September 2018, the NAO has published the following reports which have relevance for the academies sector:

- **Support for pupils with special educational needs and disabilities in England**<sup>88</sup> (September 2019) examined how well pupils with SEND are being supported.
- **Investigation into university technical colleges**<sup>89</sup> (October 2019) set out the facts about the UTC programme. It covered how the programme has progressed and the financial and educational performance of UTCs.

## Public Accounts Committee

Public Accounts Committee (PAC) evidence sessions took place in response to the NAO reports listed above.

Furthermore, during the year, the Permanent Secretary, on behalf of DfE, attended the following PAC session directly relating to the Sector Annual Report and Accounts. The PAC report on *Academy accounts and performance* was published in January 2019.

We have responded to the recommendations of these PAC hearings and are taking appropriate action.

| PAC   | Evidence session |
|---|------------------|
| Academy School Sector Consolidated Accounts 2016/17 Inquiry <sup>90</sup> | 21 November 2018 |

## Internal Audit

At a local level, ATs are encouraged to use internal audit to provide further assurance to those charged with governance. Within the Department, the Government Internal Audit Agency conduct a programme of work designed to give overall assurance for the Department.

## Assessment and management of risk

Risk management is essential to the successful delivery of the Academies Programme. Risks are regularly scrutinised at regional, programme and departmental level to ensure that they are correctly identified and that appropriate counter-measures and contingencies are in place. All risks have owners within DfE.

The top risks for the Academies Programme in 2018/19 were:

87 NAO value for money: <https://www.nao.org.uk/about-us/our-work/value-for-money-programme/>

88 Support for pupils with special educational needs and disabilities in England: <https://www.nao.org.uk/report/support-for-pupils-with-special-educational-needs-and-disabilities/>

89 Investigation into university technical colleges: <https://www.nao.org.uk/report/investigation-into-university-technical-colleges/>

90 Academy School Sector Consolidated Accounts 2016/17 PAC Inquiry <https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2017/inquiry16/>

**MATs and sponsor capacity risk:** High quality sponsors are essential in driving up school performance across the sector. There is a risk of there being an insufficient number of high quality sponsors and MATs available, in the right geographical areas, to support underperforming LA schools, and to take on underperforming academies that are transferred from their previous ATs. To mitigate this, more good and outstanding schools have been encouraged to become sponsors and approval has been restricted to potential sponsors who can demonstrate a track record of helping other schools to improve.

The growth of high quality MATs has been supported through the MAT Development and Improvement Fund. This has been targeted on building capacity to support underperforming schools and in disadvantaged areas. RSCs have encouraged high-performing MATs and sponsors to work across and between regions to help spread capacity.

Strategically the themes for MAT development and challenge are addressed through 'MAT development menu', which supports MATs to be able to access support and more broadly works nationally to support the sector to develop itself.

**Intervention and Performance risk:** Our objective as we improve our oversight is to minimise the risks of future AT failure to the greatest possible extent. DfE continues to improve the way information and data is shared between operational teams. They work closely together to maintain a single departmental view of ATs of concern based on common information, this is done in partnership with colleagues in ESFA. This strengthens our forecasting and leads to consistently applied joint intervention where necessary. This applies to any failure of education, governance or finance. DfE will continue to make improvements to its scrutiny of trusts' adherence to the accountability framework.

**School resource management risk:** It is vital that school leaders maximise the efficient use of their resources to maintain good financial health and deliver the best outcomes for pupils. To manage the risks to financial health, a range of information, tools and training has been produced to help schools reduce costs.

## Directors' Report

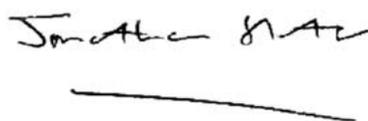
Each AT is an incorporated company and an exempt charity. The ATs are charitable companies limited by guarantee, and are exempt from regulation by the Charities Commission. The Secretary of State is the ATs' charitable regulator; and has delegated this activity to the ESFA.

Each AT is required to disclose details of their trustees within their financial statements, which are published on each AT's website alongside submission to ESFA and is also accessible via the Companies House website.<sup>91</sup>

Each AT is required to maintain their own local register of interests. They must publish, on their websites, relevant business and pecuniary interests of members, the AO, trustees and local governors.

## Data Breaches

In the financial year 2018/19 there were 177 incidents across 135 ATs where personal data breaches occurred. The majority of these were low level incidents, often involving administrative errors.



**Jonathan Slater**  
Permanent Secretary  
9 July 2020

<sup>91</sup> Companies House Website: <https://beta.companieshouse.gov.uk/>

# Remuneration and Staff Report

Information in this section is reported to meet the requirements of the 2018-19 **Government Financial Reporting Manual (FReM)**<sup>92</sup> and relates to the academic year ending 31 August 2019. This information has been collated from the audited academies accounts return (AAR), which is an annual return submitted by individual ATs to ESFA.

As set out in the introduction, a number of FReM requirements have not been met by this report, due to structural differences between the sector and most central government organisations (such as the absence of a centralised set of staff policies for the sector) or data collection limitations (such as the lack of disclosure of personal data related incidents). Derogations from FReM, as approved by HMT, are set out in the 2018/19 SARA Accounts Direction, within this report's annexes.

## Remuneration policy

As separate legal entities, each AT sets its own remuneration policy, taking account of their AT's circumstances. Their policies are often set by reference to the national pay spine. However, the School Teachers' Review Body publishes an annual report with recommended pay increases, which many academies choose to follow. From September 2018, it was recommended that the main pay range and unqualified teachers pay range maxima and minima be increased by 3.5%, with other pay range minima and maxima increasing by between 1.5% and 2%. From September 2019, it was recommended that the maxima and minima of all pay and allowance ranges be increased by 2.75%.

DfE does not set the employment and remuneration policies of ATs. Accordingly, in a departure from FReM, DfE has not presented the employment and remuneration policies of the sector as this would imply a greater level of influence by DfE than is actually held. Additionally, there is no single, centralised set of employment and remuneration policies for the sector. To reflect the level of control operated by DfE in this area, DfE has restricted remuneration disclosures in the Accounts Return to bands of remuneration paid, in line with general charity accounting rules in the Charity Commission's Statement of Recommended Practice. Employment and remuneration policies, as set by individual ATs, should be disclosed in their audited financial statements.

<sup>92</sup> FReM: <https://www.gov.uk/government/publications/government-financial-reporting-manual-2018-to-2019>

## Summary of trustee remuneration

### Trustee remuneration <sup>93</sup>

The table below presents a breakdown of the number of trustees who received remuneration and is reported on an actual basis rather than full time equivalent basis. Details of payments to trustees are available in the financial statements of the individual ATs and trusts where an individual employee or trustee's remuneration is greater than £150,000 per annum are listed in annex 6. The remuneration shown below includes salary, bonus payments, benefits-in-kind and employer pension costs. During 2018/19, ATs have, for the first time, reported trustee remuneration including employer pension contributions. This is a change which has impacted the 2018/19 figures only and therefore the 2017/18 figures are not directly comparable as they do not include employer pension contributions.

#### 2018/19 trustee remuneration including employer pension contributions

| Remuneration bands<br>(including employer<br>pension contributions) | 2018/19<br>Number of trustees |
|---|-------------------------------|
| £1-£60,000  | 3,430                         |
| £60,001-£70,000   | 419                           |
| £70,001-£80,000   | 371                           |
| £80,001-£90,000   | 360                           |
| £90,001-£100,000  | 351                           |
| £100,001-£110,000   | 330                           |
| £110,001-£120,000   | 239                           |
| £120,001-£130,000   | 211                           |
| £130,001-£140,000   | 101                           |
| £140,001-£150,000   | 77                            |
| £150,001-£160,000   | 69                            |
| £160,001-£170,000   | 60                            |
| £170,001-£180,000   | 29                            |
| £180,001-£190,000   | 26                            |
| £190,001-£200,000   | 22                            |
| £200,001+   | 43                            |
|   | <b>6,138</b>                  |

Included in the table above are 6,137 trustees paid as staff (2017/18: 6,808) and one non-staff paid trustee (2017/18: nine). The number of non-staff trustees who receive remuneration is a very small proportion of the whole trustee population. In 2018/19 there were 19,943 trustees who were not paid (2017/18: 21,453) as the majority of trustees are volunteers who are not employed by the AT and receive no remuneration. Trustees paid as staff only receive remuneration for their work in the AT as an employee (such as head teacher, teacher, teaching assistant or other member of staff).

<sup>93</sup> The academy sector is not a single corporate body with a single board of trustees. Therefore, disclosures required by IAS 24 Related Party Disclosures (IAS 24) - the remuneration paid to senior management of the reporting body as a related party transaction - are not made in this document as the reporting body (the academy sector) does not possess senior management as a single board. Instead, the sector is made up of separate ATs that provide suitable remuneration report disclosures in their own financial statements for each trust's board of trustees.

As explained above, the 2018/19 trustee remuneration figures include employers pension contributions for the first time. A trustee in the pension scheme who was paid £150,000 in 2017/18 would be presented as being paid £175,000 (based on an employer pension contribution rate of 16.4% for the Teachers Pension Scheme) in 2018/19. The table below illustrates the impact of including the employer pension contribution rate in the 2018/19 disclosures for trustee remuneration (and for high pay included on page 23).

| Basic Salary<br>(excluding pension contributions) | Pension contribution<br>(at 16.4% contribution rate) | Total including pension contribution | 2017/18 banding for trustee remuneration | 2018/19 banding for trustee remuneration (including employers contributions) |
|---|--|--------------------------------------|--|--|
| £   | £  | £                                    | £  | £  |
| 50,000  | 8,000  | 58,000                               | 1-60,000                                 | 1-60,000   |
| 65,000  | 11,000   | 76,000                               | 60,001-70,000                            | 70,001-80,000  |
| 75,000  | 12,000   | 87,000                               | 70,001-80,000                            | 80,001-90,000  |
| 85,000  | 14,000   | 99,000                               | 80,001-90,000                            | 90,001-100,000   |
| 95,000  | 16,000   | 111,000                              | 90,001-100,000                           | 110,001-120,000  |
| 105,000   | 17,000   | 122,000                              | 100,001-110,000                          | 120,001-130,000  |
| 115,000   | 19,000   | 134,000                              | 110,001-120,000                          | 130,001-140,000  |
| 125,000   | 21,000   | 146,000                              | 120,001-130,000                          | 140,001-150,000  |
| 135,000   | 22,000   | 157,000                              | 130,001-140,000                          | 150,001-160,000  |
| 145,000   | 24,000   | 169,000                              | 140,001-150,000                          | 160,001-170,000  |
| 155,000   | 25,000   | 180,000                              | 150,001-160,000                          | 180,000 -190,000   |
| 165,000   | 27,000   | 192,000                              | 160,001-170,000                          | 190,001-200,000  |
| 175,000   | 29,000   | 204,000                              | 170,001-180,000                          | 200,001+   |
| 185,000   | 30,000   | 215,000                              | 180,001-190,000                          | 200,001+   |
| 195,000   | 32,000   | 227,000                              | 190,001-200,000                          | 200,001+   |

**2017/18 trustee remuneration excluding employer pension contributions**

| Remuneration bands<br>(excluding employer<br>pension contributions) | 2017/18<br>Number of trustees |
|---|-------------------------------|
| £1-£60,000  | 4,326                         |
| £60,001-£70,000   | 482                           |
| £70,001-£80,000   | 400                           |
| £80,001-£90,000   | 406                           |
| £90,001-£100,000  | 348                           |
| £100,001-£110,000   | 310                           |
| £110,001-£120,000   | 182                           |
| £120,001-£130,000   | 127                           |
| £130,001-£140,000   | 69                            |
| £140,001-£150,000   | 57                            |
| £150,001-£160,000   | 38                            |
| £160,001-£170,000   | 21                            |
| £170,001-£180,000   | 13                            |
| £180,001-£190,000   | 11                            |
| £190,001-£200,000   | 9                             |
| £200,001+   | 18                            |
|   | <b>6,817</b>                  |

**Pension entitlements****Pension costs**

ATs operate a range of pension schemes for their employees, dependent upon their role. Further details of sector pension scheme arrangements and costs are disclosed in note 14 to the accounts.

## Compensation on early retirement or for loss of office: audited<sup>94</sup>

### Staff exit packages: Audited

The table below shows the total number and cost of exit packages agreed by ATs during the reporting year.

|                              | 2018/19                           |                                   |                                      | 2017/18                           |                                   |                                      |
|------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|
|                              | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages agreed | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages agreed |
| < £10,000                    | 2,016                             | 1,716                             | 3,732                                | 2,078                             | 1,679                             | 3,757                                |
| £10,001 - £25,000            | 704                               | 807                               | 1,511                                | 769                               | 897                               | 1,666                                |
| £25,001 - £50,000            | 176                               | 244                               | 420                                  | 201                               | 249                               | 450                                  |
| £50,001 - £100,000           | 23                                | 29                                | 52                                   | 23                                | 23                                | 46                                   |
| £100,001 - £150,000          | 3                                 | 3                                 | 6                                    | -                                 | 1                                 | 1                                    |
| <b>Total number of cases</b> | <b>2,922</b>                      | <b>2,799</b>                      | <b>5,721</b>                         | <b>3,071</b>                      | <b>2,849</b>                      | <b>5,920</b>                         |
| <b>Total cost (£m)</b>       | <b>27</b>                         | <b>32</b>                         | <b>59</b>                            | <b>28</b>                         | <b>34</b>                         | <b>62</b>                            |

Redundancy and other departure costs have been paid in accordance with the provisions of the relevant compensation schemes. Exit costs are accounted for in full in the year the departure is agreed. Where an AT has agreed early retirements, with agreed employer funded top-up for early access to pensions, the employer top-up costs are met by the trust alongside compensation for loss of office. Information on departure costs and numbers for each AT are also reported in the individual trust's financial statements to aid transparency.

### Loss of office payments: Audited

|                              | 2018/19            |               |           | 2017/18            |               |           |
|------------------------------|--------------------|---------------|-----------|--------------------|---------------|-----------|
|                              | Accounting Officer | Other Trustee | Total     | Accounting Officer | Other Trustee | Total     |
|                              | Number             | Number        | Number    | Number             | Number        | Number    |
| Serving at end of year       | 2                  | 2             | 4         | 2                  | 1             | 3         |
| Left during year             | 11                 | 3             | 14        | 8                  | 4             | 12        |
| <b>Total number of cases</b> | <b>13</b>          | <b>5</b>      | <b>18</b> | <b>10</b>          | <b>5</b>      | <b>15</b> |

## Fair pay disclosure

Pay multiples at sector level are not recorded in this document. This information is available at AT level in AT financial statements.

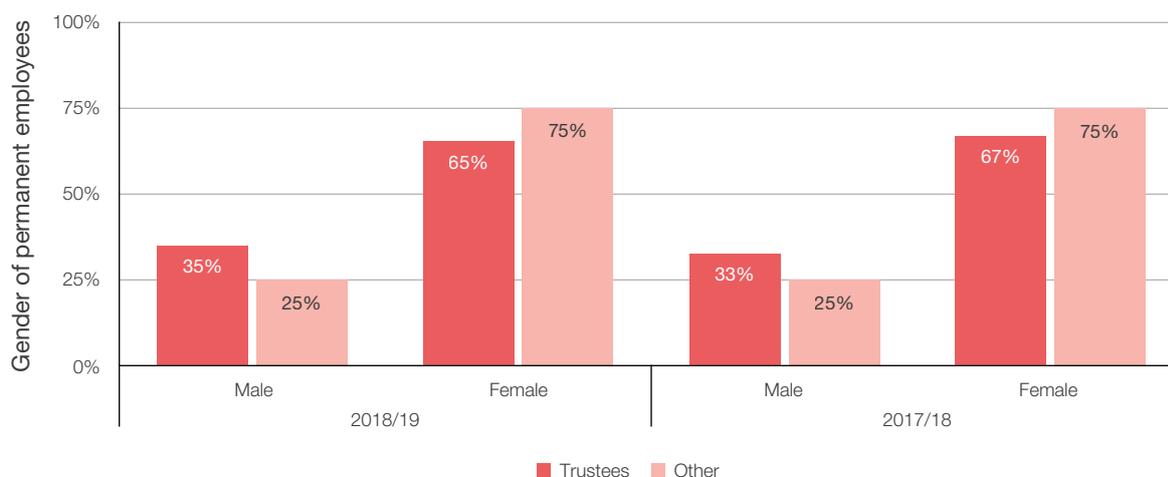
<sup>94</sup> Sections of this report which are subject to audit are marked 'Audited'.

## Staff report

### Gender of permanent employees

The split of male and female permanent employees at 31 August 2019 is detailed in figure 33 below.

**Figure 33: Split of male and female employees by Trustees and other**



|             | 2018/19        |                |                | 2017/18        |                |                |
|-------------|----------------|----------------|----------------|----------------|----------------|----------------|
|             | Male           | Female         | Total          | Male           | Female         | Total          |
|             | Number         | Number         | Number         | Number         | Number         | Number         |
| Trustees    | 1,069          | 1,982          | 3,051          | 1,299          | 2,581          | 3,880          |
| Other staff | 116,427        | 354,461        | 470,888        | 111,261        | 329,792        | 441,053        |
|             | <b>117,496</b> | <b>356,443</b> | <b>473,939</b> | <b>112,560</b> | <b>332,373</b> | <b>444,933</b> |

Details of the average number of staff employed are included in the table on page 72.

The number of days lost due to sickness absence was 3,414,590 (2017/18: 3,147,771) days. This represents an average of 7.2 days (2017/18: 7.1 days) per year based on permanent staff numbers.

### Consultancy and off-payroll arrangements

During the year, the ATs incurred consultancy costs of £230 million (2017/18: £201 million) relating to advisory services.

|                 | 2018/19    | 2017/18    |
|-----------------|------------|------------|
|                 | £m         | £m         |
| Educational     | 193        | 166        |
| Non-educational | 37         | 35         |
|                 | <b>230</b> | <b>201</b> |

During the year, 25 ATs (2017/18: 68 ATs) had off-payroll arrangements, of these four (2017/18: nine) had such arrangements with trustees. The arrangements with trustees were for interim executive head teacher or chief executive officer services. Details of these arrangements can be found in the individual AT financial statements.

## Staff costs: audited

|   | 2018/19                    |                 |               | 2017/18       |
|---|----------------------------|-----------------|---------------|---------------|
|   | Permanently employed staff | Temporary staff | Total         | Total         |
|   | £m                         | £m              | £m            | £m            |
| Salaries  | 14,367                     | -               | 14,367        | 13,076        |
| Temporary staff costs                             | -                          | 928             | 928           | 828           |
| Social Security                                   | 1,376                      | 32              | 1,408         | 1,260         |
| Pension costs                                     | 3,376                      | 68              | 3,444         | 3,016         |
| Severance payments                                | 73                         | 1               | 74            | 68            |
|   | <b>19,192</b>              | <b>1,029</b>    | <b>20,221</b> | <b>18,248</b> |
| Less recoveries in respect of outward secondments | (2)                        | -               | (2)           | (1)           |
|   | <b>19,190</b>              | <b>1,029</b>    | <b>20,219</b> | <b>18,247</b> |

The table above shows an increase of 10.8% in total staff costs, which is broadly consistent with the increase in the number of academies within the sector this year. Further information on staff pay rises can be found on page 66.

## Average staff numbers

|                   | 2018/19                    |                 |                | 2017/18                    |                 |                |
|-------------------|----------------------------|-----------------|----------------|----------------------------|-----------------|----------------|
|                   | Permanently employed staff | Temporary staff | Total          | Permanently employed staff | Temporary staff | Total          |
|                   | Number                     | Number          | Number         | Number                     | Number          | Number         |
| Teachers          | 220,349                    | 14,611          | 234,960        | 208,763                    | 10,767          | 219,530        |
| Management        | 29,524                     | 530             | 30,054         | 29,356                     | 587             | 29,943         |
| Admin and support | 224,065                    | 14,368          | 238,433        | 206,814                    | 11,563          | 218,377        |
|                   | <b>473,938</b>             | <b>29,509</b>   | <b>503,447</b> | <b>444,933</b>             | <b>22,917</b>   | <b>467,850</b> |

For 2018/19 and 2017/18, ATs have recorded a full-time equivalent figures for average staff numbers. As more consistent disclosures are developed in future reports, the numbers disclosed above may not be directly comparable.

# Parliamentary Accountability and Audit Report

## Grant tracker

This sets out how academies have spent the money voted to them by Parliament.

Parliament votes grant expenditure through DfE's supply estimate process, which operates on a financial year basis.

The below 'grant tracker' reconciles the grants paid out by DfE (over the 2018-19 and 2019-20 financial years to March), with the amount recognised as grant income in the accounts of the ATs for the 2018/19 academic year to August.

There are two elements to this:

- the revenue grant tracker that looks at the largely formula based funding for schools;
- the capital grant tracker which is a mixture of funding for school building programmes, other capital maintenance funding, and formula driven capital funding.

The revenue grant tracker (figure 34) includes all academy revenue funding for academy operations and other education priorities. This includes:

- the general annual Grant (GAG) – including all funding calculated by reference to the school funding formula for pupils age 5 to 16 and the post-16 national funding formula for young people aged 16 to 19. This also includes high needs place funding and the education services grant;
- grants to meet other ministerial priorities (e.g. pupil premium, universal infant free school meals, year 7 catch up, PE and Sport grant);
- grants for structural changes to the academy sector (e.g. academy conversion grants, start-up grants and re-brokerage grants).

The primary reasons for the difference between DfE revenue grants paid out and the revenue grants ATs have recognised are:

- differences in accounting treatment, where an AT can anticipate income or a reduction in income based on meeting certain criteria, such as pupil numbers, that the Department recognises in later grant payments;
- where an AT occupies, but does not control, a site, and the Department has paid capital grants for the upkeep, the trust can transfer that capital grant to revenue, increasing the revenue grant income.

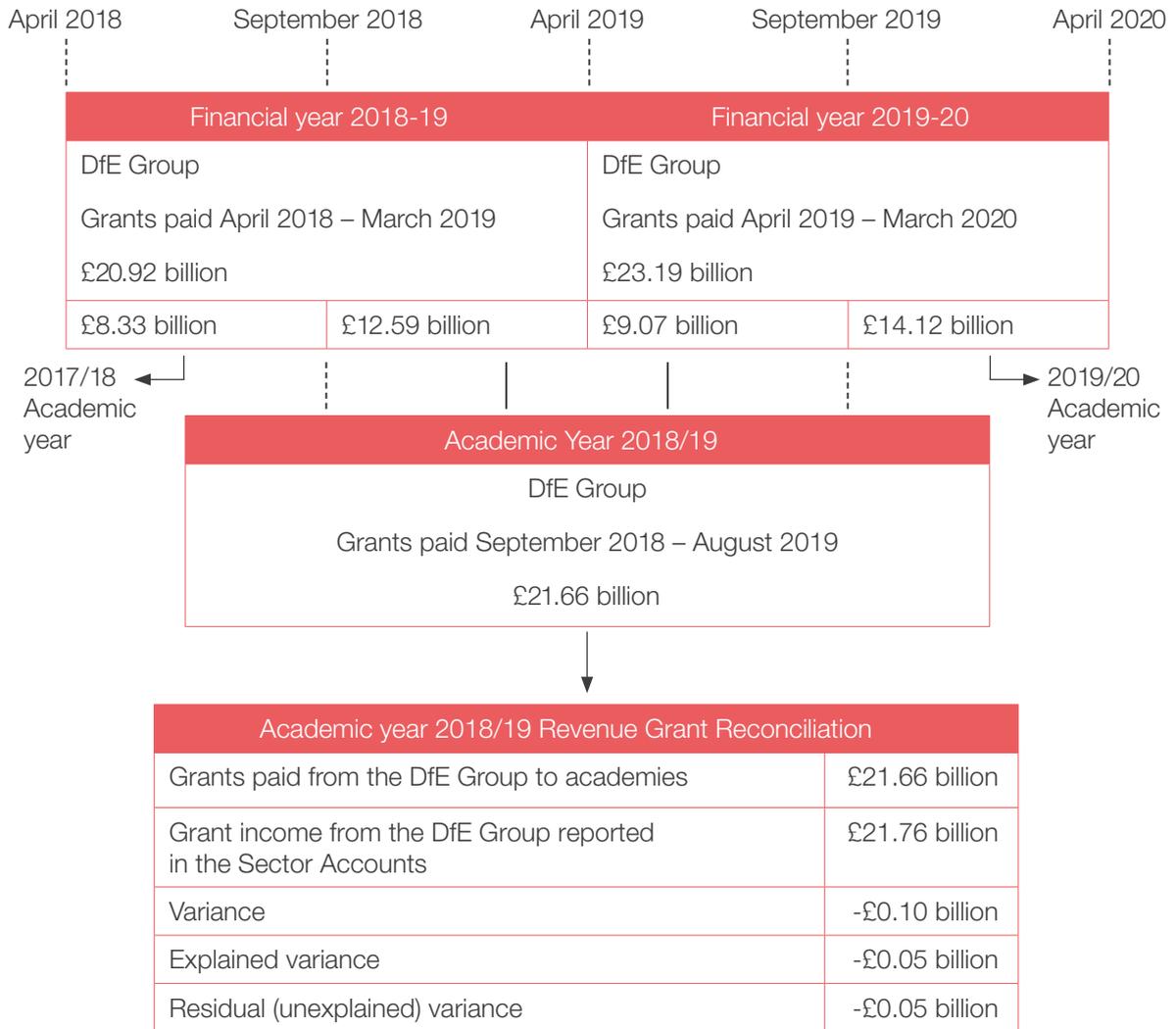
The capital grant tracker (figure 35) includes all academy capital funding issued by the DfE. This includes:

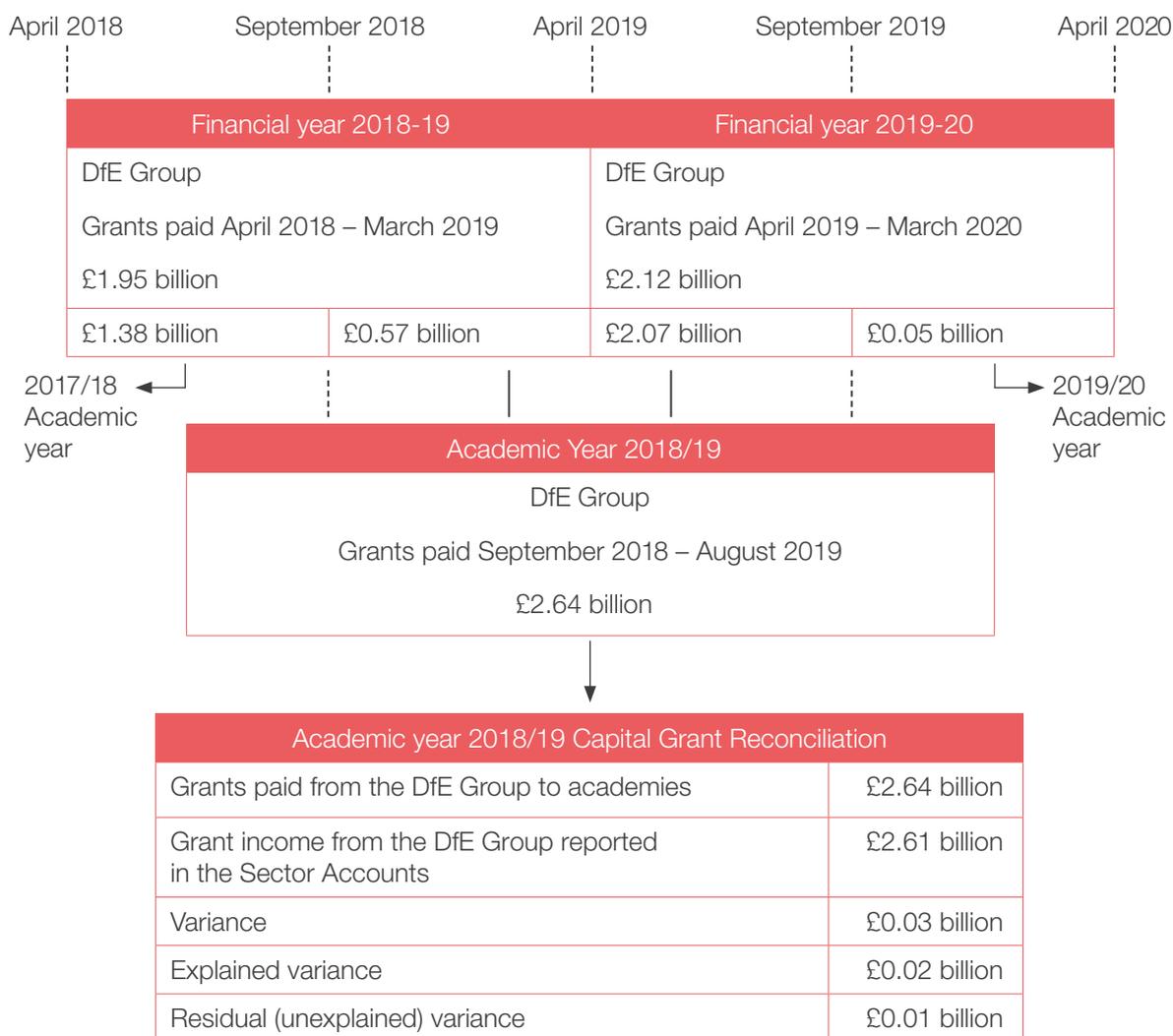
- formula based allocations (e.g. devolved formula capital and the condition improvement fund allocations for larger MATs);
- project based allocations (e.g. academies capital maintenance fund and condition improvement fund, Priority School Building Programme);
- funds for structural changes to the academy sector (e.g. capital funding for the free schools programme).

The primary reasons for the difference between the DfE capital grants paid out and the capital grants ATs have recognised are:

- where the Department is funding the construction of a school site (AuC), the Department recognises the expenditure as it is incurred. The ATs normally recognise the full value of the asset when it becomes operational;
- where an AT occupies, but does not control a site, and the Department have paid out capital grants for upkeep, the AT can transfer the capital grant to revenue, reducing the capital grant income.

**Figure 34: Revenue grant tracker**



**Figure 35: Capital grant tracker**


The residual (unexplained) differences are made up of a high number of low value differences across the Sector. These are predominantly relating to late adjustments and timing differences.

## Losses and special payments<sup>95</sup>: audited

### Losses statement

|                              | 2018/19    | 2017/18    |
|------------------------------|------------|------------|
| <b>Total number of cases</b> | <b>30</b>  | <b>46</b>  |
|                              | <b>£m</b>  | <b>£m</b>  |
| Cash losses                  | -          | -          |
| Administration write offs    | 0.2        | -          |
| Store losses                 | -          | 0.1        |
| <b>Total value</b>           | <b>0.2</b> | <b>0.1</b> |

### Special payments statement

|                              | 2018/19      | 2017/18      |
|------------------------------|--------------|--------------|
| <b>Total number of cases</b> | <b>1,880</b> | <b>1,204</b> |
|                              | <b>£m</b>    | <b>£m</b>    |
| Ex-gratia                    | 0.2          | 0.1          |
| Compensation                 | 0.1          | 0.2          |
| Severance                    | 18.9         | 23.4         |
| Other                        | 0.2          | 0.4          |
| <b>Total value</b>           | <b>19.4</b>  | <b>24.1</b>  |

ATs have the delegated authority to make special severance payments under £50,000. Payments over this value require prior approval from HM Treasury via the ESFA.

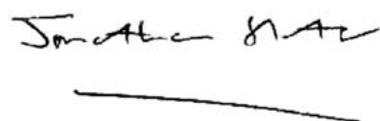
No single loss or special payment over £300,000 was recorded by any AT.

### Gifts

There were 30 gifts in 2018/19 with a value less than £0.1 million (2017/18: 22 instances with a value less than £0.1m).

### Accounting Officer's declaration

As far as I am aware, there is no relevant audit information that has not been made available to the Comptroller and Auditor General. I have taken all appropriate steps to make myself aware of all relevant audit information, and to establish that the Comptroller and Auditor General is aware of that information.



**Jonathan Slater**  
Accounting Officer  
9 July 2020

<sup>95</sup> As defined in Managing Public Money: <https://www.gov.uk/government/publications/managing-public-money>

## The certificate of the comptroller and auditor general to the house of commons

### Opinion on financial statements

I have audited the financial statements of the Academy Schools Sector in England (the Sector) for the year ended 31 August 2019 as prepared by the Department for Education under the Accounts Direction issued by HM Treasury. The financial statements comprise: the Consolidated Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Sector's affairs as at 31 August 2019 and of net surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Academies Act 2010 and HM Treasury directions issued thereunder.

### Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Sector in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

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

- the Sector's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Sector has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Sector'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.

### Responsibilities of the accounting officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Accounts Direction issued by HM Treasury.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sector's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.
- conclude on the appropriateness of the Sector's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sector's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Sector to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the HM Treasury accounts direction;
- in the light of the knowledge and understanding of the Sector and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

**Gareth Davies**  
Comptroller and Auditor General  
14 July 2020

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP







# Financial Statements

# Financial Statements

## Consolidated Statement of Comprehensive Net Income

for the year ended 31 August 2019

|  |      | 2018/19        | 2017/18      |
|--|------|----------------|--------------|
|  | Note | £m             | £m           |
| <b>Operating income</b>  |      |                |              |
| Income   | 5    | 28,883         | 25,275       |
| <b>Operating expenditure</b>   |      |                |              |
| Staff costs  | 6    | (20,219)       | (18,247)     |
| Other operating expenditure  | 7    | (10,538)       | (7,459)      |
| <b>Net operating deficit</b>   |      | <b>(1,874)</b> | <b>(431)</b> |
| Net gain on conversion of non-local authority academies                    | 4    | 7              | 154          |
| Net gain on conversion of local authority academies                        | 4    | 2,398          | 3,303        |
| <b>Surplus for the year</b>  |      | <b>531</b>     | <b>3,026</b> |
| <b>Other comprehensive expenditure</b>                                     |      |                |              |
| <b>Items that will not be reclassified subsequently to profit or loss:</b> |      |                |              |
| Gain on revaluation of property, plant and equipment                       | 2    | 3,327          | 1,435        |
| Actuarial (loss)/gain on defined benefit pension scheme                    | 14   | (3,054)        | 1,829        |
| <b>Items that may be reclassified subsequently to profit or loss:</b>      |      |                |              |
| Other recognised gains and losses  |      | 2              | 3            |
| <b>Total other comprehensive income</b>                                    |      | <b>275</b>     | <b>3,267</b> |
| <b>Total comprehensive income</b>  |      | <b>806</b>     | <b>6,293</b> |

All income and expenditure reported in the Consolidated Statement of Comprehensive Net Income are derived from continuing operations of the Academy Sector.

The notes on pages 88 to 118 form part of these Accounts.

## Consolidated Statement of Financial Position

as at 31 August 2019

|  |      | 2019            | 2018           |
|--|------|-----------------|----------------|
|  | Note | £m              | £m             |
| <b>Non-current assets</b>                    |      |                 |                |
| Property, plant and equipment                | 2    | 57,584          | 52,508         |
| Intangible assets                            |      | 4               | 5              |
| Investments                                  | 9    | 99              | 88             |
| Receivables                                  | 10   | 20              | 14             |
|  |      | <b>57,707</b>   | <b>52,615</b>  |
| <b>Current assets</b>                        |      |                 |                |
| Inventories                                  |      | 9               | 9              |
| Receivables                                  | 10   | 1,406           | 1,256          |
| Cash and cash equivalents                    | 11   | 4,204           | 3,889          |
|  |      | <b>5,619</b>    | <b>5,154</b>   |
| <b>Total assets</b>                          |      | <b>63,326</b>   | <b>57,769</b>  |
| <b>Current liabilities</b>                   |      |                 |                |
| Payables                                     | 12   | (2,342)         | (2,177)        |
| Provisions                                   |      | (4)             | (2)            |
|  |      | <b>(2,346)</b>  | <b>(2,179)</b> |
| <b>Total assets less current liabilities</b> |      | <b>60,980</b>   | <b>55,590</b>  |
| <b>Non-current liabilities</b>               |      |                 |                |
| Payables                                     | 12   | (246)           | (158)          |
| Provisions                                   |      | -               | (2)            |
| Pension deficit                              | 14   | (11,054)        | (6,556)        |
|  |      | <b>(11,300)</b> | <b>(6,716)</b> |
| <b>Assets less liabilities</b>               |      | <b>49,680</b>   | <b>48,874</b>  |
| <b>Taxpayers' equity</b>                     |      |                 |                |
| Charitable Funds                             |      | 42,414          | 44,935         |
| Revaluation Reserve                          |      | 7,266           | 3,939          |
|  |      | <b>49,680</b>   | <b>48,874</b>  |

*Jonathan Slater*

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Jonathan Slater  
Accounting Officer  
9 July 2020

The notes on pages 88 to 118 form part of these Accounts.

## Consolidated Statement of Cash Flows

for the year ended 31 August 2019

|   |           | 2018/19        | 2017/18        |
|---|-----------|----------------|----------------|
|   | Note      | £m             | £m             |
| <b>Cash flows from operating activities</b>                                     |           |                |                |
| Net operating deficit   |           | (1,874)        | (431)          |
| Depreciation and amortisation   | 2, 7      | 1,319          | 1,201          |
| Impairment  | 2         | 2,974          | 480            |
| Increase in receivables   | 10        | (156)          | (12)           |
| Increase in payables  | 12        | 253            | 148            |
| Non-cash pension movements  | 14        | 1,969          | 1,691          |
| Employer pension contributions  | 14        | (930)          | (818)          |
| Property, plant and equipment donations   | 2         | (895)          | (797)          |
| Other non-cash transactions   |           | (100)          | 541            |
| <b>Net cash inflow from operating activities</b>                                |           | <b>2,560</b>   | <b>2,003</b>   |
| <b>Cash flows from investing activities</b>                                     |           |                |                |
| Purchase of property, plant and equipment                                       | 2         | (2,469)        | (1,958)        |
| Proceeds of disposal of property, plant and equipment                           |           | 53             | 92             |
| Other movements   |           | (22)           | 19             |
| <b>Net cash outflow from investing activities</b>                               |           | <b>(2,438)</b> | <b>(1,847)</b> |
| <b>Cash flows from financing activities</b>                                     |           |                |                |
| Cash acquired on conversion of academies  | 4         | 97             | 157            |
| Other movements   |           | 96             | 33             |
| <b>Net cash inflow from financing activities</b>                                |           | <b>193</b>     | <b>190</b>     |
| <b>Net increase in cash and cash equivalents in the year</b>                    | <b>11</b> | <b>315</b>     | <b>346</b>     |
| <b>Cash and cash equivalents at the beginning of the year net of overdrafts</b> | <b>11</b> | <b>3,888</b>   | <b>3,542</b>   |
| <b>Cash and cash equivalents at the end of the year net of overdrafts</b>       | <b>11</b> | <b>4,203</b>   | <b>3,888</b>   |

The notes on pages 88 to 118 form part of these Accounts.

## Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 August 2019

|  |      | Revaluation Reserve | Charitable Funds | 2019 Total    |
|--|------|---------------------|------------------|---------------|
|  | Note | £m                  | £m               | £m            |
| <b>Balance at 1 September 2018</b>                       |      | <b>3,939</b>        | <b>44,935</b>    | <b>48,874</b> |
| Surplus for the year                                     |      | -                   | 531              | 531           |
| <b>Other comprehensive income</b>                        |      |                     |                  |               |
| Net gain on revaluation of property, plant and equipment | 2    | 3,327               | -                | 3,327         |
| Actuarial (loss)/gain on defined benefit pension scheme  | 14   | -                   | (3,054)          | (3,054)       |
| Fair value gain on investments                           |      | -                   | 2                | 2             |
| <b>Total other comprehensive income</b>                  |      | <b>3,327</b>        | <b>(3,052)</b>   | <b>275</b>    |
| <b>Total comprehensive income for the year</b>           |      | <b>3,327</b>        | <b>(2,521)</b>   | <b>806</b>    |
| <b>Balance at 31 August 2019</b>                         |      | <b>7,266</b>        | <b>42,414</b>    | <b>49,680</b> |

for the year ended 31 August 2018

|  |      | Revaluation Reserve | Charitable Funds | 2018 Total    |
|--|------|---------------------|------------------|---------------|
|  | Note | £m                  | £m               | £m            |
| <b>Balance at 1 September 2017</b>                       |      | <b>2,504</b>        | <b>40,077</b>    | <b>42,581</b> |
| Surplus for the year                                     |      | -                   | 3,026            | 3,026         |
| <b>Other comprehensive income</b>                        |      |                     |                  |               |
| Net gain on revaluation of property, plant and equipment | 2    | 1,435               | -                | 1,435         |
| Actuarial gain/(loss) on defined benefit pension scheme  | 14   | -                   | 1,829            | 1,829         |
| Fair value gain on investments                           |      | -                   | 3                | 3             |
| <b>Total other comprehensive income</b>                  |      | <b>1,435</b>        | <b>1,832</b>     | <b>3,267</b>  |
| <b>Total comprehensive income for the year</b>           |      | <b>1,435</b>        | <b>4,858</b>     | <b>6,293</b>  |
| <b>Balance at 31 August 2018</b>                         |      | <b>3,939</b>        | <b>44,935</b>    | <b>48,874</b> |

The Charitable Funds represent total assets less liabilities, less unrealised revaluation adjustments to property, plant and equipment (see note 2).

The notes on pages 88 to 118 form part of these Accounts.

# Notes to the Accounts

## 1. Accounting policies

Accounting policies relating to specific notes to the accounts have been detailed underneath the relevant disclosures for each note. The policies disclosed in this note relate to the overall basis and structure of these accounts.

### Statement of compliance

These accounts have been prepared in accordance with the 2018-19 **Government Financial Reporting Manual** (FReM) issued by HM Treasury (HMT) and with the Accounts Direction issued by HMT (annex 4). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. These policies have been drafted accordingly, except for the departures as noted in annex 4. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the academies sector for the purpose of giving a true and fair view has been selected. The particular policies adopted for 2018/19 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of certain assets and liabilities as set out in these accounting policies.

ATs adopt a different accounting framework; **FRS102 The Financial Reporting Standard** (FRS 102) and the **Charities Statement of Recommended Practice** (SORP) based on UK generally accepted accounting policies.

DfE has completed a comparison review between FReM and SORP. Where material differences have been identified, adjustments are made in the consolidation process in order to comply with FReM.

### 1.2 Going concern

The accounts are produced on a going concern basis. The academies sector is financed by the Department for Education (DfE), following decisions taken in the Government's Spending Review process and subsequent internal decision processes. The spending review and forward plans include provision for the continuation of funding. Therefore, DfE believes it is appropriate to prepare the accounts on a going concern basis.

Individual ATs may have going concern issues arising from specific circumstances of their operation, at both the trust and academy level. However, due to the difference in scale between the sector as a whole and individual academies, going concern risks to individual ATs are unlikely to lead to a going concern risk to the sector. In addition, DfE has the power to re-broker struggling academies to stronger ATs to maintain provision.

Consequently, DfE does not judge going concern weaknesses at individual academies to impact the going concern assumption held at the sector level.

### 1.3 Basis of consolidation

These accounts present the consolidation of ATs which make up the academies sector. Transactions between entities included in the consolidation are eliminated, to present the consolidated financial performance and financial position for the academy sector as a single economic entity. The consolidation underpinning SARA includes all ATs with operational academies as at the 31 August year end. All ATs which have open academies as at 31 August prepare audited financial statements.

ATs have been classified by the Office for National Statistics as central government public sector bodies since 2004. Up to 2015-16, ATs were included within the Departmental consolidation boundary.

DfE continues to produce a separate set of consolidated accounts for its Group, including grants paid to ATs, based on its April to March financial year.

Throughout these accounts 'DfE' or 'Department' refers to the core Department whilst 'sector' refers to the combination of all ATs that prepared audited statutory accounts (financial statements) as at the date of this SARA.

#### 1.4 Critical accounting judgements and estimates, and key sources of estimation uncertainty

The preparation of these accounts requires DfE to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure for the sector. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. DfE has specifically made such judgements on recognition of land and buildings, valuation of land and buildings, accounting for capital expenditure and assets under construction and pensions. These are detailed beneath the relevant note in each case.

To the extent that it has been possible, sensitivity analysis around these estimates are included in the relevant note.

To provide increased clarity and brevity, DfE has chosen to aggregate most sub-totals of less than £100m into categories such as 'Other Expenditure', except where certain totals are deemed to be significant by their nature even when less than this threshold.

#### 1.5 Adoption of IFRS 9

**IFRS 9 Financial Instruments**, was issued in July 2014 to replace IAS 39 Financial Instruments: Recognition and Measurement and has been endorsed by the EU. The standard has been incorporated into FReM and is effective for accounting periods commencing on or after 1 January 2018 with adaptations and interpretations for the public sector. It was adopted by the SARA on 1 September 2018.

IFRS 9 changes how financial instruments are classified and measured, and amends how impairment allowances are calculated for certain types of financial assets, moving to an expected credit loss model from an incurred loss model. As required by FReM, the change has been applied retrospectively in the SARA but we have not restated prior periods. There is no material difference between the previous carrying amount of financial instruments and the revised carrying amount at 1 September 2018.

##### Financial assets

The Academy Sector holds or issues financial instruments such as trade receivables, investments and other receivables. Financial assets are recognised when an AT becomes party to the financial instrument contract and the right to receive or pay cash is unconditional or, in the case of trade receivables, when the goods or services have been delivered.

Financial assets are classified into one of three categories in accordance with IFRS 9. Classification is determined, at the time of initial recognition, by the cash flows associated with the financial assets and the AT's business objectives in holding the financial asset, as set out in IFRS 9.

On transition we have reviewed the terms of these arrangements, focussing on whether repayments are solely payments of principal and interest and the AT's objectives in holding the instruments.

The vast majority of the sector's financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows only and where cash flows associated with the financial asset are solely payments of principal and interest. These have been classified as at amortised cost. This includes trade receivables and other receivables.

The sector holds a small number of financial assets, such as listed investments, that are held at Fair Value through Profit and Loss (FVTPL).

The terms of all financial assets are such that valuation changes on transition to IFRS 9 are £nil or negligible. The total impact on the SARA on transition to IFRS 9 is immaterial and so additional disclosures have not been made.

### Asset impairment

One significant change between IAS 39 and IFRS 9 is the change in impairment model from an incurred loss basis to an expected loss basis for non-FVTPL financial assets. FVTPL financial assets do not suffer impairment allowances as the impact of future underperformance is included in the year end fair value calculation.

HMT have mandated the simplified approach to impairment for trade receivables, contract assets and lease receivables. This means that the loss allowance for these financial assets should always be measured at an amount equal to lifetime expected credit losses.

HMT have also mandated that a credit loss is only recognised against balances with Core Government departments and their executive agencies when the asset has become credit impaired. These balances are excluded from stage 1 impairments (when credit risk has not increased significantly since initial recognition and a 12 month Expected Credit Loss (ECL) would be recognised) and stage 2 impairments (where credit risk has increased significantly since initial recognition and lifetime ECL would be recognised).

It is almost impossible for the Department to assess centrally whether the credit risk associated with financial assets held at amortised cost in the SARA has deteriorated since recognition due to the remoteness of the sector to the Department and the volume and diffuse nature of the sector's financial assets. ATs apply the Charity SORP and FRS 102 in producing their own financial statements so any request to provide information on changes in credit risk and in the value of credit losses, before a loss event has occurred, would be purely for the purposes of producing the SARA. The Department does not believe that requesting this information would represent good value for money.

ATs recognise a bad debt provision when an incurred loss event has occurred. The difference between this provision and stage 1 and 2 credit losses (where applicable) is deemed to be highly immaterial.

The total value of financial assets held at amortised cost where the counterparty is not a core Government Department or executive agency is immaterial and it is therefore clear that any ECL on these assets would also be clearly immaterial.

### Financial Liabilities

The sector holds a small number of financial liabilities, such as payables. Financial liabilities are recognised when an AT becomes party to the financial instrument contract and the right to pay cash is unconditional or, in the case of trade payables, when the goods or services have been received.

#### 1.6 Adoption of IFRS 15

The quantitative impact of adopting **IFRS 15 Revenue from Contracts with Customers**, is shown in note 5.

IFRS 15 was issued to improve revenue recognition and replaces two standards (**IAS 18 Revenue and IAS 11 Construction Contracts**) and related SIC and IFRIC interpretations. IFRS 15 requires reporting entities to recognise revenue from contracts with customers when control over the goods or services transacted through the contract has moved to the customer, which is evidenced through satisfaction of performance obligations. Practically, revenue recognition has been switched from a reporting entity's perspective (unearned income and earned income) to that of their customers – satisfaction of contractual terms.

Where cash is received prior to satisfaction of performance obligations revenue recognition is deferred until satisfaction is complete.

#### 1.7 Early adoption

The sector has not early adopted any accounting standards in 2018/19.

## 2. Property, plant and equipment

|  | 2019               | 2019                 | 2019           | 2019                | 2019                   | 2019           | 2019         | 2019           |
|--|--------------------|----------------------|----------------|---------------------|------------------------|----------------|--------------|----------------|
|  | Land and Buildings | Leasehold Improve'ts | IT Equipment   | Plant and Machinery | Furniture and Fittings | Motor Vehicles | AuC          | Total          |
| 2018/19                                  | £m                 | £m                   | £m             | £m                  | £m                     | £m             | £m           | £m             |
| <b>Cost or valuation</b>                 |                    |                      |                |                     |                        |                |              |                |
| At 1 September 2018                      | 50,329             | 526                  | 1,333          | 191                 | 1,461                  | 42             | 1,120        | 55,002         |
| Additions                                | 519                | 106                  | 171            | 18                  | 171                    | 9              | 1,475        | 2,469          |
| Acquired on conversion <sup>96</sup> :   |                    |                      |                |                     |                        |                |              |                |
| LA                                       | 2,371              | -                    | 6              | 1                   | 14                     | -              | 45           | 2,437          |
| Non-LA                                   | 313                | 1                    | 1              | -                   | 1                      | -              | 2            | 318            |
| Donations                                | 880                | 4                    | 1              | -                   | 5                      | -              | 5            | 895            |
| Disposals                                | (404)              | (34)                 | (61)           | (2)                 | (23)                   | 1              | (5)          | (528)          |
| Revaluations                             | 3,596              | -                    | -              | -                   | -                      | -              | -            | 3,596          |
| Impairment charge                        | (4,269)            | -                    | (1)            | 1                   | -                      | -              | -            | (4,269)        |
| Reclassifications                        | 1,428              | 44                   | 4              | 3                   | 7                      | -              | (1,486)      | -              |
| Transferred from/(to) Departmental Group | -                  | -                    | -              | -                   | -                      | -              | 344          | 344            |
| <b>At 31 August 2019</b>                 | <b>54,763</b>      | <b>647</b>           | <b>1,454</b>   | <b>212</b>          | <b>1,636</b>           | <b>52</b>      | <b>1,500</b> | <b>60,264</b>  |
| <b>Depreciation</b>                      |                    |                      |                |                     |                        |                |              |                |
| At 1 September 2018                      | (299)              | (103)                | (1,067)        | (105)               | (892)                  | (28)           | -            | (2,494)        |
| Charged in year                          | (939)              | (37)                 | (159)          | (18)                | (158)                  | (5)            | -            | (1,316)        |
| Disposals                                | 16                 | 11                   | 58             | 1                   | 21                     | (3)            | -            | 104            |
| Revaluations                             | 1,026              | -                    | -              | -                   | -                      | -              | -            | 1,026          |
| Reclassifications                        | 1                  | (1)                  | (1)            | 1                   | -                      | -              | -            | -              |
| <b>At 31 August 2019</b>                 | <b>(195)</b>       | <b>(130)</b>         | <b>(1,169)</b> | <b>(121)</b>        | <b>(1,029)</b>         | <b>(36)</b>    | <b>-</b>     | <b>(2,680)</b> |
| <b>Carrying value as at:</b>             |                    |                      |                |                     |                        |                |              |                |
| <b>1 September 2018</b>                  | <b>50,030</b>      | <b>423</b>           | <b>266</b>     | <b>86</b>           | <b>569</b>             | <b>14</b>      | <b>1,120</b> | <b>52,508</b>  |
| <b>31 August 2019</b>                    | <b>54,568</b>      | <b>517</b>           | <b>285</b>     | <b>91</b>           | <b>607</b>             | <b>16</b>      | <b>1,500</b> | <b>57,584</b>  |

### Reconciliation of impairment and revaluation:

|                         | Value in Land and Buildings (note 2) | Value disclosed in SoCNI (note 7) | Net Revaluation Movement in SoCCTE (reserves) |
|-------------------------|--------------------------------------|-----------------------------------|---|
|                         | £m                                   | £m                                | £m  |
| Impairment              | (4,269)                              | (3,220)                           | (1,049)                                       |
| Impairment reversal     | -                                    | 246                               | (246)   |
| Revaluation gain/(loss) | 4,622                                | -                                 | 4,622   |
| <b>Total</b>            | <b>353</b>                           | <b>(2,974)</b>                    | <b>3,327</b>                                  |

96 For more detail please refer to note 4 – Transfer on conversion.

|  | 2018               | 2018                 | 2018           | 2018                | 2018                   | 2018           | 2018         | 2018           |
|--|--------------------|----------------------|----------------|---------------------|------------------------|----------------|--------------|----------------|
|  | Land and Buildings | Leasehold Improve'ts | IT Equipment   | Plant and Machinery | Furniture and Fittings | Motor Vehicles | AuC          | Total          |
| 2017/18                                | £m                 | £m                   | £m             | £m                  | £m                     | £m             | £m           | £m             |
| <b>Cost or valuation</b>               |                    |                      |                |                     |                        |                |              |                |
| At 1 September 2017                    | 44,213             | 431                  | 1,213          | 184                 | 1,270                  | 38             | 1,452        | 48,801         |
| Additions                              | 566                | 82                   | 134            | 12                  | 178                    | 4              | 982          | 1,958          |
| Acquired on conversion <sup>97</sup> : |                    |                      |                |                     |                        |                |              |                |
| LA                                     | 3,345              | -                    | 10             | 7                   | 15                     | 1              | 191          | 3,569          |
| Non-LA                                 | 371                | -                    | 2              | 1                   | 3                      | -              | (94)         | 283            |
| Donations                              | 773                | 3                    | 2              | 1                   | 5                      | -              | 13           | 797            |
| Disposals                              | (523)              | -                    | (32)           | (15)                | (18)                   | (1)            | (32)         | (621)          |
| Revaluations                           | 754                | -                    | -              | -                   | -                      | -              | -            | 754            |
| Impairment charge                      | (473)              | (6)                  | -              | -                   | (1)                    | -              | -            | (480)          |
| Reclassifications                      | 1,303              | 16                   | 4              | 1                   | 9                      | -              | (1,333)      | -              |
| Transferred to Departmental Group      | -                  | -                    | -              | -                   | -                      | -              | (59)         | (59)           |
| <b>At 31 August 2018</b>               | <b>50,329</b>      | <b>526</b>           | <b>1,333</b>   | <b>191</b>          | <b>1,461</b>           | <b>42</b>      | <b>1,120</b> | <b>55,002</b>  |
| <b>Depreciation</b>                    |                    |                      |                |                     |                        |                |              |                |
| At 1 September 2017                    | (183)              | (84)                 | (937)          | (92)                | (734)                  | (24)           | -            | (2,054)        |
| Charged in year                        | (820)              | (29)                 | (159)          | (16)                | (170)                  | (5)            | -            | (1,199)        |
| Disposals                              | 23                 | 10                   | 29             | 3                   | 12                     | 1              | -            | 78             |
| Revaluations                           | 681                | -                    | -              | -                   | -                      | -              | -            | 681            |
| Reclassifications                      | -                  | -                    | -              | -                   | -                      | -              | -            | -              |
| <b>At 31 August 2018</b>               | <b>(299)</b>       | <b>(103)</b>         | <b>(1,067)</b> | <b>(105)</b>        | <b>(892)</b>           | <b>(28)</b>    | <b>-</b>     | <b>(2,494)</b> |
| <b>Carrying value as at:</b>           |                    |                      |                |                     |                        |                |              |                |
| <b>1 September 2017</b>                | <b>44,030</b>      | <b>347</b>           | <b>276</b>     | <b>92</b>           | <b>536</b>             | <b>14</b>      | <b>1,452</b> | <b>46,747</b>  |
| <b>31 August 2018</b>                  | <b>50,030</b>      | <b>423</b>           | <b>266</b>     | <b>86</b>           | <b>569</b>             | <b>14</b>      | <b>1,120</b> | <b>52,508</b>  |

<sup>97</sup> For more detail please refer to note 4 – Transfer on conversion.

## Recognition of land and buildings

These accounts recognise land and buildings in the following circumstances:

- When the land is owned as a freehold by the AT or the Secretary of State.
- Where there is a long-leasehold. This requires the original lease term to have been in excess of 100 years; leases of more than 75 years but less than 100 years may be recognised if there are additional indicators of control.
- Where there is a short-leasehold and the terms of the lease are such that it meets the **IAS 17: Leases** definition of a finance lease.
- Where there is a customary occupation that shows the land and buildings have been in educational use for an extended period, normally for 100 years or more.

## Key accounting judgements and estimates affecting recognition

Individual ATs are required to consider compliance with SORP in recognition of their own land and buildings. In accordance with the accounting framework, some ATs do not recognise land and buildings utilised in their operations. In prior years, a significant central consolidation adjustment for the sector was made to ATs' reported results to recognise all land and buildings used by ATs which met these criteria, irrespective of what the ATs recognised in their own accounts, in order to ensure compliance with FReM. This adjustment did not represent an operational loss or any cash loss to the sector. These assets continue to be used by the sector and these accounts continue to reflect the maintenance costs of these assets.

## Other key judgements

### Long leaseholds

Land and building assets are occupied through a number of routes from freehold, through leasehold to short-term rentals. Where the ATs lease their land and building assets from a local authority the majority of such leases are very long (often 100 or 125 years) and there is usually only a notional peppercorn or no rental cost. To reflect the commercial and economic nature of such long low value leases, they are classified as equivalent to freehold and all building assets are consolidated into a single asset class.

### Private Finance Initiative (PFI)

There are a number of sites within the sector that are operated through PFI arrangements. Whilst the sites are managed through PFI arrangements the ATs are not direct counterparties to the PFI agreements, which remain with their local authorities or ESFA.

However, PFI sites have been recognised as land and building assets by the SARA since DfE judges the economic benefit of occupation to flow to the sector.

The future impact of **IFRS 16 Leases** is considered further in note 13.

## Valuation of land and buildings

### Valuation Policy

Land and buildings are valued on a depreciated replacement cost (DRC) basis using a modern equivalent asset. This approach is used, in line with **IFRS 13 Fair Value Measurement**, in order to reflect the amount required to replace the service capacity of the asset with an asset of comparable utility, adjusted for obsolescence. The calculation of the DRC value of the modern equivalent asset is performed by professional surveyors. DfE used Montagu Evans LLP as their professional surveyors for 2018/19 and 2017/18. For 2016/17 and 2015/16 DfE used Kier Services Ltd. Both firms conduct valuations in accordance with the Royal Institute of Chartered Surveyors' (RICS) Appraisal and Valuation Manual and DfE's Building Bulletin 103 and Building Bulletin 104.

Valuations are conducted when:

- A new academy is opened; or,
- An asset under construction is completed and becomes operational; or,
- An AT reports a significant addition or disposal; or,
- Where none of the above apply, sites are valued at least once every five years in accordance with **IAS 16, property, plant and equipment** and **IFRS 13, Fair Value Measurement**.

In accordance with the accounting policies selected by DfE, the sector re-values land and buildings at least every five years. Between quinquennial revaluations asset values are updated using indices.

- Buildings are indexed using the Office for National Statistics "Interim construction output prices: new work".
- Land values are indexed, using the HPI residential land index issued by LSL Acadata.

DfE considers that a residential price index is the most appropriate index to use across the academy sector's portfolio of assets as a large majority of current schools, and of potential new sites for schools, are in residential areas.

In 2016/17 DfE significantly brought forward the valuation of land and buildings to address the historical qualifications and to reach a consistently applied policy for the 2016/17 closing balance sheet.

The result of this is that 41% of the sites making up the 2018/19 closing land and building assets balance have been valued in the last two years and 78% have been valued in the last three years.

In addition this has created higher impairment and revaluation movements than would otherwise occur.

From 2015/16 DfE has made significant changes to improve the quality and transparency of reporting of land and building values. This was partially in response to previous NAO and PAC concerns around the quality of reporting. These changes included:

- 1) Introducing the land and buildings collection tool (LBCT) in order to establish the ownership of land and buildings in line with IAS 16 and IAS 17.
- 2) Significant development of the methodology under which the valuations were undertaken.
- 3) In 2016/17 we moved valuer from Kier to Montagu Evans which brought further refinement to the valuation methodology.
- 4) Significant acceleration of valuations so that by the start of 2016/17 we had revalued 58% of the estate within the last year. In 2018/19 we have recommenced a five year valuation strategy that will ensure the full estate is valued in line with IAS 16.

The key features of the valuation methodology are explained below. The key differences between the Kier model and the Montagu Evans methodology are as follows:

### Land

- 1) Moving from spot price location valuations to a blended regional valuation. The impact of this is that the floor price for developed land for the estate has increased from £124,000 to £200,000 per hectare. Where the school is located in an area with infrequent valuations due to infrequent land sales the value of the estate is likely to have increased. In other areas it mitigates against a particular high price being attributed to a site due to its specific location when the school could be relocated to an alternative site close by.
- 2) Change in the assumption around the relative ratio of the relative apportionment of building to playing field land in the modern equivalent asset calculation to more accurately reflect current use on the current site.

In some instances these changes have driven increases in land prices whilst in other areas these have caused a downward valuation.

### Buildings

Whilst there are similarities regarding construction cost there are differences regarding the remaining residual life for buildings constructed during certain historical periods.

The new model attributes a longer remaining useful economic life to pre-World War II buildings than the previous model, whilst mid 20th Century constructions have a lower remaining useful economic life with broad agreement between the two models for buildings constructed post 1980.

Montagu Evans apply a weighted average depreciation charge for all buildings on site based on the relative floor space occupied by each building and the period of construction of each of these buildings.

In summary the increased impairment charge seen in 2018/19 reflects an increase in the number of sites valued in year and this being the first year that the fundamental change in valuation methodology has been applied, rather than a deterioration in the underlying value of land and buildings. In addition to the £4.3

billion impairment there has been a £4.6 billion revaluation increase creating a net revaluation movement of only £0.4 billion.

During 2018/19 the number of valuations completed was 2,305, with 1,245 being completed in 2017/18 and 4,768 being completed in 2016/17.

## Key accounting judgements and estimates affecting valuation

### The valuation model

The value of land and buildings shown in the account represents the service potential for the asset which is derived through the use of a valuation model. As set out above, the model's function is to address the requirements of **IFRS 13 Fair Value Measurement**, by creating a Modern Equivalent Asset (MEA) value for recognised buildings assets. Because of the specialised nature of the assets, there is no open market valuation that can be obtained. Instead, we use a model based on professional valuation opinion to estimate the cost required to build an equivalent replacement school, modified to take account of physical and economic obsolescence. This is based on professional judgement as without a market for the asset, the model uses unobservable inputs and is classified at level 3 under IFRS 13.

The principal input factors which determine the service potential include:

- the number of current and forecasted pupils educated in the school;
- the geographic location of the school;
- the school phase (e.g. primary or secondary); and
- the prescribed space per pupil set under the government approved standards published within Building Bulletins, which differs by phase and the purpose of the academy.

These factors drive the “cost or valuation” element of the asset, as disclosed in note 2. The factors are closely interlinked and influence each other. The impact of changes in an input are as follows:

- A higher pupil roll will increase service potential due to an increase in space required;
- Geographic location drives the land value, permissible construction materials and methods (e.g. high-rise/low-rise), and the level of building costs at the valuation date;
- Land values are based on residential land values local to the school, except in cases where the equivalent asset could be constructed in areas away from the main settlement (e.g. agricultural/ industrial land). The feasibility of locating an equivalent asset away from the current site will be dependent on the stage of the school, which is linked to the size of the catchment area and the potential ability to relocate the school whilst serving the same population. Whilst no ‘floor’ price is applied, the use of a matrix of land values, based on historical market activity for both residential and commercial land within approximately 300 Local Authority areas results in the smoothing of land values meaning excessively low or high values do not occur;
- All attributable building costs relating to construction are determined based on data obtained from the Building Cost Information Service, a service provided by the Royal Institute of Chartered Surveyors that collates information on building costs. This data varies over time and by region;
- The school phase (and the associated building standards) determines:
  - the size of equivalent asset to be constructed, with secondary schools generally being larger per pupil due to the range of subjects offered; and
  - the extent to which the geographic location of a school could be changed. Secondary schools normally can be relocated to the outside of settlements, where land values are less, due to their larger catchment area. The reclassification options are significantly more constrained for primary schools.

Physical obsolescence is primarily calculated through estimating the decade of construction of an academy. An obsolescence rate is applied, giving rise to additional depreciation. Best practice would be to conduct site visits specifically to inform assumptions, but the scale and devolved nature of the sector inhibit DfE’s ability to do so on a large scale. To mitigate the absence of site inspections, the desktop reviews are supplemented with additional data such as a recent condition survey, planning consents, and architectural plans. The valuers concluded from the supplementary evidence that the physical obsolescence rates used were reasonable.

Economic obsolescence occurs where there is evidence of a permanent diminution in service potential, e.g. a declining pupil roll or pupil roll substantially under capacity. In such cases these would factor into a reduced cost, and on revaluation would potentially result in an impairment charge. The model allows for the surveyor to exercise judgement and to adopt a forecast pupil roll in cases where this situation is temporary, for example in the first five years of an academy’s operation.

The impairment charge reported in the year of £4.3 billion recognised against land and buildings reflects the changes in valuation methodology (as outlined above) and the increase in the volume of valuations undertaken.

The overall result of valuations in the year was a net revaluation gain of £0.4 billion.

As at 31 August 2019 the valuation of land and buildings reflects the identifiable macro economic factors observable at this point in time. Where there has been a revaluation or impairment during the year, management is satisfied that this represents changes in accounting estimates reflecting market movements or information that was not previously available rather than an indication of error in the prior year. An impairment review has been conducted which considered the key factors that drive the valuation model. This did not identify any indicators of further impairment.

### Valuation of assets under construction, additions and converter schools

The value of Assets Under Construction (AuC) is measured at cost plus direct costs directly attributable to bringing the assets into working condition, in line with IAS 16. Direct costs include all costs associated with purchasing the land and property and bringing the assets into use, and a fair proportion of the sector's internal costs. The sector recognises AuC assets where it has control over the asset, and the right to the future economic benefits from that asset. The majority of AuC is funded by the DfE Group capital grant to the sector (as disclosed in note 5 and the capital grant tracker). Where parts of an AuC are brought into use by the AT in advance of the full completion of the project, the proportion in use is measured at cost plus direct costs directly attributable to bringing the assets into working condition and included within Land and Buildings. It is also subject to depreciation and indexation to correctly reflect the utilisation of that asset. A full DRC valuation is undertaken upon the completion of the full AUC project.

Minor capital work undertaken by individual ATs is held at historic cost until completion of the next full revaluation of the site at depreciated replacement cost.

Upon conversion of an academy, the carrying value of academy land and buildings is calculated at depreciated replacement cost in order to comply with its accounting policies. The accounts do not reflect a revaluation adjustment as the valuation was before the assets' initial recognition in the sector's accounts.

### Donated Assets

The material donations within the account represent school sites donated by LAs to academies, normally under 125 year lease terms. Where these have not previously been recognised in the SARA, for example, through our assets under construction programme, they are recognised at the value of the asset recognised in the AT's financial statements and then revalued in line with the Departments valuation policy.

### Other Asset Classes

For other classes of assets, individual ATs apply their own local accounting policies for capitalisation thresholds. Therefore, the *de minimis* value at which a purchased item will be capitalised vary across the sector, ranging from £200 to £10,000. These are held at historic cost and are not revalued.

### Depreciation

Depreciation is provided at rates calculated to write off the valuation of buildings and other property, plant and equipment by equal instalments over their estimated useful lives. Land and assets under construction are not depreciated but are assessed for impairment. Asset lives, as applied in the SARA, are in the following ranges:

|                        |  |
|------------------------|--|
| Freehold buildings     | Up to 60 years                                   |
| Leasehold buildings    | 50 years or the lease term, whichever is shorter |
| Leasehold improvements | over the remaining term of the lease             |
| Motor vehicles         | 3 – 10 years                                     |
| IT equipment           | 2 – 10 years                                     |
| Plant and machinery    | 3 – 30 years                                     |
| Furniture and fittings | 2 – 20 years                                     |

### Impact on Land and Buildings of Events After the Reporting Period

As noted above the methodology for valuing the sector's land and buildings is heavily dependent on observable market prices, both residential land prices and the cost of construction.

The impact of Covid-19 is uncertain at this point but we would anticipate that there may be a negative, downwards impact on market valuations as a result of Covid-19.

### 3. Related Party Transactions

Related parties for the sector include both DfE and the management of DfE, and senior management within each individual AT. As set out in annex 4, HMT has approved a derogation in respect of related parties. The relationship between DfE and the sector is considered in the Grant Trackers included in the accountability section of the annual report on pages 73 to 75. The relationship between management of DfE and the sector have been disclosed in the ARA for DfE.<sup>98</sup>

The following tables show the value of all other related party transactions entered into by the sector during the year. Examples of these include transactions with:

- subsidiary companies or shared services;
- diocesan education authorities;
- a charity classified as a related party; and
- trustees (or trustees' family members) providing services to the trust.

Details of related parties are disclosed in ATs' financial statements.

|                             | 2018/19                              | 2018/19                     | 2017/18                              | 2017/18                     |
|-----------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
|                             | Number of related party transactions | Payments to related parties | Number of related party transactions | Payments to related parties |
| Payments to related parties | Number                               | £m                          | Number                               | £m                          |
| £1 to £50,000               | 1,934                                | 18                          | 2,036                                | 22                          |
| £50,001 to £100,000         | 152                                  | 10                          | 191                                  | 14                          |
| £100,001 to £200,000        | 55                                   | 8                           | 94                                   | 14                          |
| £200,001 to £250,000        | 18                                   | 4                           | 13                                   | 3                           |
| £250,001+                   | 50                                   | 53                          | 56                                   | 53                          |
|                             | <b>2,209</b>                         | <b>93</b>                   | <b>2,390</b>                         | <b>106</b>                  |

|                               | 2018/19                              | 2018/19                       | 2017/18                              | 2017/18                       |
|-------------------------------|--------------------------------------|-------------------------------|--------------------------------------|-------------------------------|
|                               | Number of related party transactions | Receipts from related parties | Number of related party transactions | Receipts from related parties |
| Receipts from related parties | Number                               | £m                            | Number                               | £m                            |
| £1 to £50,000                 | 788                                  | 8                             | 786                                  | 9                             |
| £50,001 to £100,000           | 117                                  | 9                             | 123                                  | 9                             |
| £100,001 to £200,000          | 77                                   | 11                            | 82                                   | 12                            |
| £200,001 to £250,000          | 15                                   | 3                             | 24                                   | 5                             |
| £250,001+                     | 64                                   | 46                            | 86                                   | 104                           |
|                               | <b>1,061</b>                         | <b>77</b>                     | <b>1,101</b>                         | <b>139</b>                    |

Details of investigations carried out, identifying any issues in relation to related parties, can be found in the published [academies financial management and governance reviews, academies investigation reports](#).<sup>99</sup>

<sup>98</sup> <https://www.gov.uk/government/collections/dfE-annual-reports>

<sup>99</sup> <https://www.gov.uk/government/collections/academies-investigation-reports>

#### 4. Transfer on conversion

|   | 2018/19      | 2018/19      | 2018/19      | 2017/18      | 2017/18      | 2017/18      |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
|   | LA           | Non-LA       | Total        | LA           | Non-LA       | Total        |
|   | £m           | £m           | £m           | £m           | £m           | £m           |
| <b>Non-current assets</b>                           |              |              |              |              |              |              |
| Property, plant and equipment                       | 2,437        | 318          | 2,755        | 3,569        | 283          | 3,852        |
| Other   | -            | -            | -            | 1            | 1            | 2            |
|   | <b>2,437</b> | <b>318</b>   | <b>2,755</b> | <b>3,570</b> | <b>284</b>   | <b>3,854</b> |
| <b>Current assets</b>                               |              |              |              |              |              |              |
| Receivables   | 291          | 1            | 292          | 113          | 2            | 115          |
| Cash and cash equivalents                           | 84           | 13           | 97           | 130          | 27           | 157          |
|   | <b>375</b>   | <b>14</b>    | <b>389</b>   | <b>243</b>   | <b>29</b>    | <b>272</b>   |
| <b>Current liabilities</b>                          |              |              |              |              |              |              |
| Payables  | (11)         | (282)        | (293)        | (11)         | (106)        | (117)        |
|   | <b>(11)</b>  | <b>(282)</b> | <b>(293)</b> | <b>(11)</b>  | <b>(106)</b> | <b>(117)</b> |
| <b>Non-current liabilities</b>                      |              |              |              |              |              |              |
| Payables  | (45)         | -            | (45)         | (16)         | (4)          | (20)         |
| Pension scheme deficit                              | (358)        | (43)         | (401)        | (483)        | (48)         | (531)        |
| Provisions  | -            | -            | -            | -            | (1)          | (1)          |
|   | <b>(403)</b> | <b>(43)</b>  | <b>(446)</b> | <b>(499)</b> | <b>(53)</b>  | <b>(552)</b> |
| <b>Net assets transferred on conversion - total</b> | <b>2,398</b> | <b>7</b>     | <b>2,405</b> | <b>3,303</b> | <b>154</b>   | <b>3,457</b> |

#### Accounting Policy: In-year conversions

ATs converting in-year are accounted for using the method of absorption accounting; this is the standard treatment for internal transfers of bodies already within the public sector. Under absorption accounting, assets and liabilities brought into the sector are not revalued to fair value but are transferred at the local authority's carrying value, adjusted to align with the consolidation accounting policies. Carrying value is after adjustments arising to align accounting policies (such as for land and buildings).

The net assets or liabilities acquired within the sector through the business combinations, for nil consideration, are recognised either in operating income or in other comprehensive income. Net assets and liabilities brought into the sector from other government bodies (predominantly ex-LA maintained schools) are recognised in non-operating costs. Net assets and liabilities brought into the sector from outside the public sector (predominantly converted faith and foundation schools) are recognised in operating income to reflect the gain or loss to the public sector.

On an existing school's conversion to academy status (such as an LA maintained school, foundation school, faith school, etc.) the assets and liabilities of the school will be transferred at carrying value to the AT that operates the school. For academy schools without a legacy school (such as free schools and studio schools) assets and liabilities may be inherited by the AT from third parties such as sponsors.

In either case, the AT will account for all inherited assets and liabilities introduced to the sector on the opening of an academy school under absorption accounting. New assets and liabilities are not revalued to fair value on introduction but carried at net book value. Land and building assets and pension scheme valuations are adjusted arising from harmonising accounting policies for new assets and liabilities.

Transfer on conversion settlements occur in the year after conversion of an academy school when there are changes to accounting estimates of the value of transferred assets and liabilities, for example pensions or property, plant and equipment. Schools convert into academies throughout the reporting period.

## 5. Income

|  | 2018/19       | 2017/18       |
|--|---------------|---------------|
|  | £m            | £m            |
| <b>Income from Contracts</b>                               |               |               |
| Income from activities for generating funds from contracts | 400           | 445           |
| Miscellaneous income from contracts                        | 511           | 498           |
| Catering income  | 376           | 329           |
|  | <b>1,287</b>  | <b>1,272</b>  |
| <b>Revenue Grant Income</b>                                |               |               |
| General annual grant                                       | 19,638        | 17,977        |
| Pupil premium grant  | 1,130         | 1,011         |
| Other DfE Group revenue grants                             | 998           | 726           |
| Other revenue grants:                                      |               |               |
| Local Authority Special Educational Needs grants           | 943           | 729           |
| Other Local Authority revenue grants                       | 566           | 532           |
| Other grants   | 77            | 84            |
|  | <b>23,352</b> | <b>21,059</b> |
| <b>Capital Grant Income</b>                                |               |               |
| DfE Group capital grants                                   | 2,610         | 1,619         |
| Local Authority capital grants                             | 130           | 145           |
| Other capital grants                                       | 5             | 9             |
|  | <b>2,745</b>  | <b>1,773</b>  |
| <b>Other Income</b>  |               |               |
| Capital donations  | 937           | 782           |
| Revenue donations  | 240           | 220           |
| Rental income  | 236           | 140           |
| Investment income  | 12            | 9             |
| Income from activities for generating funds                | 19            | 16            |
| Miscellaneous income                                       | 55            | 4             |
|  | <b>1,499</b>  | <b>1,171</b>  |
|  | <b>28,883</b> | <b>25,275</b> |

**IFRS 15 – Revenue from Contracts with Customers** was adopted with effect from 1 September 2018, through the FReM-mandated cumulative catch-up approach.

Adoption of this standard has had a very minimal impact as the majority of income relates to donations and government grants which are outside the scope of this standard. Government grants are accounted for in accordance with **IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance**. There is no applicable IFRS that covers the recognition of donations, therefore an accounting policy for donations has been developed in accordance with **IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors**.

The remaining revenue in the sector largely relates to non-complex transactions such as payments for school trips and catering which are delivered at a single point in time, where the revenue recognition point has not altered.

This means that whilst adoption of IFRS 15 is fully retrospective there have been no differences arising on transition. A table showing the impact of adopting IFRS 15 on each line of the income note has therefore not been presented. There has been no adjustment to the General Fund to reflect revenue that would have been recognised previously if adoption required restatement.

#### **Accounting Policy: Revenue from Contracts (IFRS 15)**

Revenue for services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer. It is measured at the amount of the transaction price allocated to that performance obligation. The nature of the obligations differs between contract types.

Catering Income - Academies charge students for school lunches and sometimes for items sold from a tuck shop/breakfast club. The identified performance obligation is the provision of food/catering services. Payment is usually made at the same time that goods are purchased. On occasion payment is made in advance, at the start of term, in which case revenue is recognised across the term as the performance obligation is met. In this case payment and satisfaction of the performance objective fall within the same financial year so there is no deferral of revenue at year-end.

Academy Trips - Academies may charge students or parents for school trips. The identified performance obligation is the delivery of the school trip with revenue recognition occurring immediately on performance. Whilst payment is often made in advance of the service being provided it is very rare for it to be made in a different financial year to which the service is delivered.

Boarding Fees - Academies may charge fees for provision of accommodation and other services for boarding students. The identified performance obligation is the supply of boarding accommodation/facilities with revenue recognition occurring over the period in which these facilities are supplied. Whilst payment is often made in advance of the service being provided it is very rare for it to be made in a different financial year to which the service is delivered.

Teacher Training income – Academies may charge local authorities or other academies for the cost of training teachers from other schools. Income from other academies is eliminated on consolidation. Income from maintained schools and other sources is recognised on satisfaction of the identified performance obligation, the supply of teacher training, with revenue being recognised immediately on delivery.

#### **Accounting Policy: Grant Income (IAS 20)**

Grant income from DfE and other government bodies is recognised on an accruals basis.

This report's Grant Tracker provides a reconciliation between both grant and capital income from DfE (and ESFA) recorded by the sector and expenditure on the sector recorded by DfE and the ESFA. The Grant Tracker can be found on pages 73 to 75.

Income is stated net of recoverable VAT where applicable.

#### **Accounting Policy: Donations**

Donations are outside the scope of IFRS 15. Donations are recognised when there is evidence of entitlement to the gift, receipt is probable and its amount can be measured reliably.

## 6. Staff costs

|   | 2018/19       | 2017/18       |
|---|---------------|---------------|
|   | £m            | £m            |
| Salaries  | 14,367        | 13,076        |
| Temporary staff costs                             | 928           | 828           |
| Social security                                   | 1,408         | 1,260         |
| Pension costs                                     | 3,444         | 3,016         |
| Severance payments                                | 74            | 68            |
|   | <b>20,221</b> | <b>18,248</b> |
| Less recoveries in respect of outward secondments | (2)           | (1)           |
|   | <b>20,219</b> | <b>18,247</b> |

Staff numbers and further disclosures relating to staff costs are included within the Remuneration and staff report on page 66 of the Accountability Section.

### Accounting Policy: Early departure costs

The sector is required to meet the additional cost of benefits beyond the normal pension scheme benefits in respect of some employees who retire early, and of compensation payments payable to some employees who take early severance.<sup>100</sup> The Academies Financial Handbook sets out delegation limits, beyond which permission to make severance payments must be approved by both ESFA and HMT.<sup>101</sup>

<sup>100</sup> For further details, please see the Remuneration and Staff Report

<sup>101</sup> Academies Financial handbook: <https://www.gov.uk/guidance/academies-financial-handbook>

## 7. Other operating expenditure

|  | 2018/19       | 2017/18      |
|--|---------------|--------------|
|  | £m            | £m           |
| Educational supplies                               | 704           | 656          |
| Building maintenance and repair cost               | 582           | 583          |
| Premises costs including rates and service charges | 648           | 562          |
| Catering costs                                     | 588           | 509          |
| Consultancy and other professional fees            | 432           | 391          |
| IT and telecommunications costs                    | 342           | 314          |
| Utilities  | 372           | 320          |
| Exam fees  | 249           | 222          |
| Staff related costs                                | 209           | 195          |
| Remuneration of academy auditors:                  |               |              |
| Audit fees   | 35            | 34           |
| Non-audit fees                                     | 3             | 3            |
| Other expenditure                                  | 1,706         | 1,536        |
| <b>Non-cash items</b>                              |               |              |
| Depreciation & amortisation                        | 1,319         | 1,201        |
| Impairment   | 2,974         | 480          |
| Loss on disposal                                   | 371           | 453          |
| Other non-cash expenditure                         | 4             | -            |
|  | <b>10,538</b> | <b>7,459</b> |

Operating expenditure has increased in the current year. One of the main reasons is that non-cash items includes £3.0 billion (2017/18: £0.5 billion) of impairment resulting from a significant number of valuations commissioned across the sector in the year. More detail on this is included in the financial overview section and note 2.

Auditors' remuneration relates to the fees incurred by ATs for the audit of their financial statements and other services.

The National Audit Office charges a fee of £475,000 (2017/18: £490,000) for the audit of this SARA. This is not reported in the values above. Instead it is reported in the Department's Consolidated Annual Report and Accounts for the relevant financial year.

## 8. Financial instruments

### 8.1 Financial assets by category

|                            | 2019                                    | 2019  | 2019         | 2018         |
|----------------------------|---|---|--------------|--------------|
|                            | Financial Assets held at amortised cost | Designated at fair value through profit or loss | Total        | Total        |
|                            | £m                                      | £m  | £m           | £m           |
| Investments                | -                                       | 99  | 99           | 88           |
| Receivables <sup>102</sup> | 1,426                                   | -   | 1,426        | 1,270        |
| Cash                       | 4,204                                   | -   | 4,204        | 3,889        |
|                            | <b>5,630</b>                            | <b>99</b>                                       | <b>5,729</b> | <b>5,247</b> |

### 8.2 Financial liabilities by category

|                                    | 2019         | 2018         |
|------------------------------------|--------------|--------------|
|                                    | £m           | £m           |
| <b>Held at amortised cost:</b>     |              |              |
| Loans                              | 165          | 142          |
| Other payables, excluding accruals | 1,433        | 1,284        |
|                                    | <b>1,598</b> | <b>1,426</b> |

All financial liabilities are carried at amortised cost.

#### Accounting Policy: Financial instruments

The sector adopts **IFRS 7 Financial Instruments: Disclosures**, **IAS 32 Financial Instruments: Presentation** and **IFRS 9 Financial Instruments**. The sector does not have any complex financial instruments. Financial assets and financial liabilities are recognised when the sector becomes party to the contractual provisions of the instrument.

#### Transition to IFRS 9

There is no material difference between the carrying values of financial instruments measured as at 31 August 2018 under IAS 39 and measured as at 1 September 2018 under IFRS 9. We have therefore not included a table showing the movement in carrying values of financial instruments on transition to IFRS 9.

102 The value of the expected credit loss recognised against these financial assets was £1.8m.

## Financial assets

Financial assets include cash and cash equivalents, trade and other receivables and investments. The classification of financial assets is determined at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs.

The subsequent measurement of financial assets depends on their classification into IFRS 9's three categories: amortised cost, fair value through profit and loss (FVTPL) and fair value through other comprehensive income.

### Amortised cost

Financial assets classified as amortised cost include:

- Trade and other receivables which have fixed or determinable payments that are not quoted on an active market.
- Cash and cash equivalents which comprises cash in hand and on demand deposits.

The above asset types are subsequently recognised at amortised cost using the effective interest method. Carrying values are based on initial fair value adjusted for repayments. Appropriate allowances for estimated irrecoverable amounts are recognised in the SoCNI based on expected losses for a particular asset, or group of assets. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

### Fair Value Through Profit and Loss

Financial assets at fair value through profit or loss include:

- Investments: The sector holds a small number of quoted investments which are recognised at fair value. Movements in fair value are recognised in profit and loss.

## Impairment of financial assets

IFRS 9 requires that for all financial assets measured at amortised cost, a loss allowance is recognised that represents ECLs on the financial instruments.

HMT has ruled that balances with core central government departments including their executive agencies, are excluded from early assessment (stage 1 and stage 2 impairments). The SARA therefore does not recognise loss allowance for stage 1 or stage 2 impairments against balances due from the Department or ESFA.

The Sector holds £380 million of non-Government balances measured at amortised cost. This is made up of a large number of small balances owed from a diverse and diffuse population of counterparties, the majority of whom are individuals (parents, teachers and friends of the school) or local sports clubs and local hobby groups all with different risk characteristics. There is very limited available information about the credit risk of these counterparties.

The Department therefore deems that it is not possible, without undue time, effort and cost, to monitor changes to the credit risk associated with these financial assets until a loss event occurs. The Department therefore determines that it is not possible to reliably estimate the ECL of the sector for stage 1 and stage 2 impairments. Given that the value of non-Government debt measured at amortised cost is immaterial it follows that, could we calculate it, the value of stage 1 and stage 2 ECLs would be highly immaterial.

When a loss event occurs, and an asset becomes credit impaired (stage 3) we will recognise an ECL.

For the same reasons as above, the Department expects on transition the ECL under IFRS 9 is equal in value to the incurred loss model impairment allowance previously recognised under IAS 39.

### Financial liabilities

The adoption of IFRS 9 has not significantly changed the accounting for financial liabilities. Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables, loans and accruals. The sector does not currently have financial liabilities measured at fair value through profit or loss; neither does it have derivative financial instruments. The sector determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification:

**Payables** - Trade and other payables including accruals are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost using the effective interest method.

**Loan liabilities** - The sector is able to take out both interest free loans and interest bearing loans with the Secretary of State's permission. The sector states such loans at their face value on initial recognition. Subsequently, the sector measures loans at amortised cost using the effective interest method where interest is charged.

### Financial instrument risk management

As the cash requirements of the sector are met through grant funding from DfE, supplemented by operating activities of the academy, the sector is not exposed to the degree of financial risk faced by similar sized business entities.

Consequently, financial instruments play a more limited role in creating and managing risk than in a non-public sector body. The sector has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the sector in undertaking its activities.

It is therefore deemed that the nature of the sector's financial instruments does not expose it to significant financial risk.

## 9. Investments

|   | 2019                                |   | 2018      |            |
|---|-------------------------------------|---|-----------|------------|
|   | Investments<br>at amortised<br>cost | Investments<br>at fair value<br>through SoCNI | Total     | Total      |
|   | £m                                  | £m  | £m        | £m         |
| <b>1 September</b>                                    | <b>12</b>                           | <b>76</b>                                     | <b>88</b> | <b>191</b> |
| Additions   | 6                                   | 57  | 63        | 46         |
| Disposals   | (2)                                 | (29)  | (31)      | (60)       |
| Other reclassifications and<br>fair value adjustments | (3)                                 | (18)  | (21)      | (89)       |
| <b>Balance at 31 August</b>                           | <b>13</b>                           | <b>86</b>                                     | <b>99</b> | <b>88</b>  |

ATs are permitted to hold investments; these investments above are a combination of listed shares, managed funds and investment properties.

## 10. Receivables

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | £m           | £m           |
| <b>Amounts falling due within one year:</b>           |              |              |
| Trade receivables                                     | 111          | 107          |
| VAT receivable  | 290          | 261          |
| Accrued capital grants                                | 249          | 187          |
| Prepayments and other accrued income                  | 669          | 594          |
| Other receivables                                     | 87           | 107          |
| <b>Total receivables falling due within one year</b>  | <b>1,406</b> | <b>1,256</b> |
| <b>Amounts falling due after more than one year:</b>  |              |              |
| Receivables due after more than one year              | 20           | 14           |
| <b>Total receivables due after more than one year</b> | <b>20</b>    | <b>14</b>    |
| <b>Total receivables</b>                              | <b>1,426</b> | <b>1,270</b> |

## 11. Cash and Cash Equivalents

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | £m           | £m           |
| <b>Cash and cash equivalents in Statement of Financial Position</b> |              |              |
| Balance at 1 September  | 3,889        | 3,543        |
| Acquired on conversion  | 97           | 157          |
| Net change excluding conversions                                    | 218          | 189          |
| <b>Balance at 31 August</b>   | <b>4,204</b> | <b>3,889</b> |
| <b>Cash and cash equivalents in Statement of Cash Flows</b>         |              |              |
| Cash at bank and in hand  | 4,204        | 3,889        |
| Overdrafts  | (1)          | (1)          |
| <b>Balance at 31 August</b>   | <b>4,203</b> | <b>3,888</b> |

Included in the above is £71 million in relation to amounts held for third parties (31 August 2018: £59 million), including in respect of 16-19 Bursary funds, Parent Teacher Associations or equivalent and other items.

All cash at bank and overdrafts are held with commercial banks. ATs are required to incur ESFA approval before undertaking borrowings, including bank overdrafts.

## 12. Payables

|  | 2019         | 2018         |
|--|--------------|--------------|
|  | £m           | £m           |
| <b>Amounts falling due within one year:</b>          |              |              |
| Accruals and other deferred income                   | 990          | 909          |
| Trade payables                                       | 621          | 565          |
| Tax and social security payables                     | 325          | 300          |
| Loans  | 35           | 26           |
| Other payables                                       | 371          | 377          |
| <b>Total payables due within one year</b>            | <b>2,342</b> | <b>2,177</b> |
| <b>Amounts falling due after more than one year:</b> |              |              |
| Loans  | 130          | 116          |
| Other payables                                       | 116          | 42           |
| <b>Total payables due after more than one year</b>   | <b>246</b>   | <b>158</b>   |
| <b>Total payables</b>                                | <b>2,588</b> | <b>2,335</b> |

ATs are required to obtain ESFA approval before undertaking borrowings, including taking out loans.

## 13. Capital and other commitments

### 13.1 Capital and other non-lease commitments

Contracted and approved commitments at 31 August not otherwise included in these financial statements:

|                               | 2019       | 2018       |
|-------------------------------|------------|------------|
|                               | £m         | £m         |
| Property, plant and equipment | 340        | 344        |
| Non-cancellable contracts     | 59         | 34         |
|                               | <b>399</b> | <b>378</b> |

### 13.2 Commitments under leases

#### Operating leases <sup>103</sup>

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | £m           | £m           |
| <b>Land and buildings</b>                         |              |              |
| Not later than one year                           | 178          | 148          |
| Later than one year and not later than five years | 691          | 563          |
| Later than five years                             | 1,813        | 1,691        |
|   | <b>2,682</b> | <b>2,402</b> |
| <b>Other</b>                                      |              |              |
| Not later than one year                           | 79           | 68           |
| Later than one year and not later than five years | 100          | 102          |
| Later than five years                             | 20           | 44           |
|   | <b>199</b>   | <b>214</b>   |

Included in the table above is £2,346 million (2017/18: £2,021 million) in respect of service concession arrangements on PFI contracts. These obligations are primarily recharges owed to local authorities who are the legal parties to the relevant PFI deals.

#### Finance leases

Total commitments under finance leases have an aggregate liability of £66 million (2017/18: £5 million). Included within the finance lease commitments is £62 million of PFI arrangements held by one trust.

103 The operating lease commitments note now includes obligations relating to PFI service costs. These were previously presented separately. Management believe this presentation better reflects the substance of the transaction which is that these are lease agreements between an AT and a LA with the local authority holding the PFI contract and being the legal party in the PFI transaction.

## Accounting Policy: Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases. Operating leases are charged to the SoCNI as expenditure is incurred.

IFRS 16 Leases: IFRS 16 will become effective in Government for accounting periods beginning on or after 1 April 2021. The impact of the standard is to simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of leases which last over 12 months to be recognised as a finance lease (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised.

As the FRoM has not yet adopted IFRS 16 DfE has not yet quantified the full impact. DfE assesses the likely impact on leases disclosed in the SARA and on internal processes to be as follows:

- We anticipate that the majority of leased assets reported in Note 13.2 will continue to be recognised;
- Land and buildings operated by the sector may be recognised under IFRS 16 as right-of-use assets, but not recognised as assets in 2018/19 (as we do not consider these to be recognisable under IAS 16), as detailed in note 2;
- As FRS 102 does not place an obligation on ATs to apply the recognition criteria used by IFRS 16, DfE will need to collate appropriate data and develop a suitable accounting treatment within SARA in order to comply with IFRS 16 for plant and equipment other than land and buildings, which are currently treated as operating leases.

## 14. Pension scheme disclosures

### 14.1 Academies' pension schemes

The sector participates in pension schemes for its employees.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. It operates under the Teachers' Pensions Regulations 2010 (as amended) and the Teachers' Pension Scheme Regulations 2014 (as amended).

Membership is automatic for full-time teachers and part-time teachers in academies on appointment or change of contract, although teachers may opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis. Employee and employer contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The latest actuarial valuation of the TPS was carried out as at 31 March 2016 and was published by DfE in April 2019. Subsequently, the employer contribution rate was increased from 16.48% to 23.68% on 1 September 2019. These rates include a levy of 0.08% to cover administration expenses which was introduced from 1 September 2015.

The formal actuarial valuation report and supporting documentation can be found on the [Teachers' Pension Scheme website](#).<sup>104</sup>

The SARA has accounted for employer contributions to the TPS as if it was a defined contribution scheme.

104 <https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>

## Local Government Pension Scheme

Local Government Pension Scheme (LGPS) is open to non-teaching staff in ATs and is a funded multi-employer defined benefit scheme. This is therefore the sector's only scheme for which the scheme administrators can allocate the underlying assets and liabilities to the employing organisations.

The LGPS is a single national scheme that is administered at a local level by fund units that in many, but not all cases, approximate local authorities. Whilst the scheme is national, benefits are accrued at the local fund level.

The scheme provides funded defined benefits, historically on the basis of final pensionable salary and from 1 April 2015 on the basis of career average salary. The assets of the scheme are held separately from those of the sector and are invested in managed funds. Employer contribution rates are determined by a qualified actuary and on the basis of triennial valuations.

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

Employers' contributions for 2018/19 were £930 million (2017/18: £818 million). The agreed contribution for future years ranges from 7% to 38% for employers' dependant on the local authority.

A triennial valuation of the local government pension scheme was conducted as at 31 March 2019. The impact of this valuation, along with details of the impact on contribution rates will be published in the 2019/20 SARA.

## 14.2 Summary of movements in the LGPS net liability

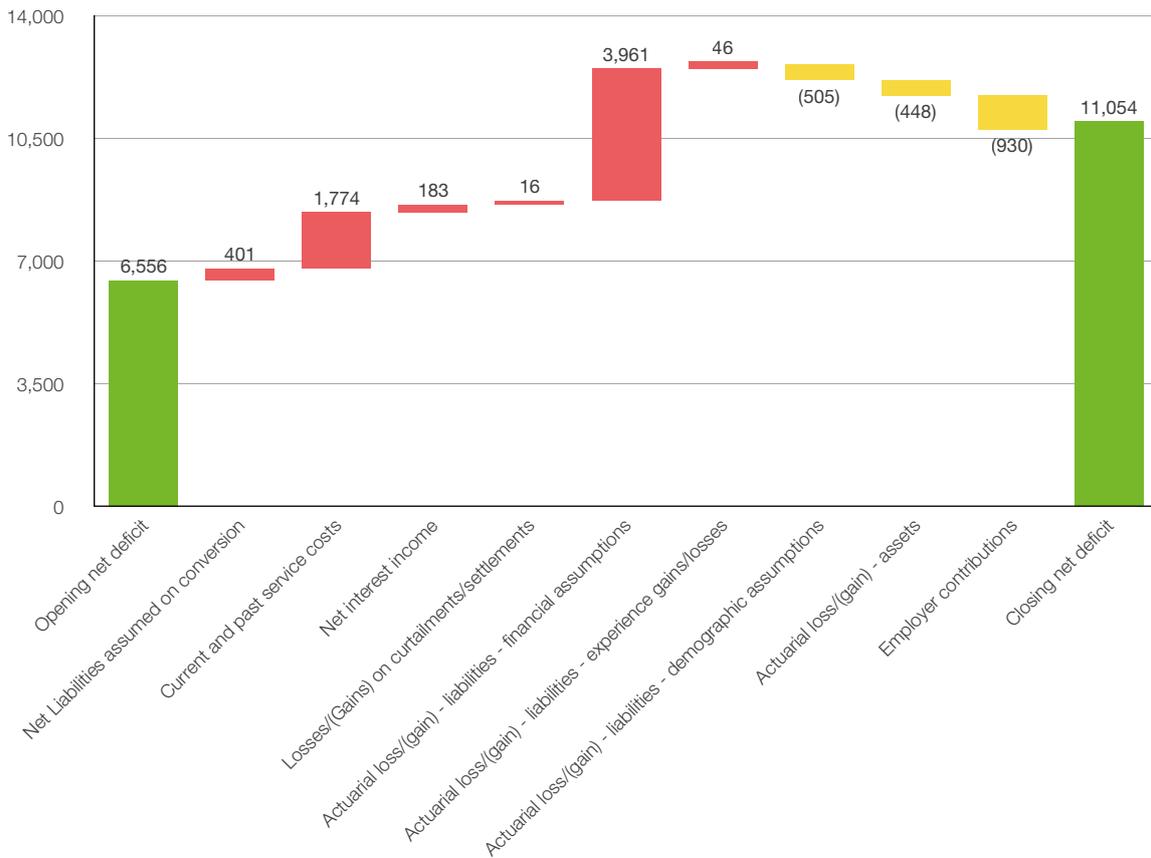
Funded pension schemes are shown on a net liability basis (or net asset where the total scheme asset balance exceeds the gross liability). This means that scheme assets are deducted from the gross pension liability balance.

|                                       | 2019          | 2018         |
|---------------------------------------|---------------|--------------|
|                                       | £m            | £m           |
| At 1 September                        | 6,556         | 6,979        |
| Net liabilities assumed on conversion | 401           | 531          |
| Current service cost                  | 1,512         | 1,501        |
| Employee contributions                | -             | -            |
| Employer contributions                | (930)         | (818)        |
| Benefits paid                         | -             | -            |
| Past service cost                     | 258           | 6            |
| Net finance cost                      | 183           | 181          |
| Settlements                           | 8             | -            |
| Curtailments                          | 8             | 3            |
| Pension scheme administration costs   | 4             | 2            |
| Actuarial loss/(gain)                 | 3,054         | (1,829)      |
| <b>At 31 August</b>                   | <b>11,054</b> | <b>6,556</b> |

As shown in the table above, and illustrated in the graph below, the change in the net pension liability is largely dictated by three factors:

- the actuarial loss/gain
- the current service costs which increase the liability
- employer contributions which decrease the liability

**2018/19 Movements in Net Pension Deficit**



In 2018/19 the actuarial loss is the primary driving factor behind the increase in the net pension liability. This volatility of actuarial gains or losses is predominantly due to the change in assumptions, in particular the discount rate. The decrease in discount rate increases the value of the net pension liability recognised in the 2018/19 SARA but it does not alter the amount of cash ultimately required to settle these liabilities and thus has no bearing on the financial sustainability of the sector. Discount rates are subject to fluctuation and the decrease during 2018/19 may be reversed in future years. In 2015 the government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judicial (referred to as McCloud) and fire fighters’ schemes as part of the reforms amounted to unlawful discrimination and in June 2019 the Supreme Court denied the government permission to appeal. Consequently, ATs have included an estimated allowance of £250 million for the potential costs following the judgement. This is included in Past Service Costs in the chart above.

The current service cost is an estimate made by scheme actuaries of the benefit earned by employees in the year and it is used to determine standard contribution rates for each scheme. The actual rate of employer contributions is determined as part of a funding valuation using different assumptions.

Employer contributions reflect amount paid in by ATs during the year. Employer contributions reduce the outstanding net pensions liability.

An analysis of the in-year movement in LGPS gross obligations and gross assets are provided in notes 14.3 and 14.4. Employee contributions and benefits paid impacted on both the gross liability and the scheme assets and so have a mainly neutral impact on the net liability.

### Breakdown of Actuarial Gain/Loss

|   | 2019         |
|---|--------------|
|   | £m           |
| Experience gains/losses                       | 46           |
| Change in financial assumptions - assets      | (448)        |
| Change in financial assumptions - liabilities | 3,961        |
| Demographic assumptions                       | (505)        |
| <b>Actuarial loss</b>                         | <b>3,054</b> |

**FRS 102 Financial Reporting Standard**, which is followed by the academies sector, does not require the analysis of actuarial gain/loss to be further analysed into its three component figures and this analysis is therefore not included within the ATs' own accounts. We obtained a derogation from HMT in 2017/18 from collecting and presenting the breakdown of the actuarial gain/loss. This information was collected for the first time in 2018/19. This means that a prior year comparative is not available.

### 14.3 Movements in the present value of LGPS gross liability

|                                     | 2019          | 2018          |
|-------------------------------------|---------------|---------------|
|                                     | £m            | £m            |
| At 1 September                      | 16,762        | 15,236        |
| Liabilities assumed on conversion:  |               |               |
| Local Authority                     | 763           | 966           |
| Non-local Authority                 | 88            | 115           |
| Current service cost                | 1,512         | 1,501         |
| Interest cost                       | 484           | 409           |
| Employee contributions              | 260           | 231           |
| Past service cost                   | 258           | 6             |
| Actuarial loss/(gain)               | 3,502         | (1,567)       |
| Benefits paid                       | (165)         | (138)         |
| Unfunded benefits paid              | -             | -             |
| Pension scheme administration costs | (1)           | -             |
| Losses on curtailments              | 8             | 3             |
| <b>At 31 August</b>                 | <b>23,471</b> | <b>16,762</b> |

## 14.4 Movements in the fair value of LGPS scheme assets

|  | 2019          | 2018          |
|--|---------------|---------------|
|  | £m            | £m            |
| At 1 September                           | 10,206        | 8,257         |
| Assets transferred on conversion:        |               |               |
| Local Authority                          | 405           | 483           |
| Non-local Authority                      | 45            | 67            |
| Employer contributions                   | 930           | 818           |
| Employee contributions                   | 260           | 231           |
| Actuarial gain                           | 448           | 262           |
| Benefits paid                            | (165)         | (138)         |
| Interest income                          | 301           | 228           |
| Assets transferred on scheme settlements | (11)          | 4             |
| Pension scheme administration costs      | (5)           | (2)           |
| Effect of non-routine settlements        | 3             | (4)           |
| <b>At 31 August</b>                      | <b>12,417</b> | <b>10,206</b> |

## 14.5 Scheme assets

|                              | 2018/19    | 2017/18    |
|------------------------------|------------|------------|
|                              | %          | %          |
| Equities                     | 63         | 64         |
| Corporate bonds              | 10         | 9          |
| Property                     | 9          | 9          |
| Gilts                        | 8          | 8          |
| Cash and other liquid assets | 3          | 4          |
| Other                        | 7          | 6          |
|                              | <b>100</b> | <b>100</b> |

### 14.6 Analysis of non-interest costs charged to SoCNI

|   | 2018/19      | 2017/18      |
|---|--------------|--------------|
|   | £m           | £m           |
| Current service cost                                    | 1,512        | 1,501        |
| Past service cost                                       | 258          | 6            |
| Loss on curtailments                                    | 8            | 3            |
| Loss/(gain) on transfer of assets on scheme settlements | 11           | (4)          |
| Pension administration costs                            | 4            | 2            |
| <b>Net cost</b>   | <b>1,793</b> | <b>1,508</b> |

### 14.7 Analysis of interest costs charged to SoCNI

|                                | 2018/19    | 2017/18    |
|--------------------------------|------------|------------|
|                                | £m         | £m         |
| Interest income                | (301)      | (228)      |
| Interest on scheme liabilities | 484        | 409        |
| <b>Net cost</b>                | <b>183</b> | <b>181</b> |

### 14.8 Analysis of amounts in other comprehensive expenditure

|                             | 2018/19      | 2017/18        |
|-----------------------------|--------------|----------------|
|                             | £m           | £m             |
| Total actuarial loss/(gain) | 3,054        | (1,829)        |
| <b>Net cost</b>             | <b>3,054</b> | <b>(1,829)</b> |

## 14.9 Major financial assumptions

|   | 2018/19     | 2017/18     |
|---|-------------|-------------|
| Rate of Inflation                               | 1.0% - 3.7% | 0.1% - 5.5% |
| Rate of increase in salaries                    | 1.0% - 4.2% | 0.2% - 5.1% |
| Discount rate                                   | 1.3% - 5.9% | 1.7% - 5.9% |
| Rate of increase of pensions in payment         | 1.0% - 3.5% | 0.0% - 3.8% |
| <b>Average future life expectancies:</b>        |             |             |
| Current pensioners: males                       | 20 - 26     | 21 - 26     |
| Current pensioners: females                     | 22 - 29     | 23 - 28     |
| Future pensioners retiring in 20 years: males   | 21 - 29     | 22 - 29     |
| Future pensioners retiring in 20 years: females | 24 - 29     | 24 - 29     |

Based on appropriate professional advice, ATs have set the financial assumptions used in the preparation of the actuarial valuation of liabilities appropriate for their individual circumstances. These assumptions have a range of uncertainty. Pension schemes operate over very long timescales and these assumptions may not be borne out in practice. The movement in pension liabilities reflects the movement in the actuarial assumptions in the year.

### 14.10 Sensitivity Analysis

The table below illustrates high level sensitivities, to demonstrate the impact on the consolidated liability value to small changes in the most material assumptions: discount rate, CPI inflation, salary growth and life expectancy. These have been estimated for the aggregate consolidated liability value rather than considering the sensitivity for each AT and then aggregating these.

| Assumption   | Illustrative change in assumption | Illustrative change in assumption |
|--|-----------------------------------|-----------------------------------|
| Discount rate  | +/- 0.1%                          | +/- £540m                         |
| CPI inflation (and associated pension increases and salary growth) | +/- 0.1%                          | +/- £540m                         |
| Salary growth  | +/- 0.1%                          | +/- £125m                         |
| Life expectancy  | +/- 1 year                        | +/- £720m                         |

## Accounting Policy: Pensions

The sector has adopted FRS102, which is materially compliant with **IAS 19, Employee Benefits**, to account for its pension schemes.

Accordingly, for funded defined benefit schemes the sector recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the sector has a legal or constructive obligation to make good the deficit in the scheme. The pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full on the face of the SoFP. Actuarial gains/losses from the scheme are recognised in reserves.

Where the sector makes contributions to defined contribution and unfunded defined benefit pension schemes (which do not have underlying assets) the sector recognises contributions payable in the SoCNI.

### Pension valuation for the Local Government Pension Scheme

Local Government Pension Scheme deficits are recognised in the SoFP – all other defined benefit schemes are unfunded multi-employer schemes for which there are no underlying assets or liabilities to allocate across the employers. Details of the pension deficit are shown in note 14.2.

Pension scheme assets are held at fair value. Scheme liabilities are estimated using a projected unit method and discounted at their current rate of return on a high quality corporate bond of equivalent term to the liability. All estimates are performed by actuaries in accordance with FRS102, which is materially compliant with **IAS 19, Employee Benefits**.

## 15. Contingent Liabilities

### Quantifiable

The sector held no material contingent liabilities as at 31 August 2019.

### Unquantifiable

During the operation of its Funding Agreement, in the event of an AT's sale or disposal by other means of an asset for which a Government capital grant was received, the AT is required either to re-invest the proceeds or to repay the Secretary of State the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the AT serving notice, the AT shall repay to the Secretary of State sums determined by reference to:

- the value at the time of the trust's site and premises and other assets held for the purpose of the AT;
- the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

Apart from the above, the sector has not recorded material contingent liabilities as at 31 August 2019.

## 16. Events after the reporting period

ATs have continued to be incorporated and to open new academy schools throughout the period from 31 August 2019 to the date that these accounts were authorised for issue.

These sector accounts apply **IAS 10 Events after the Reporting Period**, except for the requirement that the accounts be adjusted for events that existed in the reporting period that are not included in the AT accounts. Any significant events will be disclosed as non-adjusting events.

### Covid-19

In March 2020, the UK Government implemented temporary lockdown arrangements restricting non-essential travel and services including the closure of schools for children of non-key workers alongside safeguarding measures for those children attending school. The impact of this lockdown on the school sector and ATs specifically remains uncertain in financial terms, and so we continue to monitor the issue accordingly. Within the SARA, two areas are particularly sensitive to changes in markets, these are the net pension deficit where a number of the inputs to the model are derived from observed market conditions such as the yield curve on Gilts and the valuation of land and buildings where land prices are derived from local property values. As the value of a school is derived from its long-term service potential, we do not anticipate that the temporary safeguarding measures introduced during lockdown will need to be reflected within those valuations. Further discussion of the impact on valuation of land and buildings is included in note 2. The results of wider Government interventions, such as the additional funding provided to schools to enable opening across the Easter break, will be reflected in the 2019/20 Statement of Comprehensive Net Income.

## Exiting the European Union

The UK departed from the EU on 31 January 2020 after the end of the reporting period. On this date the UK entered a 1-year transition period which will end on 31 December 2020. Significant uncertainty remains regarding the impact any exit scenario will have, and so we continue to monitor the issue accordingly.

These accounts were authorised for issue by Jonathan Slater (Accounting Officer) on the date they were certified by the Comptroller & Auditor General.

There have not been any other significant post reporting period events that have required disclosure in the accounts.

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Department  
for Education