Department for Education

Academy Schools Sector in England

Consolidated annual report and accounts

For the period 1 September to 31 August 2022

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Contents

Annexes to the accounts can be found at:
https://www.gov.uk/government/collections/academies-sector-annual-reports-and-accounts

Performance Report

Performance overview

This overview is intended to provide a summary of the academy sector, its purpose, and its performance during the year.

The Sector Annual Report and Accounts (SARA) is structured as follows:

- Performance Report – a summary of the financial position and educational performance of the sector
- Accountability Report – a summary of Department for Education's (DfE) governance structures that provide oversight over the academies sector and also including the sector's remuneration and staff report
- Financial Statements – the standard reporting requirement required by HM Treasury (HMT), including details of related party transactions (RPTs).

Introduction

Academies are independent state schools that are directly funded by the Department for Education Group (DfE or Department). 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 (SoS) 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 academies, providing a range of academic provision as follows:

- Free schools – a type of academy which are brand new funded state schools. Suitable sponsors can include parents, teacher groups and academy trusts and can apply to open a free school through the application rounds [1]. They include studio schools and University Technical Colleges (UTCs) but exclude City Technology Colleges (CTCs).
- Converter academies – usually strongly performing schools, or schools on an upward performance trajectory, prior to converting to academy status.
- Sponsored academies – usually underperforming schools prior to converting to academy status and run via an AT by sponsors.

More information is provided in annex J.

This publication provides an overview of all academy schools in England. It fulfils the reporting requirements of the Academies Act 2010 [2] alongside the requirement to report on the finances of the sector [3].

The Academies Act 2010 requires reporting of educational performance information over the academic year ending 31 July.

HMT's 'Accounts Direction' (annex I) provided to DfE defines the academic year as ending 31 August. 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.

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 entered into with the Secretary of State for Education.

The SARA is presented in line with the Government Financial Reporting Manual (FReM), except for the derogations noted in annex I. 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.

1 https://www.gov.uk/government/publications/free-school-application-guide
2 https://www.legislation.gov.uk/ukpga/2010/32/contents
3 https://www.gov.uk/government/collections/government-financial-reporting-manual-frem

Forewords

Ministerial overview

It is a privilege to present the Sector Annual Report and Accounts for 2021/22, giving an insight into the educational and financial performance of the academy sector.

This report covers the period 1 September 2021 to 31 August 2022, and is an important part of our accountability framework, setting out the consolidated performance for the whole of the academy sector for 2021/22, which is responsible for over £30 billion of public funding.

Turning to this year's results, overall charitable funds of the sector stood at £53 billion at August 2022 (£37 billion at August 2021). Whilst there was an in-year deficit of £1,108 million it was the actuarial gain on pensions of £17 billion (note 14) caused the increase in charitable funds. This reflects the changes in the discount rate as a result of higher inflation.

The Department provided additional funding to the sector (refer to note 5) through the recovery premium and national tutoring programme to support children and young people to catch up on missed learning, with a view to improving results for those pupils. This funding and an increase in academies saw an increase in revenue income of £2.5 billion.

Operating expenditure continues to outpace total income due to increases in overall staff costs, due to staff numbers, salary increases and the use of temporary staff for COVID-19 cover.

The combination of building resilience within the academy sector through strong trusts and taking clear and decisive action where schools are underperforming to strengthen results has meant fewer children are in 'requires improvement' or 'inadequate' schools than this time last year.

I want to end by thanking all of those involved within the academy sector for their continued hard work and support. I am always struck by the dedication that staff and trustees put into the running of academies to set all children up for success.

Baroness Barran
Parliamentary Under Secretary of State for the School System and Student Finance

January 2024

Permanent Secretary's overview

I want to start by extending my thanks to everyone involved in the academy sector. Trusts have performed well this year thanks to the hard work and perseverance of staff, trustees and pupils.

The education system has made real progress in recovering from the pandemic, particularly in supporting the recovery of lost learning. 2021/22 saw the return of the full summer exam series, and these and other results, show positive progress, including in re-closing attainment gaps widened by the pandemic.

Post-16 academy provision has also seen sustained progress and academies have been supporting the T-level reforms by preparing for record number of starts in September 2022.

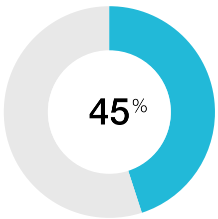
The academy sector has continued to grow, and for the period of time this report covers stood just shy of 10,000 academies (46% of the overall school landscape). The Department continues to encourage the conversion and transfer of academies to ensure we have a strong and resilient trust landscape.

Finally, I am also grateful to both the sector and departmental colleagues for their support in the preparation of this report, which continues to provide valuable insight into the academy sector, bringing together reporting on educational performance and sector development with the over-arching governance mechanisms and financial results.

Susan Acland-Hood
Accounting Officer

24 January 2024

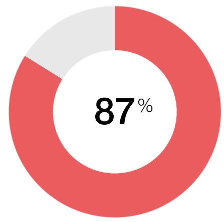
Overview and analysis: The Academy Sector at a glance



At 31 July 2022, **46%** of state-funded schools were operating as academies (compared to 45% at 31 July 2021) (refer to page 33).

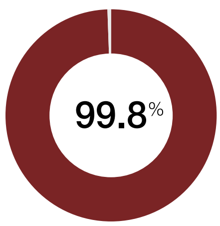
The number of academies has increased during the year to 31 July 2022 to **9,989** (2020/21: 9,628) (refer to page 31).

The net current assets as at 31 August 2022 were **£5.2 billion** (compared to £4.9 billion as at 31 August 2021) (refer to page 101).



87% of all academies (8,673 academies) are in an AT with more than one academy (2020/21; 86%, 8,240 academies) (refer to page 34).

£442 million (£518 million 2020/21) additional income was provided to ATs during the period in relation to COVID-19. This includes £423 million of funding provided by DfE. (£458 million 2020/21) (refer to Note 5.3 on page 128).



99.8% of ATs (excluding ATs who didn't return their accounts to DfE) received an unqualified audit opinion as at 31 August 2022 (2020/21: 99.5%) (refer to page 73).

The number of pupils educated at academies has increased by 5.5% during the year to **4.6 million** (2020/21: 4.4 million).This means that 54.4% of pupils educated in a state funded school are in an academy setting (2020/21: 53%) (refer to Sector Development on page 31).

The number of ATs has decreased during the year to **2,556** (2020/21: 2,656) (refer to page 73).

Geographical Analysis

The geographical representation below shows the percentage of state-funded schools which are academies by Regional Schools Commissioner (RSC) boundaries at 31 August 2022. From Summer 2022 the Regions changed and have been aligned to the nine regions (previously eight) used across the rest of government [4].

The number of academies in each region is additionally shown.

Regional Schools Commissioners heat map

North East
563

Yorkshire and the Humber
1,161

North West
857

East Midlands
1,118

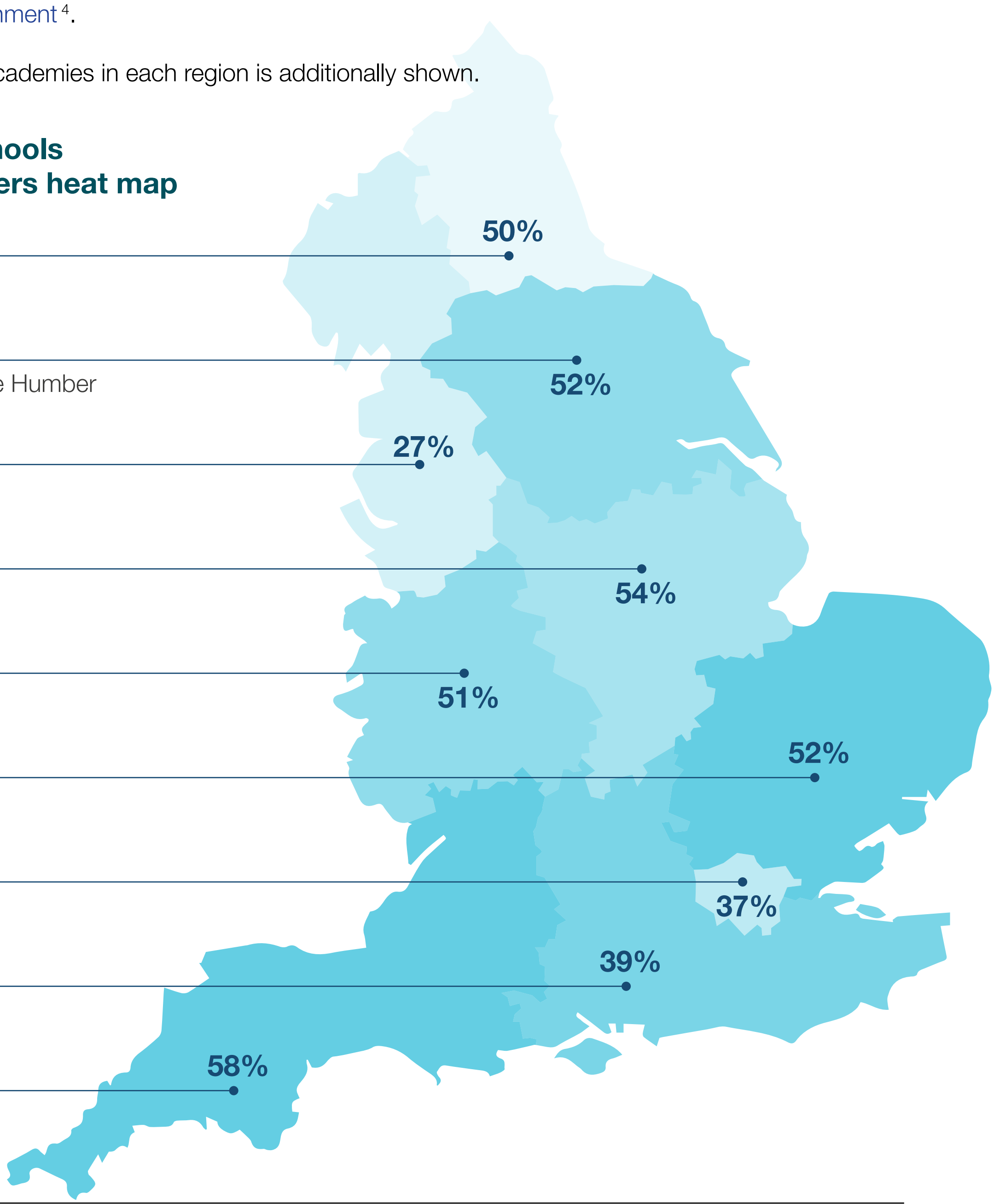
West Midlands
1,226

East of England
1,354

London
988

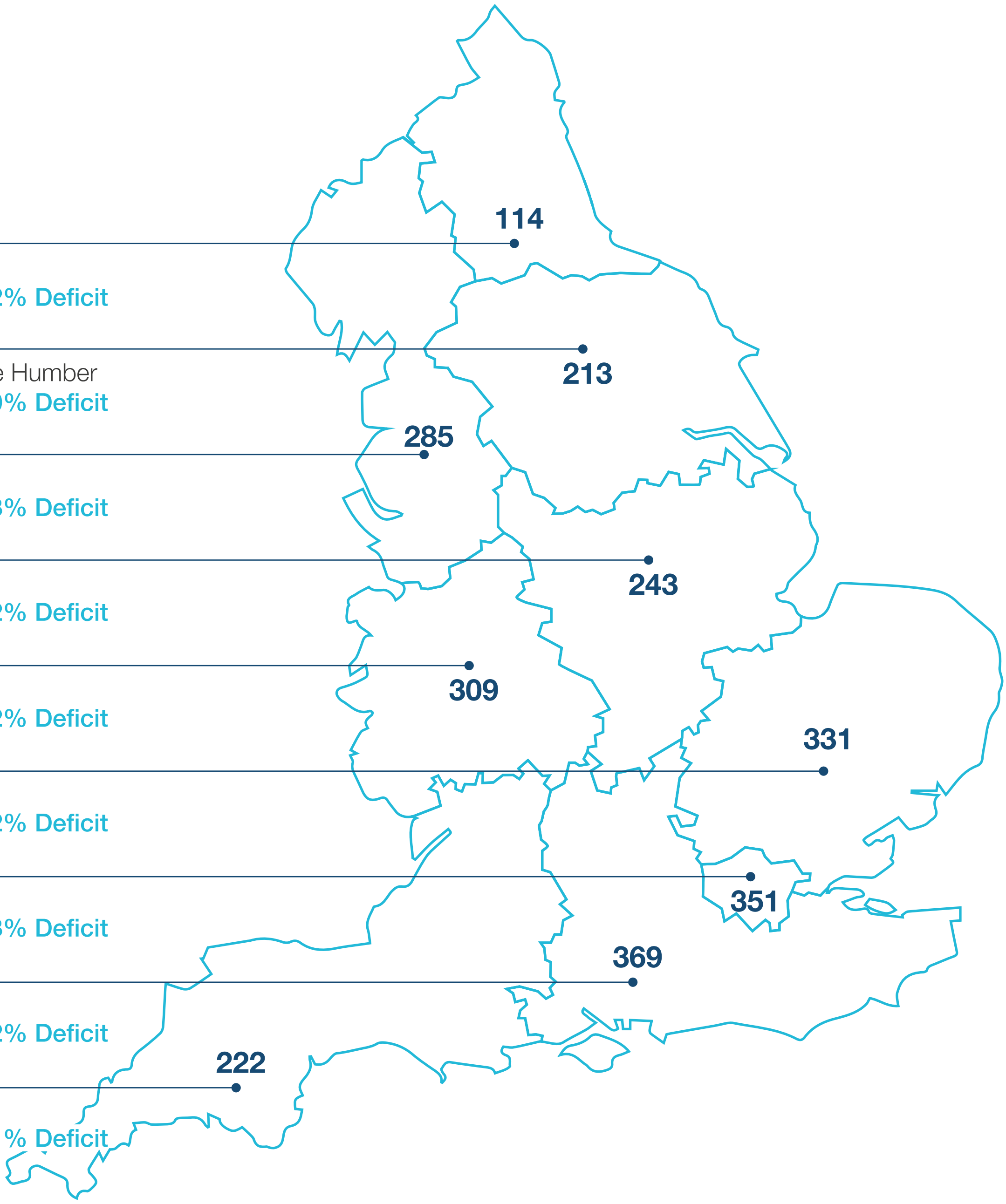
South East
1,319

South West
1,393



4 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1059697/Changes_to_the_way_the_Department_for_Education__DfE__will_operate_from_1_April_2022_onwards_EC.pdf

Percentage of academy trusts with cumulative surplus or deficit by region



North East
98% Surplus 2% Deficit

Yorkshire and the Humber
100% Surplus 0% Deficit

North West
97% Surplus 3% Deficit

East MIdlands
98% Surplus 2% Deficit

West Midlands
98% Surplus 2% Deficit

East of England
98% Surplus 2% Deficit

London
97% Surplus 3% Deficit

South East
98% Surplus 2% Deficit

South West
99% Surplus 1% Deficit

Financial review of the year

Together with the preceding introduction, forewords, key data and geographical analysis, this overview is intended to provide a summary of the academy sector, its purpose, and its performance during the year. It highlights that this was still not a normal year for the sector, in so far as it was the end of restrictions and the start of the recovery process from the COVID-19 pandemic, and the very start of cost of living impacts, which will materialise in future years.

Statement of Comprehensive Net Income/Expenditure (SoCNI/E)

Whilst net expenditure showed a small deficit this year, over all the current year has returned a substantial gain, mainly as a result of the following non-cash movements:

- £17.1 billion actuarial gain on the defined benefit pension scheme, which in turn is dependent on the discount rate which has increased in the year. This has highlighted the volatility of this area as the losses from the last three years of £6.5 billion have been written back.
- £2.6 billion gain on revaluation of property, plant and equipment primarily due to market conditions
- gains on conversion remained lower than before the COVID-19 pandemic, although similar to the prior year.
- a decrease in other operating expenditure, which relates to a combination of the impact of the impairment on land and buildings, offset by an increase in building maintenance and repair costs as more repairs and maintenance works were carried out coming out of the restrictions from COVID-19.

Figure 1: Income by category:

	2021/22	2021/22	2020/21	2020/21
	£bn	%	£bn	%
Revenue grant income	30.9	85.8%	28.9	85.0%
Capital grant income	2.3	6.4%	2.8	8.2%
Other income including income from contracts	2.8	7.8%	2.3	6.8%
Total	**36.0**	**100%**	**34.0**	**100%**

Figure 2: Expenditure by category:

	2021/22 £bn	2021/22 %	2020/21 £bn	2020/21 %
Staff costs	26.8	70.6%	24.5	68.3%
Other operating costs	11.1	29.4%	11.4	31.7%
Total	**37.9**	**100.0%**	**35.9**	**100%**

Figure 3: Other (income)/expenditure:

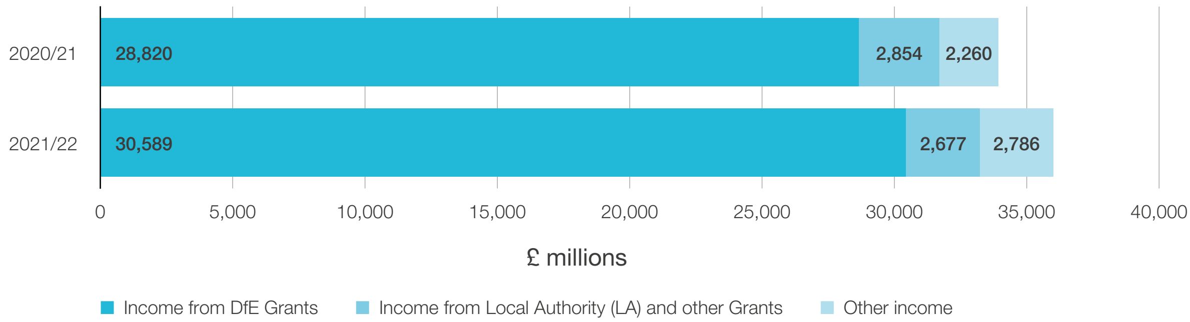
	2021/22 £bn	2020/21 £bn
Finance cost	0.3	0.2
(Gain) on conversion of academies	(1.1)	(1.1)
(Gain) on revaluation	(2.6)	(2.8)
Actuarial (gain)/loss	(17.1)	2.1
Total	**(20.4)**	**(1.6)**

During the year to 31 August 2022, the number of academies within the sector increased by 3.7%. This has driven the increase in pupil numbers in the sector with 54.4% of all pupils (4,648,949) educated in an academy at the reporting date, which impacts both income and associated expenditure.

Expenditure has increased by £2.0 billion from £35.9 billion to £37.9 billion. However, when excluding non-cash costs in both years, the underlying increase in expenditure is 12.5% which is higher than the increase in income.

Income

Figure 4: Income in 2021/22 and 2020/21



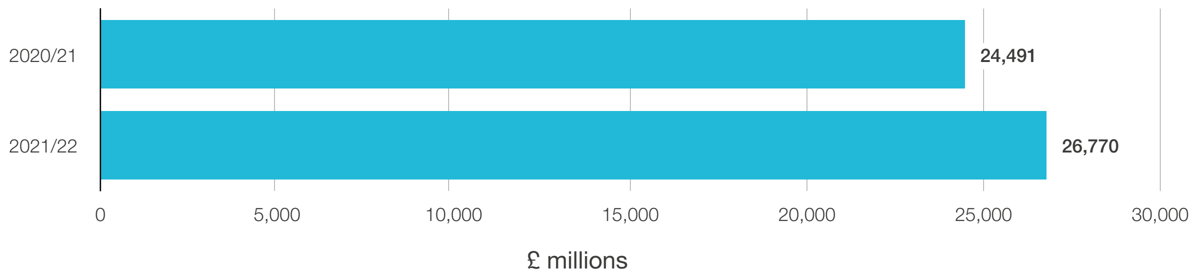
Income is largely comprised of grants, both from the Departmental Group and from other sources including Local Authorities (LAs). The largest element of grant income that ATs receive is the General Annual Grant (GAG) and smaller DfE grants. In 2021/22 this was £26.9 billion (2020/21: £25.2 billion) an increase of £1.7 billion (6.7%) from 2020/21. The increase was caused by the following factors:

- the increase in the academy sector pupil numbers (5.5%) following LA maintained schools converting to academies as GAG is based on pupil numbers
- changes to the funding methodology in relation to Teacher's pay grant and pensions employer contribution grant being included within the GAG, as opposed to being separately funded previously

In addition, included within grant income in the current year is £442 million of COVID-19 support (2020/21 £518 million) which is further discussed in note 5. Other income has increased from previous years largely linked to the return to normal after the impact of COVID-19 with fundraising and letting activities within the sector increasing.

Staff Costs

Figure 5: staff costs in 2021/22 and 2020/21



Staff costs make up a significant proportion of total expenditure and these costs have increased by 9.3% in the year, due to a number of factors:

- average permanent staff numbers have increased by 3.1%, primarily due to an increase in academies
- pay rises, include both the impact of the September 2021 pay award and teachers' progressing up pay scales, and the residual impact this has on employer's pension costs
- implications of using more temporary staff to cover increased sick days from COVID-19

A further breakdown of staff costs can be found in the Remuneration and Staff Report on page 80 and in note 6.

Emoluments paid

ATs have reported staff emoluments including salary, employer pension contributions and other benefits received during the year.

Figure 6: Number of ATs paying at least one individual above £100,000

	2021/22	2021/22	2020/21	2020/21
	Number	%	Number	%
Emoluments of £150k or more	594	22.9%	563	21.1%
Emoluments of between £100k – £150k	1,831	70.5%	1,841	68.8%

The figures in the above table are based on whether an AT reported any individuals being paid between £100,000 and £150,000 or greater than £150,000. As a result, the numbers within this table could include the same AT within both the £100,000 - £150,000 and the greater than £150,000 section.

There has been an increase in the percentage of trusts which paid at least one individual between £100,000 and £150,000 and the number paid more than £150,000 due to salary increases and the subsequent impact on pensions (as noted in the Remuneration and Staff Report on page 80).

The Department continues to reinforce the message to the sector that there is need for robust evidence-based processes in setting pay, and to ensure that pay of leadership teams in the sector is transparent, proportionate and justifiable. The Department's requirements for setting executive pay[5] and reporting requirements are set out in the Academy Trust Handbook (ATH)[6].

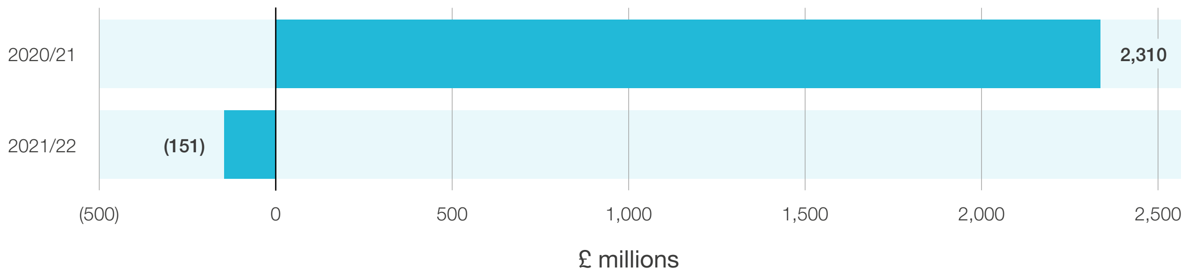
5 https://www.gov.uk/government/publications/setting-executive-salaries-guidance-for-academy-trusts
6 https://www.gov.uk/guidance/academy-trust-handbook

Since 2018, the Education and Skills Funding Agency (ESFA) has challenged excessive pay of academy leaders and expects the full impact of this to be realised over time. The ESFA continues to engage the sector on executive pay, including that reported in the 2021/22 returns, challenging where appropriate and where salaries and leadership team costs are identified as high compared to similar ATs.

AT pay includes those responsible for leading individual schools. Unlike LA maintained schools, in trusts this also includes those charged with financial and educational oversight of multi-academy trusts (MAT), and those leading the central functions such as finance, school improvement and human resources across those organisations.

Impairment

Figure 7: impairment in 2021/22 and 2020/21

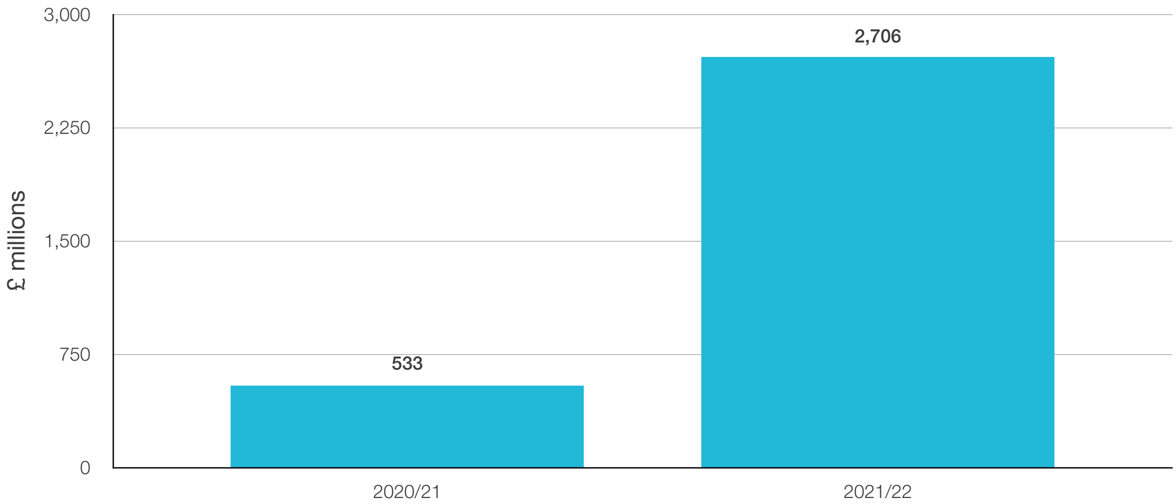


Impairment presented within other operating costs, has changed from a cost in 2020/21 to a gain of £151 million this year. This is due to a £1.8 billion reversal from indexation offsetting the current year charge of £1.6 billion impairment. More information on the property, plant and equipment valuation methodology can be found in note 2.

Figure 8 shows the increase in land and buildings values of £2.7 billion (2020/21: £0.5 billion). The net increase in land and buildings values year on year is driven by the revaluation gain (charged to the revaluation reserve) of £2.6 billion (2020/21: £2.8 billion), as well as the impact of the impairment at figure 7. The gains on revaluation are held separately from operating profit as maybe reversed in future years.

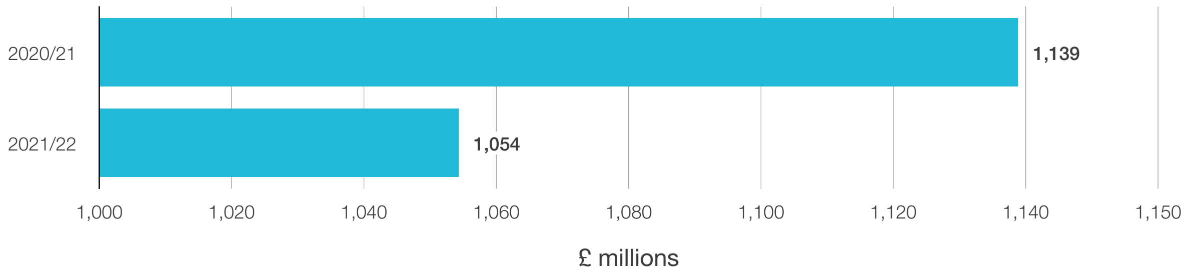
Revaluation gains have arisen predominantly due to market conditions, particularly cost inflation within the construction industry e.g. material costs and salaries. We are also implementing changes to BB103 to help the Department achieve the net zero targets as outlined in Note 2. The impact of BB103 will be felt in future years valuations as we revalue sites.

Figure 8: net revaluation movement in 2021/22 and 2020/21



Net gain on conversion to academies

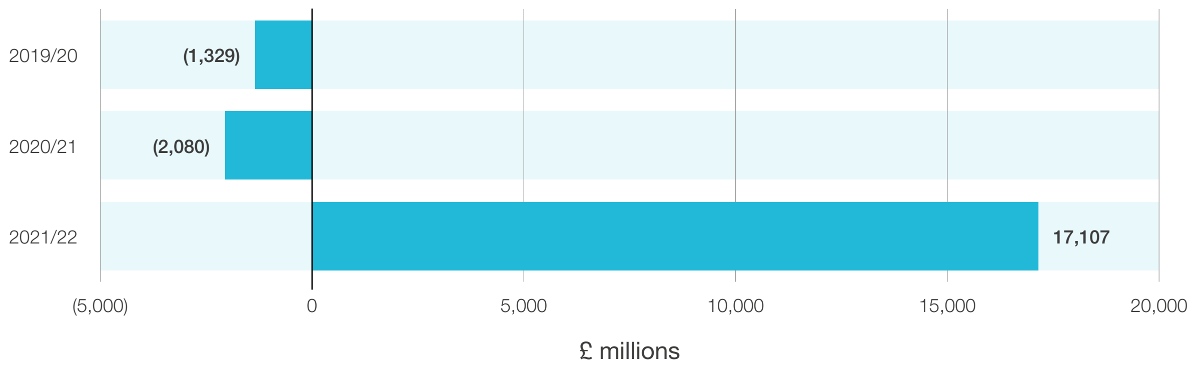
Figure 9: net gain on conversion to academies in 2021/22 and 2020/21



The net gain on conversion of academies has decreased due to the reduced number of schools converting to academies during 2021/22. In 2021/22 385 converted (2020/21: 476; 2019/20: 474 (see figure 13 in Annex 1)), in comparison to 908 in 2018/19 pre Covid.

Actuarial (Loss)/Gain on Defined Benefit Pension Schemes

Figure 10: actuarial (loss)/gain on defined benefit pensions schemes from 2019/20 to 2021/22



The actuarial gain in 2021/22 is predominantly driven by movements in actuarial assumptions and highlights the volatility in the assumptions, particularly the increase in the discount rate. Discount rates are subject to fluctuation, which has been considerably more volatile as a result of economic conditions. Due to the nature of how actuarial losses and gains are calculated and the market conditions driving the previous three years, the previous year's losses have been reversed. More information on the actuarial gain/loss on defined benefit pension schemes is provided in note 14.

Statement of Financial Position (SoFP)

The net assets of the sector recognised in these accounts as increased to £67.9 billion as at 31 August 2022 (£49.3 billion as at 31 August 2021). This is due to the non-cash movement created by an increase in the land and buildings asset value and a substantial decrease in the pension deficit.

When excluding land and buildings and pension liabilities, which are not directly impacted by day-to-day management decisions, the sector's net assets have increased to £5.3 billion compared to the prior year (2020/21 £4.8 billion), an increase of £0.5 billion. This increase is mainly attributable to cash held within the sector, for working capital purposes (see Figure 13).

Figure 11: Distribution of assets by category:

	2021/22 £billion	2021/22 %	2020/21 £billion	2020/21 %
Land and buildings	62.4	83.5%	58.8	83.8%
Other property, plant and equipment	3.6	4.8%	3.7	5.3%
Cash and cash equivalents	6.7	9.0%	5.9	8.4%
Receivables	1.9	2.6%	1.7	2.4%
Other	0.1	0.1%	0.2	0.1%
Total	**74.7**	**100%**	**70.2**	**100%**

The value of land and buildings has increased during the year primarily due to the impact of the indexation uplift. Other significant movements in this area are due to new academies joining the sector and completion of Asset under Construction (AuC) projects (see note 2).

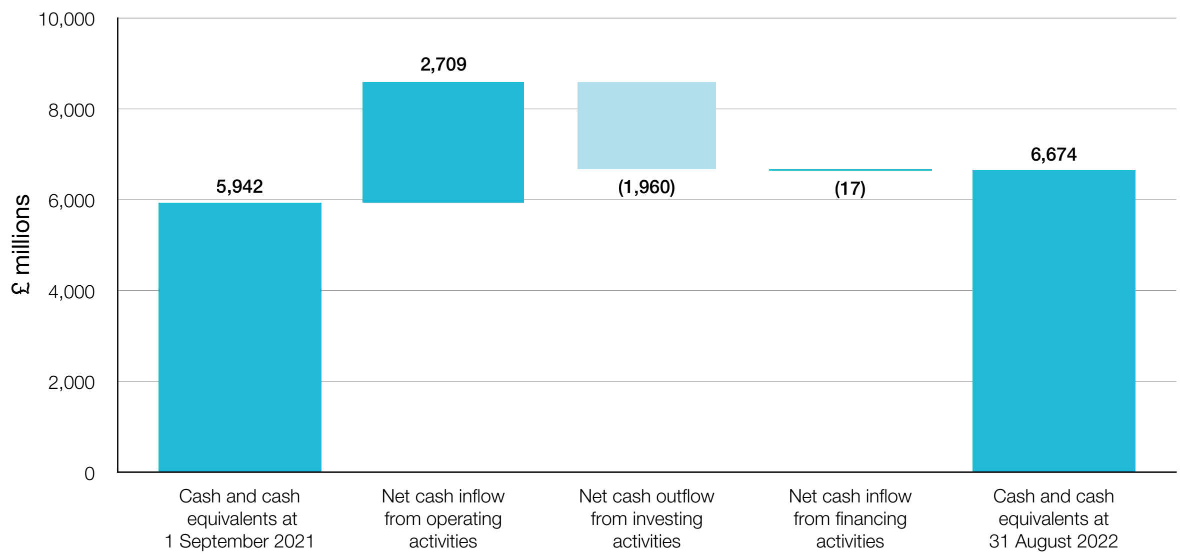
Figure 12: Distribution of liabilities by category:

	2021/22 £billion	2021/22 %	2020/21 £billion	2020/21 %
Pension deficit	3.4	50.0%	17.9	86.1%
Payables	3.4	50.0%	2.9	13.9%
Total	**6.8**	**100%**	**20.8**	**100%**

The pensions deficit has decreased due to changes in actuarial assumptions, in particular an increase in the discount rate. The future pension liabilities are discounted to their present value using a discount rate linked to the yield on high-quality corporate bonds and yields have been volatile over the past few financial years. Inflationary pressures caused by COVID-19, global supply chain issues and the Russian invasion of Ukraine have led to market uncertainty on corporate bonds which has led to a significant swing in discount rates from the prior year. The weighted average discount rate for the SARA increased to 1.2% p.a. in 2021/22 (2020/21: (1.1%) p.a.) which has the effect of discounting the liabilities further than in prior years and this is shown through the actuarial gain/loss.

Cash and cash equivalents

Figure 13: movement in cash and cash equivalents (net of overdraft)

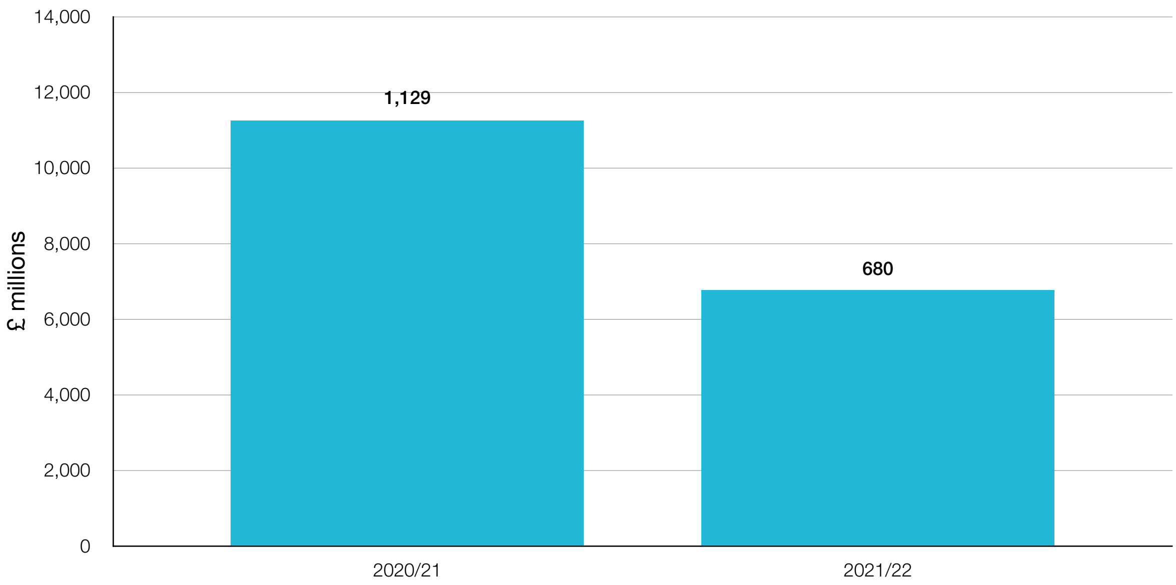


During the year, the value of cash and cash equivalents held by the sector has increased by £732 million as follows:

- Operating activities: Most of the increase is generated by ATs as part of their day-to-day operations. Although the sector has returned a net operating deficit in 2021/22, much of this is attributable to non-cash expenditure, as opposed to actual cash expenditure. After non-cash operating expenditure is added back, the sector has had a net inflow of cash from its usual operating activities.
- Investing activities: Most of this cash was used to fund the purchase of property, plant and equipment.
- Financing activities: This is the net position from £52 million inflow due to schools converting to academies offset by £69 million of payments reducing the capital balance of finance leases.

This resulted in a net £680 million increase in cash before considering cash on conversion. This is a decrease of £449 million from 2020/21. This is shown in figure 14 below.

Figure 14: Increase in cash and cash equivalents excluding cash on conversion in 2020/21 and 2021/22



Reserves

Throughout this section "surplus" refers to positive cumulative revenue reserves and "deficit" refers to negative cumulative reserves. Revenue reserves exclude capital income and expenditure and pension deficits.

The overall movement in reserves is impacted by non-cash transactions rather than actual spend within ATs.

Figure 15: Income and expenditure in 2021/22 – reconciliation of revenue reserves.

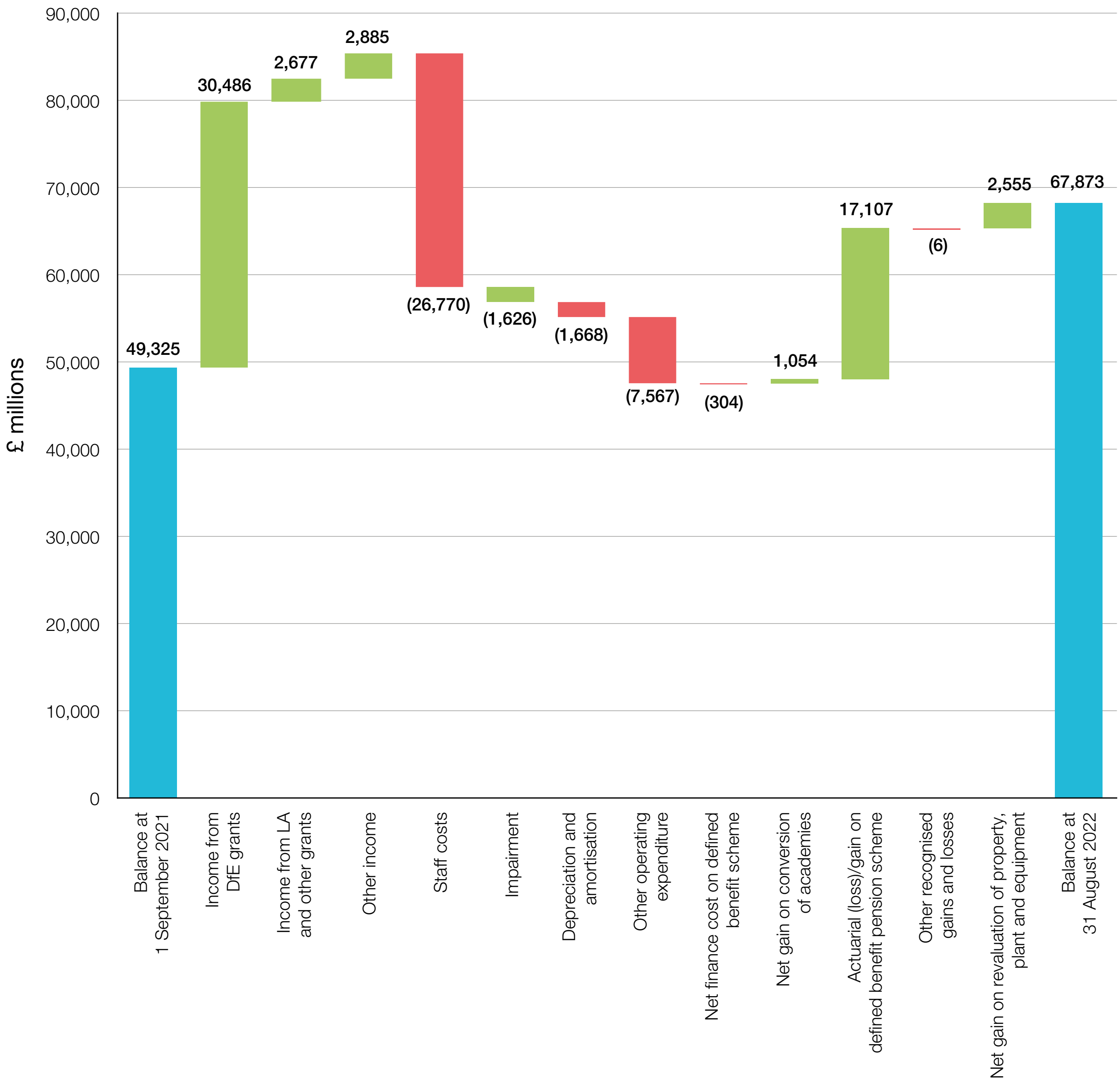
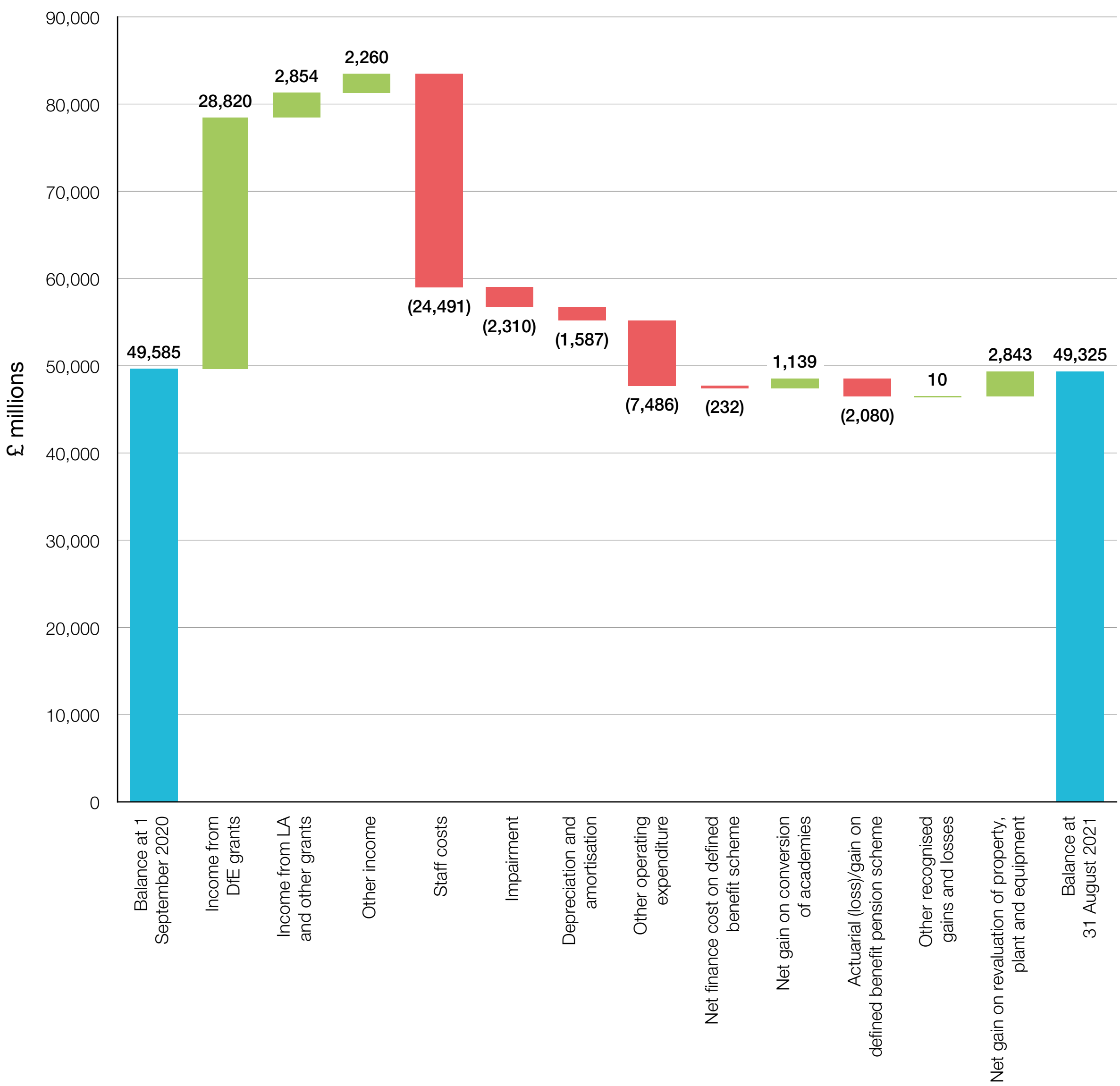


Figure 16: Income and expenditure in 2020/21 – reconciliation of revenue reserves.



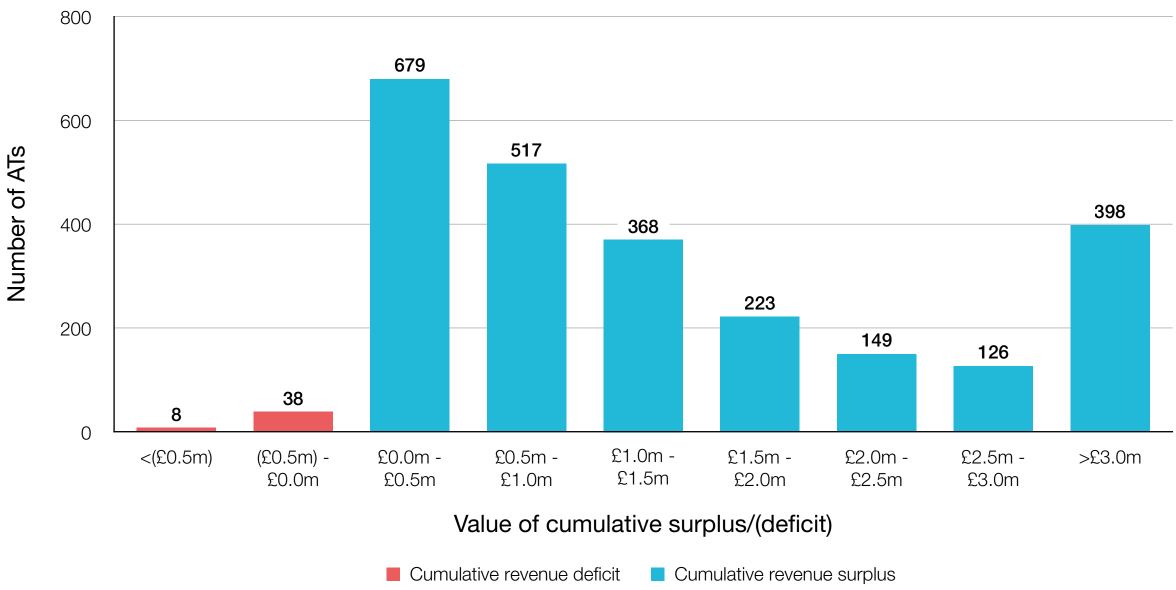
The SoFP shows the sector as a whole is reporting a net surplus, however there are a number of individual ATs in a net deficit position, although this is reducing. There were 398 ATs (2020/21: 337) with a surplus greater than £3 million, which represents 15.9% (2020/21: 13.0%) of ATs with a surplus/deficit reported in the year. The total aggregate cumulative deficit for 2021/22 has reduced from 2020/21, as has the number of ATs in cumulative deficit. There were 46 ATs (2020/21: 70) with a cumulative deficit (see figures 17-19 below), which represents 1.8% of ATs (2020/21 2.7%).

Any AT reporting a cumulative deficit will be supported by the ESFA and must also agree a recovery plan with the ESFA to return to strong financial health [7]. The ESFA will work with the trust to understand the challenges it is facing and find an appropriate solution. There are also tools available, as part of the Department's schools resource management offer, to help ATs get the best value from their resources and therefore maximise the impact on pupil outcomes. These tools are free and available to all state funded schools [8].

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 if approved, would be to ensure education provision and secure the trust's long-term sustainability. If approved, financial support will be repayable to the ESFA within an agreed timeframe. Non-repayable funding will only be considered where there is no other reasonable means to protect pupils' interests [9]. A listing of ATs that received additional financial support in 2021/22 is provided in annex F.

The ESFA applies appropriate conditions to any funding approved to ensure the receiving AT delivers improvements in financial management, compliance and governance. In the most serious cases the ESFA may seek a qualified floating charge (QFC) to protect public funds – during 2021/22 one QFC was issued (2020/21: one).

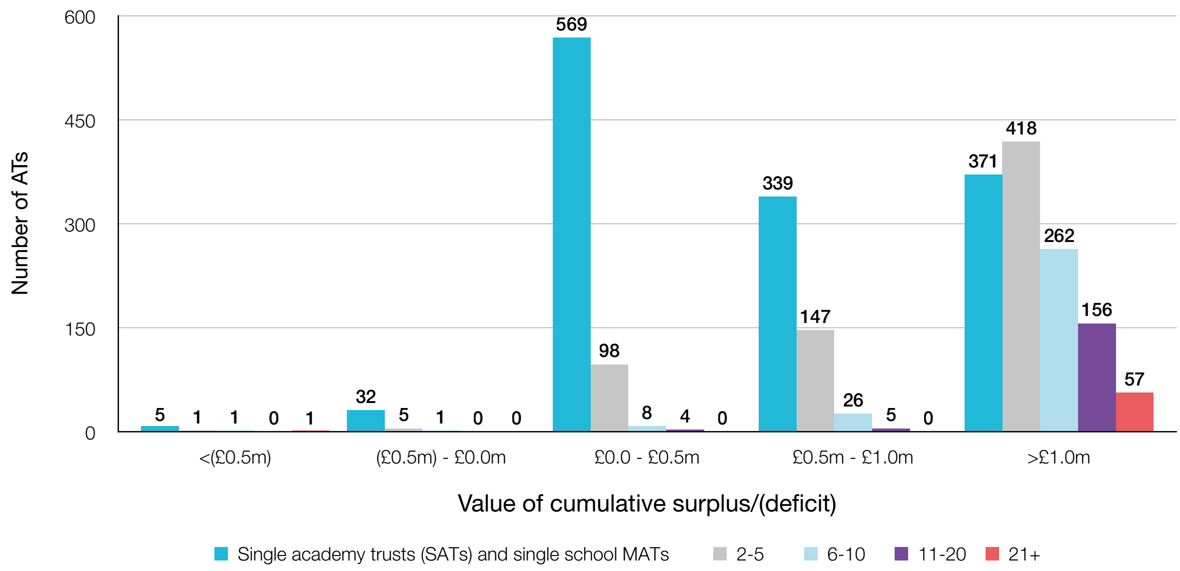
Figure 17: Number of ATs with cumulative revenue surplus/(deficit)



The majority of ATs have a cumulative revenue surplus.

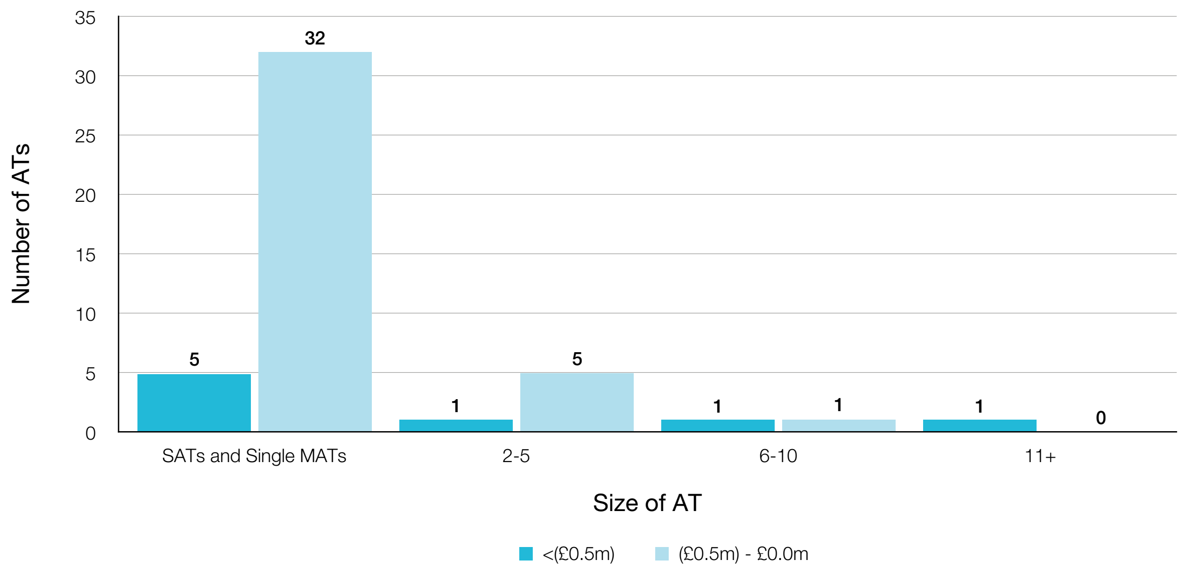
7 https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-deficit-recovery
8 https://www.gov.uk/government/collections/schools-financial-health-and-efficiency
9 https://www.gov.uk/government/publications/financial-support-for-academy-trusts-in-financial-difficulty

Figure 18: Analysis of ATs with cumulative revenue surplus/(deficit) by size of AT



The majority of ATs have a cumulative revenue surplus and this is consistent throughout all sizes of AT.

Figure 19: Analysis of ATs with cumulative deficits by size of AT



The majority of ATs with a cumulative revenue deficit are ATs with only one academy.

Figure 20: Cumulative deficits of ATs from 2017/18 to 2021/22

	2021/22	2020/21	2019/20	2018/19	2017/18
Number of ATs in cumulative deficit	46	70	110	168	195
% of AT population in cumulative deficit	1.8%	2.7%	4.1%	6.1%	6.4%

The above table and graphs 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. This differs slightly from the data published on the schools financial benchmarking website which is based on the raw data as submitted by ATs [10]. Annex G details those trusts reporting a cumulative deficit in 2021/22.

The deficit figures above are calculated from cumulative revenue reserves and exclude capital income and expenditure and pension movements. The total aggregate cumulative deficit for 2021/22 was £12.7 million (£22 million for 2020/21), compared to total cumulative aggregate surplus of £4.5 billion (£4.0 billion for 2020/21). Included within the current year number of ATs with a cumulative deficit figure are 35 ATs (2020/21: 51) that also reported a cumulative deficit in the prior year. The ESFA are working with these ATs to support them back to a financially sustainable position.

Cash balances

Figure 21: Cash balances and average cash balance held 2020/21 and 2021/22

	2021/22	2020/21	% change
Total sector cash balance (£m)	6,674	5,942	12.3%
Average cash balance per academy (£m)	0.7	0.7	8.3%

The total value of cash held by the sector has increased by 12.3% (£0.7 billion) from £5.9 billion to £6.7 billion. The percentage of cash held to operational expenditure has improved at 17.6% in 2021/22 compared to 16.5% in 2020/21 (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 £0.05 million. The total number of ATs with an overdraft at the reporting date was five, which represents 0.2% of all ATs at year end (2020/21: three ATs representing 0.1% of all ATs at year end).

10 https://schools-financial-benchmarking.service.gov.uk/Help/DataSources

Related Party Transactions

Figure 22: RPTs received and paid in 2021/22 and 2020/21

	2021/22	2020/21	change	2021/22	2020/21	change
	Number	Number	%	£m	£m	%
Paid	1,578	1,645	(4.1%)	62	56	10.7%
Received	792	871	(9.1%)	82	83	(1.2%)

RPTs (note 3) can offer the best option for an AT. The number of payments received from related parties and payments to related parties has decreased year on year, whereas the value of payments made has increased and payments received has decreased. Given the nature of these transactions, it is important that we deliver oversight to 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 provided to the AT by person(s), as set out in the ATH, to be provided at cost without profit.

The Department is actively managing governance risks around related parties. In April 2019, reporting arrangements were introduced [11], where ATs must declare their intention to ESFA to enter into an agreement with a related party before confirming it with their supplier. They must also seek approval from the ESFA before they agree any RPT exceeding £20,000 with the supplier – whether as a single contract, or cumulative value with the same supplier. This reporting requirement relates to new or renewing agreements made on or after 1 April 2019 and is in addition to existing reporting arrangements. These reporting requirements were updated in the 2023 ATH, effective from 1 September 2023. The approval threshold was increased from £20,000 to £40,000 and the cumulative element of approvals was removed. The approval requirement for RPTs with a college, university or school, which are sponsoring the AT or RPTs with another state funded school or college was also removed. These transactions only need to be declared and are deemed as “at cost”. ATs should continue to disclose related party transactions in their annual financial statements.

Within the LA sector, in response to a consultation on financial transparency, changes have been implemented requiring LA maintained/academies schools to append a list of related party transactions to their response to the question in the Schools Financial Value Standard about their arrangements for managing RPTs. Furthermore, additional columns have been inserted into the Chief Financial Officer Assurance Statement to allow the number and value of each transaction to be disclosed.

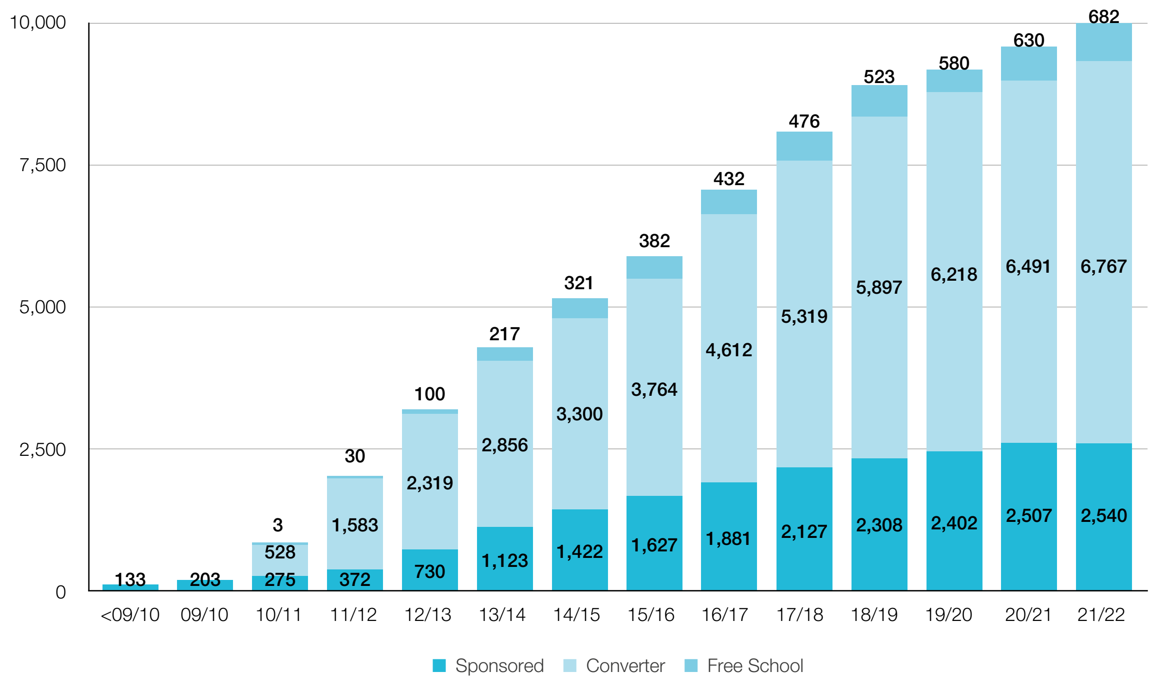
11 https://www.gov.uk/government/news/esfa-introduces-new-arrangements-for-related-party-transactions

Sector Development

The number of schools operating as academies in England continued to grow in 2021/22, with an increase 3.7% between 31 July 2021 and 31 July 2022. Figure 23 shows the growth in the number of academies over recent years.

The figures in the sector development section can be obtained via the Department's Get Information about Schools [12] service.

Figure 23: Net total of academies open, by type



This figure shows the number of academies open as at 31 July each year, taking into account any closures during the year (annex A). Between 1 August 2021 and 31 July 2022, 32 academies closed. During August 2022, a further 23 academies closed.

12 https://get-information-schools.service.gov.uk/

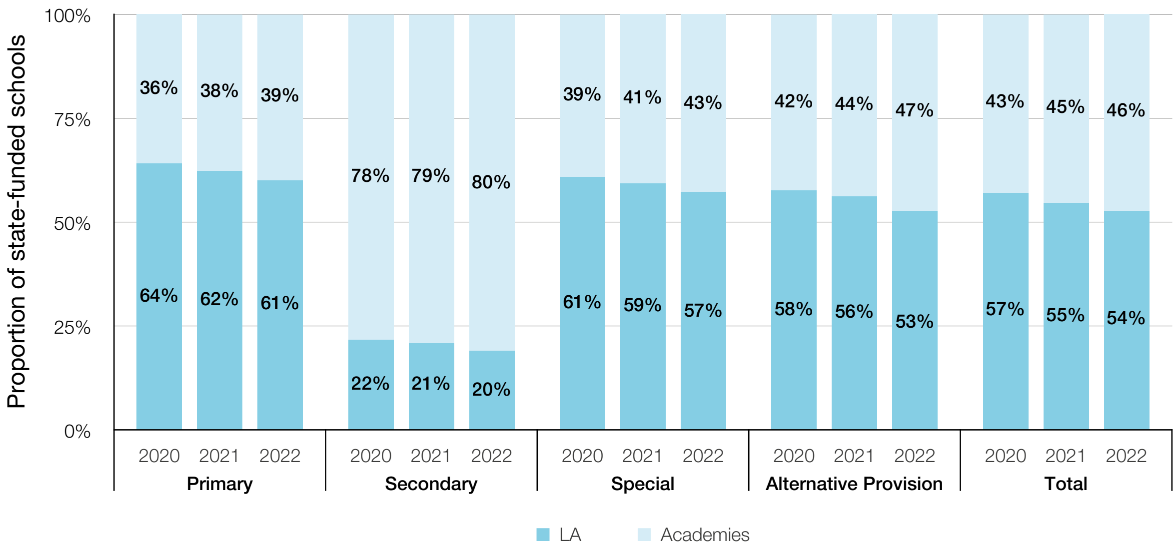
Figure 24: Academies opened during the year to 31 July 2022 by type

	Primary	Secondary	Special	Alternative provision	Total
	Number	Number	Number	Number	Number
Sponsored	30	16	2	1	49
Converter	252	22	7	5	286
Free school	17	24	17	1	59
	299	62	26	7	394

Figure 25: Academies open at 31 July 2022 by type

	Primary	Secondary	Special	Alternative provision	Total
	Number	Number	Number	Number	Number
Sponsored	1,646	787	79	28	2,540
Converter	4,726	1,677	285	79	6,767
Free school	239	316	77	50	682
	6,611	2,780	441	157	9,989

Figure 26: Proportion of state-funded schools operating as academies by provision type at 31 July 2022



At 31 July 2022, 46% of state-funded schools were operating as academies, although this proportion varied by type of provision (annex B). While academies accounted for 80% of all secondary provision, they accounted for between 39% and 47% of other types of provision.

Academies as a proportion of state-funded provision continued to vary by LA. Camden and Brighton and Hove LAs had the lowest academisation rates at 9% of state-funded schools (5 of 58 and 6 of 66 respectively). Thurrock had the highest academisation rate with 98%: 55 of 56 schools in the LA were an academy or free school.

All but 1 of the 152 LAs in England (Isles of Scilly) offer state-funded primary provision. 61 LAs had at least 50% of their state-funded primary provision operating as academies. Five LAs had over 90% primary academy provision, with no LAs having less than 5% primary academy provision.

State-funded secondary level provision was provided by 151 LAs, City of London was the only LA offering no state funded secondary level provision. In 21 LAs all the secondary provision was through academies, and in 138 of 152 LAs more than 50% of state funded secondary provision was via academies. All LAs had at least 10% of their secondary provision being academies.

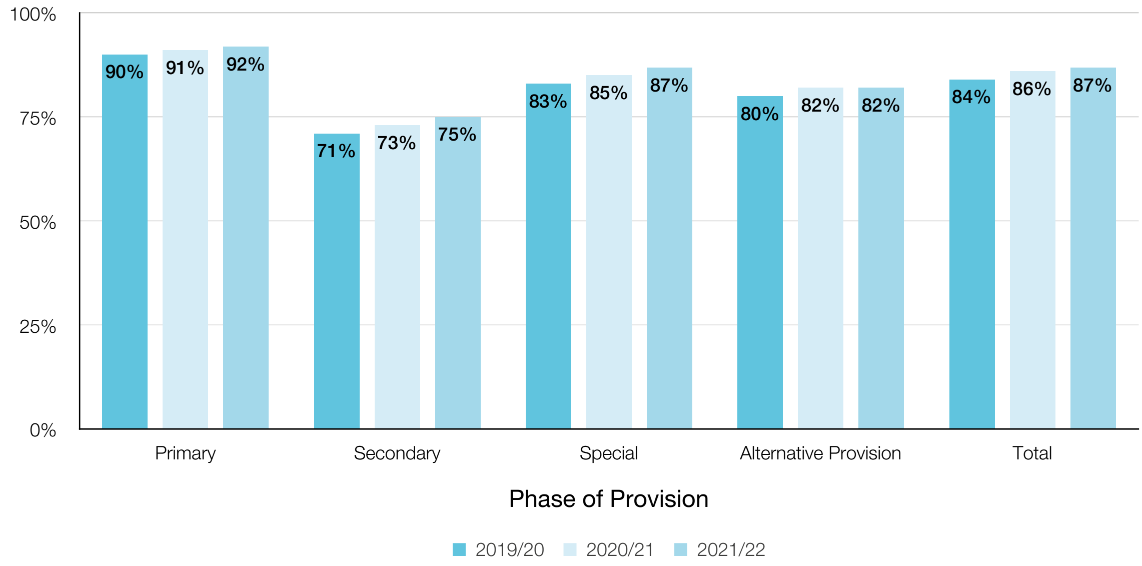
State-funded special provision was offered by 150 LA's, with City of London and Isles of Scilly being the 2 LAs offering no state funded special provision. 26 of the LAs offering special provision had no academy special provision and 15 LAs had 100% academy provision.

There were 141 LAs with state-funded alternative provision (AP), of which 58 LAs had no academy alternative provision. There were 63 LAs with 50% or more – including 37 with 100% academy AP.

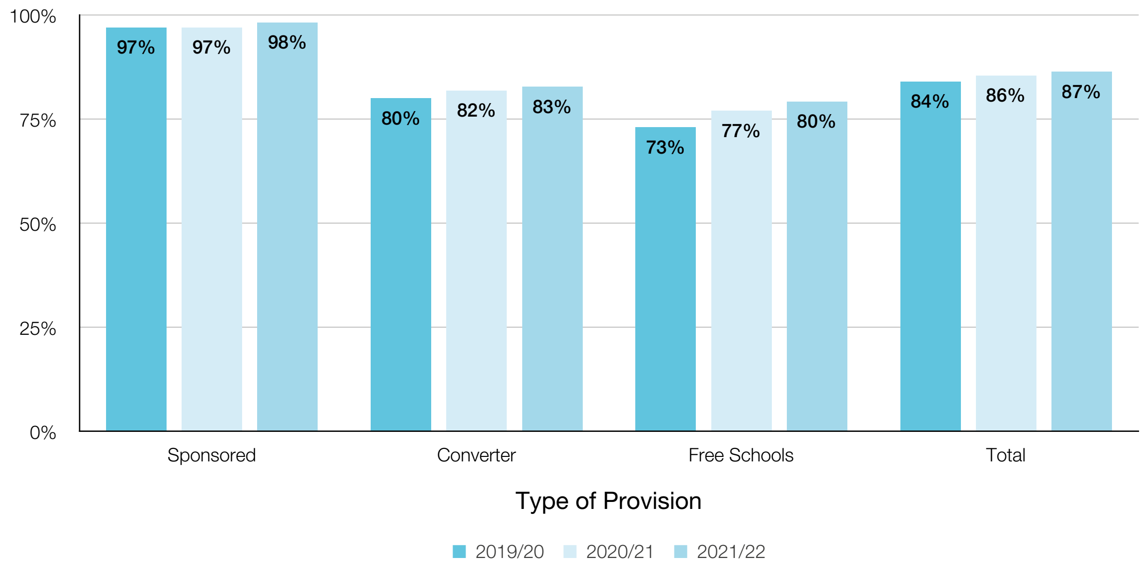
Multi-academy trusts

At 31 July 2022, there were 8,673 (87%) academies in trusts with more than one academy, forming 1,189 multi academy trusts (MATs), compared to 8,240 academies in 1,198 MATs with more than one academy at 31 July 2021. There were 1,141 academies in a single academy trust, and a further 175 in a MAT with only one academy. Figures 27 & 28 show the number of MATs broken down by phase and type of academy.

Figures 27: Percentage of academies in a trust with more than one academy as at 31 July 2022 by phase



Figures 28: Percentage of academies in a trust with more than one academy as at 31 July 2022 by type

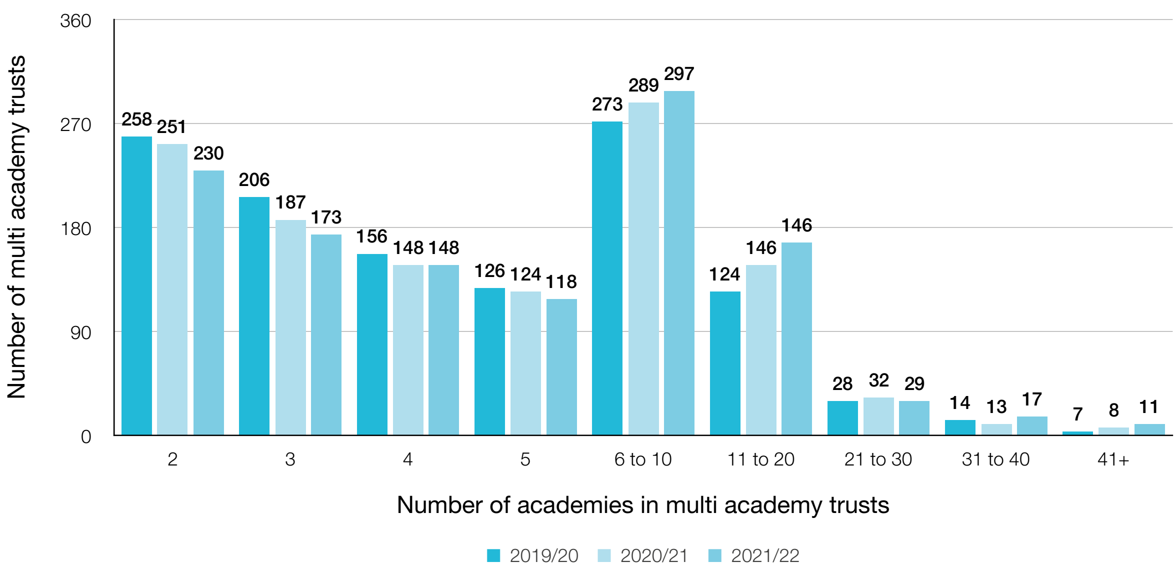


More information on academy sponsorship is provided in the following section.

The mean number of academies in MATs with more than one academy was seven and the median was five. The smallest had two academies (although some ATs with one academy were technically constituted as MATs), while the largest had 75.

Figure 29: shows the variation in the number of academies per MATs.

Figure 29: Number of academies in MATs as at 31 July 2022



Academy sponsorship

Underperforming schools should be supported by a sponsoring AT. Sponsoring trusts support their academy schools to improve standards. The AT is ultimately responsible for the academy's educational performance, governance and financial management. Further information on a trust's responsibility can be found in the ATH.

Sponsoring trusts can be established from different backgrounds including universities, independent schools, businesses, charities, faith organisations, as well as existing SATs and MATs. In order to be approved as a sponsoring trust the organisation needs to demonstrate it has the capacity and capability, through the AT, to drive up standards and provide effective school improvement. The relevant RSCs, advised by their region's Head Teacher Board take decisions on sponsor applications.

Strengthening trusts' boards

The Department funded the Academy Ambassadors programme until Spring 2022. Academy Ambassadors provided a free, bespoke recruitment service matching high-calibre business professionals with MATs looking to strengthen their boards. For the year ended 31 August 2022, the programme resulted in 142 experienced leaders providing support to MATs by joining trust boards as non-executive directors/trustees. The contract ended on 31 March 2022, so the number of appointments was for eight months of contracted provision. In comparison, 369 leaders joined boards between 1 August 2020 and 31 August 2021.

How academies support school improvement as 'system leaders'

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

- **System leaders:** is a term used to refer to both National Leaders of Education (NLEs) and leaders of MATs with sponsor status who support the delivery of school improvement.
- **National Leaders of Education (NLEs):** These are head teachers and trust leaders with strong experience of school improvement who, together with the staff from their organisation, use their skills and experience to aim to improve the quality of teaching and leadership in schools in challenging circumstances. As at 1 June 2022, there were 966 NLEs, of which 646 were NLEs drawn from ATs (compared to 978 NLEs, of which 649 were within Academies as at 31 August 2021).

  From Spring 2022, we began the process of designating a new smaller cadre of NLEs who will have a specific remit to support school improvement in maintained schools, where a suitable match with a trust leader cannot be achieved. In the first instance we looked to high-quality trusts to provide the support as we believe that provides the best framework for sustained improvement.

  All current NLE designations ended on 31 August 2022.
- **Trust Leaders:** These are leaders of MATs with sponsor status. The DfE's ambition is for all schools to be part of a high-quality trust, so they can benefit from the knowledge and expertise of their teachers and leaders to drive sustainable improvement. Where a school or trust becomes eligible for support through our improvement offers, the Department's primary goal will be to match them to a strong trust.

- **National Leaders of Governance NLGs:** These are expert trustees, governors and governance professionals who help deliver targeted DfE funded support to help improve governance in schools and trusts. The original volunteer NLG programme ended in August 2021. The Department published NLG advisory group recommendations on NLG Reform [13] in September 2020. The Department accepted the recommendations, and the reformed NLG programme was delivered by the National Governance Association (NGA) from October 2021. For the period 1 August 2021 to 31 August 2022 the NLG programme resulted in 66 governance experts being recruited and designated with NLG status, and they provided support to 118 LA maintained governing boards and AT boards.
- **Maths hubs:** There are 40 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. 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. This was supported by £26.5 million funding in 2021/22.
- **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 and 3 satellite 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 school-to-school improvement network of 34 schools with excellent early language and reading teaching. English hubs are working to increase reading standards across the country and to improve educational outcomes for the most disadvantaged children, particularly in underperforming schools. The main aim of the English hubs programme is excellent systematic phonics teaching with early language development and reading for pleasure as secondary aim.

13 https://www.gov.uk/government/publications/nlg-advisory-group-reform-recommendations

Supporting schools to maximise value from resources

The Department has continued to support schools and trusts get the best value from every pound they receive. Working with the sector, our School Resource Management (SRM) Programme [14] provides support to schools to help them unlock efficiencies to reinvest in school priorities. To achieve this, a dedicated School Resource Management Division was created in October 2020 and in June 2022 an updated strategy, 'Schools Resources Management: building a stronger system' [15], was published setting out its vision for the next 3-5 years.

The SRM strategy focuses on three key aims;

- for every school and academy trust to be led by leaders with the skills, knowledge and capacity to achieve excellent school resource management.
- to support schools and academy trusts to recruit, develop and deploy their staff effectively and efficiently.
- to help schools and academy trusts get best value and impact from their non-staff resources, so these can be directed in ways that will make a greater positive difference to children and young people's outcomes.

We have continued to develop the SRM offer to help schools get the best out of their budgets. In 2021-22, this has included:

- SRM advisers (SRMAs) continue to be a valuable resource to help schools, trusts and LAs navigate increasing economic pressures and the lasting impact of COVID-19. In the year, the programme completed 292 deployments, identifying opportunities for £89.2 million savings. These are recorded as non-repeated savings. For example, if an action is estimated to save a school £10,000 each year for three years, only £10,000 is recorded as a saving. This figure does not include revenue generation opportunities or potential savings considered of low achievability. This is consistent with the Department's targets and internal reporting and data included in National Audit Office's (NAO) report on the Financial sustainability of schools in England [16]. In the same period, 357 schools and trusts already supported by an SRMA told us they are planning savings of £48.6 million (non-repeated) over 3 years.
- Teaching Vacancies has expanded the scope of the service to include classroom-based education support roles and continues to raise awareness with hiring staff and jobseekers. As of 31 July 2022, 82% (18,104) of state funded schools in England had signed up to use the service (compared with July 2021, where 80% (17,663) of state funded schools in England had signed up use the service). Additionally, there were 6.3 million vacancy views by jobseekers between August 2021 and July 2022.
- The Risk Protection Arrangement (RPA) [17] for schools, is helping over 7,000 academies [18] to reduce their insurance costs and manage risks proactively, and was improved to include cyber cover from April 2022.

14 Source school resource management hub: https://www.gov.uk/government/collections/schools-financial-health-and-efficiency
15 School resource management: building a stronger system – GOV.UK (www.gov.uk)
16 https://www.nao.org.uk/reports/financial-sustainability-of-schools-in-england/
17 https://www.gov.uk/guidance/the-risk-protection-arrangement-rpa-for-schools
18 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1180799/Schools_commercial_-_performance_of_initiatives_-_2022_to_2023.pdf

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 2022 results, to be congruent with the reporting period.

Gender

The gender split in primary academies is broadly in line with the national average. The boy/girl split was 50.3%/49.7% for pupils in primary free schools, 50.9%/49.1% for pupils in primary converter academies and 51.2%/48.8% in primary sponsored academies, compared with 50.9%/49.1% across all state-funded primary schools.

The boy/girl split was 54.9%/45.1% at secondary free schools and 49.6%/50.4% at secondary converter academies, compared with 50.3%/49.7% across all state-funded secondary schools (see figure 30). At secondary sponsored academies, the boy/girl split was 51.2%/48.8%.

Ethnicity

Free schools and 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 2022, across all state-funded primary schools, 34.8% of pupils were from a minority ethnic group, with the split in academies as follows:

- Free schools: 58.3%
- Sponsored academies: 38.5%
- Converter academies: 31.1%

In 2022, across all state-funded secondary schools, 34.1% of pupils were from a minority ethnic group, with the split as follows:

- Free schools: 55.0%
- Secondary sponsored academies: 35.0%
- Converter academies: 30.3% (see figure 30).

The high proportion in free schools was primarily down to location. Free schools are often located in areas of higher minority ethnic population. Faith schools in the programme also had higher minority ethnic rates which contributed to the 55.0% recorded here.

Figure 30a: Distribution of gender of pupils split by type and phase of academy as at January 2022 (source: School Census January 2022)

	Sponsored	Converter	Free schools	LA maintained	All state-funded
Mainstream Primary Schools					
Boys	51.2%	50.9%	50.3%	50.9%	50.9%
Girls	48.8%	49.1%	49.7%	49.1%	49.1%
Mainstream Secondary Schools					
Boys	51.2%	49.6%	54.9%	49.9%	50.3%
Girls	48.8%	50.4%	45.1%	50.1%	49.7%

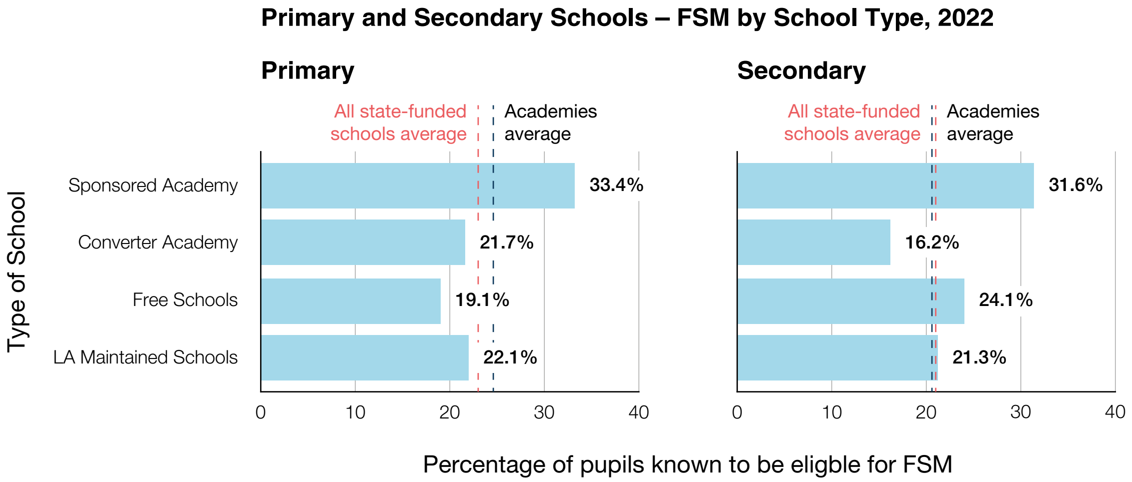
Figure 30b: Distribution of ethnicity of pupils split by type and phase of academy as at January 2022 (source: School Census January 2022)

	Sponsored	Converter	Free schools	LA maintained	All state-funded
Mainstream Primary Schools					
White	69.9%	75.0%	50.6%	71.2%	71.9%
Mixed	7.1%	6.3%	11.4%	7.0%	6.9%
Asian	11.7%	10.4%	22.4%	12.1%	11.7%
Black	6.6%	4.6%	8.4%	5.5%	5.4%
Chinese	0.4%	0.6%	0.9%	0.6%	0.6%
Any other ethnic group	2.6%	1.7%	3.7%	2.4%	2.2%
Unclassified	1.6%	1.3%	2.6%	1.2%	1.3%
Minority ethnic pupils	38.5%	31.1%	58.3%	35.4%	34.8%
Mainstream Secondary Schools					
White	70.5%	75.0%	50.5%	69.0%	71.8%
Mixed	6.4%	5.6%	8.5%	6.3%	6.0%
Asian	10.4%	10.9%	21.8%	13.0%	11.7%
Black	7.5%	4.6%	10.5%	7.5%	6.1%
Chinese	0.4%	0.5%	0.4%	0.4%	0.4%
Any other ethnic group	2.7%	1.6%	3.6%	2.2%	2.0%
Unclassified	2.2%	1.7%	4.7%	1.7%	2.0%
Minority ethnic pupils	35.0%	30.3%	55.0%	37.8%	34.1%

Pupils eligible for free school meals

Overall, the percentage of pupils known to be eligible for free school meals (FSM) in primary academies is higher than the national average across all state-funded primary schools. In January 2022, 24.6% of primary academy pupils (based on all full-time pupils aged 15 and under, and part-time pupils aged 5 to 15) were known to be eligible for FSM, compared with 23.1% across all state-funded primary schools (see figure 31). Conversely, the percentage of FSM pupils in all secondary academies is very slightly lower than the average across all state-funded schools. In secondary academies, 20.8% of pupils were known to be eligible for FSM compared with 20.9% across all state-funded secondary schools. [19]

Figure 31 [20]: Percentage of pupils known to be eligible for FSM by type and phase of academy as at January 2022 (secondary free schools includes UTC and studio schools)



In primary and secondary sponsored academies, there is a higher percentage of pupils known to be eligible for FSM than the national average. At primary level, 33.4% of pupils in sponsored academies are known to be eligible for FSM compared with 23.1% across all state-funded primary schools. Sponsored academies typically replaced underperforming schools, which tend to be in areas with higher levels of deprivation, which in turn leads to a higher proportion of pupils eligible for free school meals. In primary free schools, 19.1% of pupils are known to be eligible for FSM, below the average for all state-funded primary schools. In secondary sponsored academies, 31.6% of pupils are known to be eligible, compared with 20.9% in all state-funded secondary schools. In secondary free schools, 24.1% of pupils are known to be eligible for FSM.

19 Schools, Pupils and their Characteristics: January 2021: https://explore-education-statistics.service.gov.uk/find-statistics/school-pupils-and-their-characteristics

20 Details in table A in annex 3.

Special educational needs

The law and statutory guidance on special educational needs (SEN) [21] and exclusions [22] 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 and primary free schools are below the national average. [23]

In January 2022, across all state-funded primary schools, 15.3% 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 17.2% and in primary converter academies it was 14.7%. In primary free schools, 12.5% of pupils were identified as having SEND and education, health and care plans (EHCPs) or SEN support.

Across all state-funded secondary schools, 14.1% of pupils were identified as having SEND. In secondary sponsored academies, the percentage was 16.6% and in secondary converter academies it was 12.7%. In secondary free schools, UTCs and studio schools, 15.2% of pupils were identified as having SEND (see figure 32 and table B in annex C).

Special academies have close to 100% of pupils with some SEND requirement, with almost all having a statement of SEND or an EHCP (see table B, annex C). Proportions of EHCP's and SEN support across all types of state-funded special schools are similar.

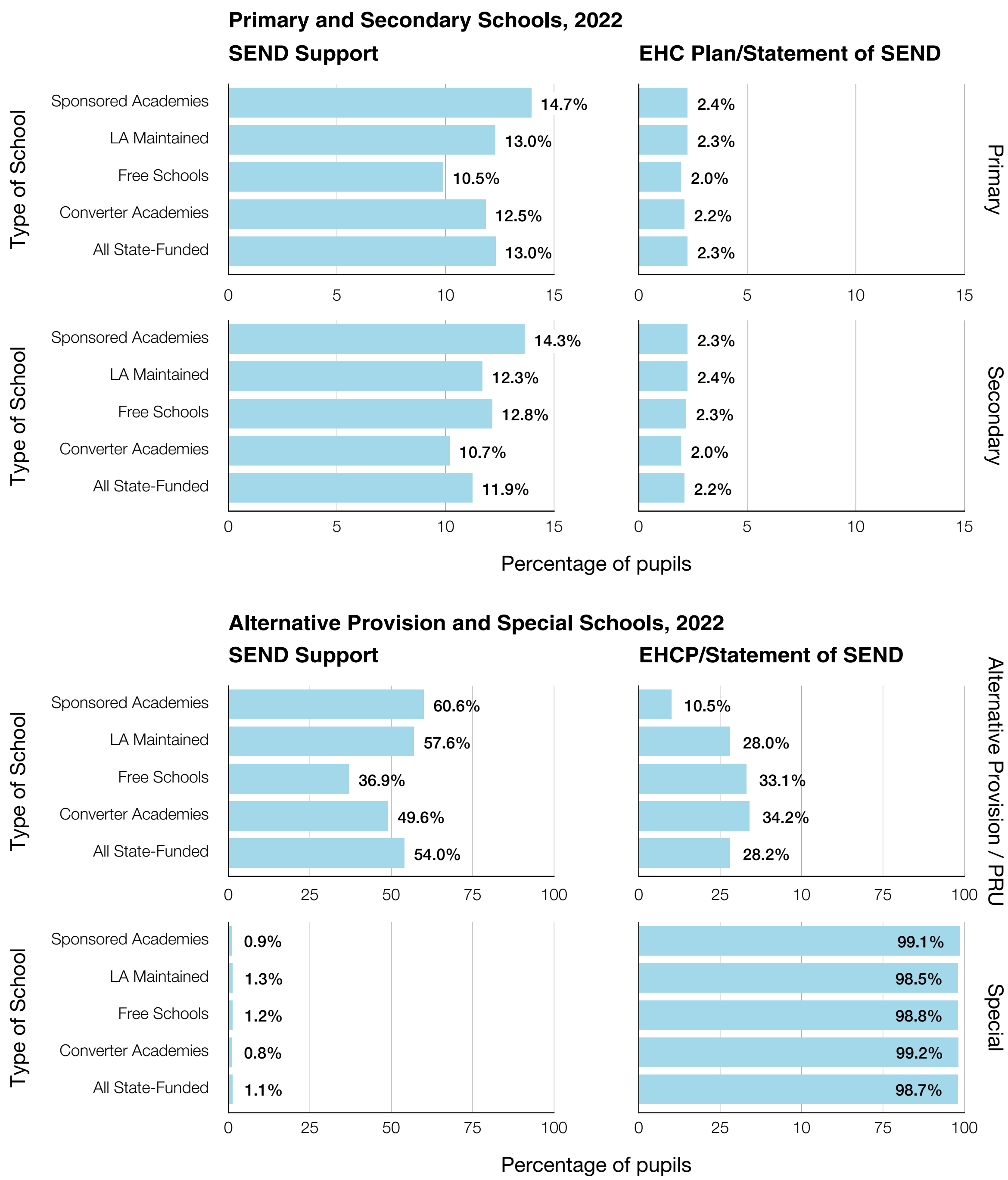
Although offering a different type of provision, over three-quarters of pupils in AP in 2022 had SEND requirements, but with a smaller proportion having a EHCP than in special academies. Converter AP academies had 83.8% of pupils identified as SEND in 2022, while sponsored AP academies had 71.1%, both slightly lower than LA provision. AP free schools had 70.0% of pupils identified as SEND.

21 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

22 Statutory guidance on school-exclusion: https://www.gov.uk/government/publications/school-exclusion

23 Special Educational needs in England: January 2021, https://explore-education-statistics.service.gov.uk/find-statistics/special-educational-needs-in-england

Figure 32 [24]: SEND support split by type and phase of academy as at January 2022



24 Details in table B in annex 3.

Educational Performance

Making 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 comparing the headline performance figures reflects not only the change in performance and the effect of reforms, but also the change in school composition.

2021/22 saw the return of the summer exam series, after they had been cancelled in 2020 and 2021 due to the impact of the COVID-19 pandemic and alternative processes were set up to award grades [25]. As part of the transition back to the summer exam series, adaptations were made to the exams (including advance information) and the approach to grading for 2022 GCSE and A level exams broadly reflected a midpoint between results in 2019 and 2021.

Comparisons over time when made are given between 2021/22 and 2018/19, because it is most meaningful to compare to the last year summer exams were sat. However, given the changes to the grade boundaries and methods of assessment for 2021/22, readers need to exercise caution when considering comparisons over time.

The Department has published national KS4 and 16 to 18 attainment statistics for 2021/22 [26] (alongside data for previous years).

Performance at primary academies

The impact of the COVID-19 pandemic meant that Key Stage 2 tests and assessments did not take place in the 2019/20, or 2020/21 academic years. In the academic year 2021/22, Key Stage 2 tests and assessments returned for the first time since 2019, without any adaptations. Because of changes to the curriculum in 2016, 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. Attainment in sponsored academies was below the average for state-funded mainstream schools in all subjects. Converter academies had a broadly similar proportion of pupils meeting the expected standard as all state-funded mainstream schools.

At KS2, the progress made by pupils in converter academies is higher than the national average in all subjects, as shown in figure 33 below. Pupils in sponsored academies made less progress in reading and maths 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.

25 School and college accountability approach: 2020 to 2022 – GOV.UK (www.gov.uk)
26 KS4: https://www.gov.uk/government/statistics/key-stage-4-performance-2022
16-18: https://www.gov.uk/government/statistics/a-level-and-other-16-to-18-results-2022-revised

Figure 33: KS2 attainment overall in reading, writing and mathematics by school type

	Reaching the expected standard		Reaching the higher standard	
	2022	2019	2022	2019
	%	%	%	%
Sponsored academies	54%	58%	5%	7%
Converter academies	61%	68%	8%	11%
Free schools	64%	62%	9%	11%
LA maintained schools	60%	66%	7%	11%
All state-funded mainstream schools	60%	66%	7%	11%

Figure 34: KS2 expected standard attainment by school type

	Reading		Writing teacher assessment		Mathematics		Grammar, punctuation and spelling	
	2022	2019	2022	2019	2022	2019	2022	2019
	%	%	%	%	%	%	%	%
Sponsored academies	69%	66%	67%	74%	67%	73%	66%	71%
Converter academies	77%	76%	72%	81%	67%	81%	75%	80%
Free schools	78%	72%	74%	77%	75%	77%	77%	78%
LA maintained schools	76%	75%	70%	80%	73%	80%	74%	80%
All state-funded mainstream schools	76%	74%	70%	79%	73%	80%	74%	79%

Figure 35: KS2 progress in Reading, Writing and Maths by type of school, 2022

		Reading		Writing		Maths	
	Schools	Progress score	Confidence interval	Progress score	Confidence interval	Progress score	Confidence interval
Sponsored academies	1,626	-0.5	-0.6 to -0.5	0.2	0.2 to 0.3	-0.4	-0.5 to -0.4
Converter academies	4,191	0.2	0.1 to 0.2	0.3	0.2 to 0.3	0.2	0.2 to 0.2
Free schools	174	0.4	0.2 to 0.5	0.2	0.0 to 0.3	0.3	0.2 to 0.4
LA maintained schools	9,345	0.2	0.2 to 0.2	0.0	0.0 to 0.1	0.2	0.2 to 0.2
All state-funded mainstream schools	15,336	0.1	0.1 to 0.1	0.1	0.1 to 0.1	0.1	0.1 to 0.1

Details including a more detailed breakdown by subject and pupil characteristic can be found in National table N13. [27]

Figure 36: KS2 progress in Reading, Writing and Maths by type of school, 2019

		Reading		Writing		Maths	
	Schools	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	-0.5 to -0.4
Converter academies	3,352	0.1	0.0 to 0.1	0.1	0.1 o 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	0.2 to 0.4
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

Details including a more detailed breakdown by subject and pupil characteristic can be found in National table N13. [28]

27 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/851791/KS2-Revised_tables_2019.xlsx

28 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/851791/KS2-Revised_tables_2019.xlsx

Performance at secondary academies

Attainment in 2022 is measured for all pupils at the end of Key Stage 4 (KS4). The way GCSE grades have been awarded has changed between 2019 and 2022; from exams in 2019 to centre assessment grades to teacher assessed grades in 2020 and 2021 before returning to exams in 2022, but with changes to the grade boundaries and methods of assessment.

Attainment in English and Maths by school type can be found in figure 37. Other headline measures of attainment can be found in the KS4 performance data publication [29].

In both 2019 and 2022 converter academies and free schools had higher attainment than all state-funded mainstream schools. Conversely, sponsored academies and studio schools continued to perform below the state-funded average.

Figure 37 – Percentage of pupils achieving grade 4 or above in English and Maths by type of school

Percentage of pupils who achieved a 9-4 pass in English and Maths	2022	2019
Sponsored academies	60.7%	55.1%
Converter academies	74.6%	71.1%
Free schools	73.0%	67.3%
UTCs	60.6%	51.7%
Studio schools	53.8%	45.5%
LA maintained mainstream schools	70.1%	64.6%
All state-funded mainstream schools	**70.3%**	**65.9%**

In 2020 and 2021, Progress 8 measures for schools were not published (as a consequence of the changed method of awarding GCSE exam grades to pupils). Progress 8 was brought back for 2022.

29 Key stage 4 performance: Key stage 4 performance, Academic Year 2020/21 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

Figure 38 – 2022 progress 8 scores by type of school

	Progress 8 in 2022
Sponsored academies	-0.20
Converter academies	0.10
Free schools	0.22
UTCs	-0.70
Studio schools	-0.66
LA maintained mainstream schools	0.01
All state-funded mainstream schools	**0.01**

Attainment 8 [30] scores have been calculated since 2019, and the following table shows the variation by school type over this period. Again, year-on-year comparisons are not valid for estimating school improvements though they do provide context to the trends seen within the data between school types. For example, figures show that converter academies have continually had higher average Attainment 8 scores compared to other academy types and state-funded mainstream schools.

Figure 39 – Average Attainment 8 scores by type of school

Average Attainment 8 score	2022	2019
Sponsored academies	44.2	42.0
Converter academies	52.5	50.4
Free schools	50.5	48.3
UTCs	41.3	38.2
Studio schools	39.6	36.5
LA maintained mainstream schools	49.5	46.7
All state-funded mainstream schools	**49.8**	**47.6**

30 Information on Attainment 8 and how it is calculated can be found at secondary accountability measures (including Progress 8 and Attainment 8) – https://www.gov.uk/government/publications/progress-8-school-performance-measure

Performance at academies with post 16 provision

A/AS exams returned in 2022 though adaptations were made to exams (including advance information), and the approach to grading for 2022 exams broadly reflected a mid-point between results in 2019 and 2021.The diversity of vocational qualifications meant that Ofqual did not prescribe a single approach to adaptations, so Awarding Organisations had flexibility to choose how to adapt their assessments. However, Ofqual's regulatory framework requires Awarding Organisations as far as possible to ensure VTQ learners were not disadvantaged nor advantaged compared with their A level peers when setting standards.

The headline attainment measures highlighted in this report are based on results that students achieved by the end of their 16 to 18 study. Whilst students typically enter most exams in their final year of study, the attainment measures labelled as 2022 will include some results from previous years. The full set of attainment and retention statistics for 2021/22 are published in the statistical release[31] 'A level and other 16 to 18 results: 2022 (revised)'.

The adaptations to exams in 2022 contributed to all types of state-funded schools showing higher attainment as measured by average point score (APS) per entry across academic, applied general, and tech level exam cohorts when compared to 2019. Across all state-funded schools the increase of 5.1 points for the academic cohort equates to an increase of about 1/2 of an A level grade compared to 2019, bigger than the increases observed in VTQs (Applied General and Tech Level) compared to 2019. In both 2019 and 2022 revised data, converter academies had a higher APS per entry for academic, applied general and tech level exams than sponsored academies. However, it is important to note that prior attainment at KS4 is not considered in these figures. The ability of the student intake varies 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.

Figure 40: APS per entry for Academic, Applied General and Tech Level Qualifications in 2022, by type of institution

16 to 18 APS per entry, 2022 (revised)	Academic	Applied General	Tech Level
LA maintained mainstream schools	37.59	33.13	35.01
Sponsored academies – mainstream	34.07	32.94	33.60
Converter academies – mainstream	39.14	33.43	36.17
Free schools	35.63	32.85	38.22
Free schools (16-19)	40.04	35.05	33.27
UTCs	27.67	32.62	32.81
Studio schools	29.50	30.13	30.28
All state-funded schools	**38.34**	**33.31**	**34.82**
Sixth Form Colleges	38.27	33.70	35.17
Other FE sector colleges	33.41	29.05	28.65
All FE sector colleges	**36.35**	**30.44**	**29.10**
All state-funded schools and colleges	**37.92**	**31.91**	**30.54**

31 16-18 attainment data: https://www.gov.uk/government/statistics/a-level-and-other-16-to-18-results-2022-revised

Figure 41: APS per entry for Academic, Applied General and Tech Level Qualifications in 2019, by type of institution

16 to 18 APS per entry, 2022 (revised)	Academic	Applied General	Tech Level
LA maintained mainstream schools	32.30	29.20	32.06
Sponsored academies – mainstream	28.49	29.75	31.30
Converter academies – mainstream	34.18	29.85	33.17
Free schools	29.97	29.54	37.01
Free schools (16-19)	38.00	31.33	30.27
UTCs	22.93	30.48	31.45
Studio schools	25.39	27.56	30.42
All state-funded schools	**33.25**	**29.70**	**32.32**
Sixth Form Colleges	33.89	29.57	34.46
Other FE sector colleges	28.67	26.47	26.48
All FE sector colleges	**32.04**	**27.20**	**26.92**
All state-funded schools and colleges	**33.02**	**28.89**	**28.64**

Across all state-funded schools, 77% of students enter academic qualifications, though the proportion is higher for converter academies than sponsored academies (83% compared to 69%).

For level 3 vocational and technical qualifications, across all state-funded schools, 26% of students enter applied general qualifications, and 4% enter tech levels. A similar proportion of students enter these VTQ qualifications in converter academies (24% and 3% for applied general and tech level qualifications respectively), but a higher proportion of students in sponsored academies (42% and 6%).

Figure 42: Number of students at the end of 16-18 study, and the proportion that enter Academic, Applied General and Tech Level Qualifications in 2022, by type of institution

Students at end of 16-18 study entering qualifications, 2022 (revised)	Number of students	Percentage entering Academic	Percentage entering Applied General	Percentage entering Tech Level
LA maintained mainstream schools	41,056	77%	29%	4%
Sponsored academies – mainstream	28,348	69%	42%	6%
Converter academies – mainstream	165,156	83%	24%	3%
Free schools	3,671	84%	14%	4%
Free schools (16-19)	7,560	70%	23%	3%
UTCs	3,569	46%	28%	37%
Studio schools	1,052	32%	36%	13%
All state-funded schools	**257,455**	**77%**	**26%**	**4%**
Sixth Form Colleges	53,590	62%	33%	3%
Other FE sector colleges	272,734	8%	12%	6%
All FE sector colleges	**326,324**	**17%**	**15%**	**6%**
All state-funded schools and colleges	**549,352**	**46%**	**21%**	**5%**

Retention measures

Performance in retention measures is based on recording by schools and colleges whether the student "completed the learning activities leading to the learning aim". Figures 43 and 44 show the percentage of state-funded students at the end of 16 to 18 study, who are retained to the end of their main level 3 study programme (core aim) at a provider, by institution type. Academic programmes in convertor academies continue to show higher retention rates than seen in sponsored academies (96.6% and 95.9% respectively), but the gap has narrowed compared to 2019.

Academies have higher retention rates than 'All FE sector colleges' in academic qualifications. However, this is reversed for vocational and technical qualifications (VTQs) at level 3, where retention rates for applied general and tech level qualifications continue to be lower across academies than 'All FE sector colleges'.

Figure 43: Percentage retained for Academic, Applied General and Tech Level Qualifications in 2022, by type of institution

Percentage of students retained, 2022 (revised)	Academic	Applied General	Tech Level
LA maintained mainstream schools	96.2%	90.3%	90.0%
Sponsored academies – mainstream	95.9%	89.3%	88.8%
Converter academies – mainstream	96.6%	91.0%	89.8%
Free schools	94.1%	87.5%	94.4%
Free schools (16-19)	95.3%	95.3%	97.4%
UTCs	91.5%	88.7%	87.5%
Studio schools	97.4%	90.9%	86.4%
All state-funded mainstream schools	**96.4%**	**90.6%**	**89.4%**
Sixth Form Colleges	92.3%	92.7%	92.5%
Other FE sector colleges	88.4%	92.8%	91.5%
All FE sector colleges	**90.7%**	**92.8%**	**91.6%**
All state-funded mainstream providers	**95.0%**	**91.7%**	**91.1%**

Figure 44: Percentage retained for Academic, Applied General and Tech Level Qualifications in 2019, by type of institution

Percentage of students retained, 2019 (revised)	Academic	Applied General	Tech Level
Local authority maintained mainstream schools	92.8%	84.2%	83.3%
Sponsored academies – mainstream	91.2%	83.8%	80.2%
Converter academies – mainstream	93.5%	85.9%	85.7%
Free schools	92.3%	85.7%	78.1%
Free schools (16-19)	90.5%	94.8%	78.0%
University technical colleges (UTCs)	74.0%	85.8%	82.5%
Studio schools	80.3%	87.8%	85.2%
All state-funded mainstream schools	**93.0%**	**85.1%**	**83.6%**
Sixth Form Colleges	87.2%	88.7%	88.0%
Other FE sector colleges	85.7%	89.6%	89.9%
All FE sector colleges	**86.6%**	**89.4%**	**89.8%**
All state-funded mainstream providers	**91.3%**	**86.5%**	**87.9%**

Caution should be used when interpreting the retention rate of Free schools, Free Schools (16-19), UTCs, and Studio schools due to low student numbers, in particular the tech level cohort.

Attainment at MAT Level

MAT statistics were published across KS2, KS4 and KS5 in the 2021/22 cycle for the first time since 2018/19. At a national level, it is important to note that all institutions that are classed as being part of a MAT are included in the figures. This is in contrast to the MAT level performance data, where the inclusion criteria is applied. The inclusion criteria is as follows:

- that had at least three academies with results at that Key Stage/cohort and
- where those schools had been with the MAT for at least three academic years (defined as having joined that MAT before 14 September 2019).

It is important to note that the performance of MATs is influenced by their composition (MATs vary significantly in terms of how many, what type of, and how long they have had their schools) and the performance of their component schools before they joined the MATs. Similarly, as more schools become academies it alters the composition of the remaining pool of LA maintained schools. In particular, failing LA maintained schools will routinely join MATs as sponsored academies.

Full MAT level breakdowns can be seen in the cross key-stage MAT performance measures publication.[32]

At Key Stage 2, figure 45 shows that in MATs, 59% of pupils met the expected standard in all three subjects in 2022, including 61% of pupils in MAT converter academies and 54% of pupils in MAT sponsored academies. This overall MAT figure is very similar to the all state-funded mainstream figure of 60%.

32 https://explore-education-statistics.service.gov.uk/find-statistics/multi-academy-trust-performance-measures-key-stages-2-4-and-5/2021-22

Figure 45 – Attainment by pupils at the end of Key Stage 2 in multi-academy trusts in 2022:

Type of establishment	Number of schools	Pupils at end of KS2	Percentage of pupils meeting the expected standard in reading, writing and maths (combined)	Percentage of pupils meeting the expected standard in reading	Percentage of pupils meeting the expected standard in writing TA	Percentage of pupils meeting the expected standard in maths
Multi-academy trusts	5,511	246,965	59%	74%	71%	71%
Of which Sponsored academies	1,613	72,468	54%	70%	67%	67%
Of which converter academies	3,761	168,313	61%	76%	72%	73%
All state-funded mainstream schools	15,268	654,022	60%	76%	70%	73%

Figure 46 shows that across reading, writing and maths, converter academies show more progress than sponsored academies. MATs overall show greater progress in writing, but less progress in reading and maths, when compared with the all state-funded mainstream school average.

Figure 46 – Progress by pupils at the end of Key Stage 2 in multi-academy trusts in 2022:

Type of establishment	Number of schools	Pupils at end of KS2	Average progress score for reading	Confidence interval for reading progress	Average progress score for writing TA	Confidence interval for writing progress	Average progress score for maths	Confidence interval for maths progress
Multi-academy trusts	5,511	246,965	-0.04	-0.07 to -0.01	0.25	0.23 to 0.28	-0.02	-0.04 to 0.01
Of which Sponsored academies	1,613	72,468	-0.50	-0.54 to -0.45	0.23	0.18 to 0.27	-0.40	-0.45 to -0.36
Of which converter academies	3,761	168,313	0.14	0.11 to 0.17	0.26	0.23 to 0.29	0.13	0.1 to 0.16
All state-funded mainstream schools	15,268	654,022	0.12	0.1 to 0.13	0.12	0.1 to 0.13	0.12	0.1 to 0.13

Figure 47 focuses on attainment and progress by MATs at KS4. It shows that the all state-funded mainstream schools average for both attainment and progress is higher than it is in MATs – however, it is worth noting that the overall MAT scores are brought down by sponsored academies. Converter academies have higher attainment and progress than all state-funded mainstream schools.

Figure 47 – Attainment and progress by pupils at the end of Key Stage 4 in multi-academy trusts in 2022:

Type of establishment	Number of schools	Number of pupils at the end of KS4	Average EBacc entry rate	Average Attainment 8	Average Progress 8	Progress 8 lower 95% confidence interval	Progress 8 upper 95% confidence interval
Multi-academy trusts	1,942	342,172	38.7%	48.7	-0.02	-0.03	-0.02
Of which Sponsored academies	721	118,315	32.4%	44.1	-0.21	-0.22	-0.20
Of which converter academies	1,065	208,134	41.5%	51.3	0.08	0.07	0.08
All state-funded mainstream schools	3,232	572,892	39.6%	49.8	0.01	0.01	0.01

Figure 48 concentrates on multi-academy trusts at the end of 16 to 18 study. We see that the all state-funded mainstream schools APS per academic entry is higher than in MATs, where again the MAT score is brought down by sponsored academies. However, the APS per applied general entry is higher for MATs than the all state-funded mainstream schools average and is also higher in both sponsored academies and converter academies.

Figure 48 – Average points score (per academic entry and per applied entry), by pupils at the end of 16 to 18 study in multi-academy trusts in 2022:

Type of establishment	Number of institutions with academic or applied general students	Number of academic students	APS per academic entry	Number of applied general students	APS per applied general entry
Multi-academy trusts	1,133	114,341	37.67	44,138	33.49
Of which Sponsored academies	325	17,596	34.00	10,909	32.97
Of which converter academies	709	88,860	38.38	30,323	33.66
All state-funded mainstream schools	2,181	253,261	37.93	117,331	31.91

Susan Acland-Hood
Accounting Officer
24 January 2024

Accountability report

Corporate governance report

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

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 Department's Regional Directors and 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 the ESFA and are also accessible at Companies House. [33]

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 Accounting Officer, trustees and local governors.

Data management

There were the following personal data breaches.

Figure 49: number of data breaches from 2018/19 to 2021/22

	2021/22	2020/21	2019/20	2018/19	2017/18
Number of incidents	184	154	145	177	N/A
Number of ATs	123	112	112	135	N/A

The majority of these were low level incidents, often involving administrative errors.

33 https://beta.companieshouse.gov.uk/

Statement of Accounting Officer's responsibilities

As the Principal Accounting Officer (AO) for the Department, I am responsible for the academies 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[34] (FReM) and in particular to:

- observe the Accounts Direction issued by HMT (annex I), 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
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

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

34 FReM 2021-22: https://www.gov.uk/government/collections/government-financial-reporting-manual-frem

Governance statement

Scope of responsibility

As the Permanent Secretary and Principal AO for the Department, 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 the Department's system accountability statement[35]. ATs have statutory responsibilities under company and charity law, and are ultimately accountable – through me, and the ESFA AO to Parliament.

Figure 50: System of accountability

Accounting Officers for individual ATs (Senior Executive Leader)	Accounting Officer of ESFA (Chief Executive)	Principal Accounting Officer for voted funds (DfE Permanent Secretary)	Parliament

Within this system, my officials have designed and implemented a robust governance framework. I have delegated specific responsibilities to both the Chief Executive (CEO) of the ESFA and to ATs. These responsibilities are articulated within the Academies Trust Handbook (ATH).[36]

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

35 DfE Accountability System Statement: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/641079/Accounting_Officer_System_Statement_v2.pdf

36 Previously called the Academies Financial Handbook, the new version was published on 16 June 2021 and took effect on 01 September 2021. The name of the handbook was amended to the "Academy Trust Handbook": https://www.gov.uk/guidance/academies-financial-handbook/academy-trust-handbook-2021.

SARA consolidation process and internal controls

The SARA is a consolidation of all AT financial statements in the sector during the reporting period.

The production of the SARA consolidation accounts has the following processes to ensure these accounts provide a 'true and fair' view:

- providing guidance to ATs through the Academies Accounts Direction (AAD)[37];
- relying on the external auditors appointed by each AT's trustees who report on whether the ATs accounts present a true and fair view of the AT's financial performance and position;
- ATs are required to complete an annual Academies Accounts Return (AAR) to the Department[38] which is based on their financial statements for the reporting period. This return must be approved by an external auditor before submission to the Department;
- The FReM requires property valuations to be completed on a depreciated replacement cost (DRC) basis. As a result, the Department appoints independent professional valuers to prepare a RICs compliant methodology to value the land and buildings estate. This methodology is reviewed annually and a proportion of the individual valuations received each year are subject to validation and further challenge by management. This significantly changes the value of land and buildings reported by the sector which are reflected in the SARA accounts. Further details of valuation of land and buildings in the academy sector are outlined in note 2;
- Given the significance of the the Local Government Pension Scheme (LGPS) values linked to judgements applied when applying pension assumptions by the scheme's actuaries, an independent expert is commissioned by management to review and consider the total disclosure aggregated from individual trust returns. During the year we changed our expert from Deloitte LLP to the Government Actuary's Department. The independent expert reviews the values reported, and the range of assumptions applied across the sector to ensure the aggregate value is appropriate. This is outlined in more detail in note 14;
- Management review of the AAR submissions from individual ATs is completed including a number of outlier tests and checks to ensure the information is accurate and fit for purpose;
- Consideration by management and the DfE Audit and Risk Committee (ARC) of the SARA consolidated accounts and the production process.

The Comptroller and Audit General is appointed to audit these consolidated SARA accounts.

Each AT's financial statement includes a Governance Statement for the year ended 31 August 2022. This statement includes a section on the purpose of internal control and confirmation that an internal control system has been in place for the reporting period up to approval of the financial statements.

37 https://www.gov.uk/guidance/academies-accounts-direction

38 The accounts return: a return based on academy trusts' annual accounts, required for the sector annual report and accounts, and for collecting benchmarking data. See: https://www.gov.uk/guidance/academies-accounts-return

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 with the SoS that sets out the conditions on which the trust receives funding, its responsibilities and the SoS'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 funding agreement and the ATH, including ensuring that their financial statements are reviewed by external auditors to provide a conclusion on their regularity;
- providing accurate data returns to the Department.

The ATH covers the financial accountability requirements for ATs. It sets out the areas of HMTs Managing Public Money [39] that directly apply to ATs. In addition, the Department's Governance Handbook [40] describes the elements of good governance to which trusts must give due regard. The ATH 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. The 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 the Department.

During the programme of 2021/22 audits, the ESFA identified that the random error rates relating to census data returns remained low at 0.033% or pre-16 and 0.13% for post-16 (0.00% for pre-16 and 0.56% for post-16 in 2020 to 2021).

Any new AT is required to complete a financial management and governance self-assessment (FMGS) return and submit it to the ESFA within three months of opening their first academy, and outstanding returns are pursued by the ESFA.

The FMGS return provides a self-assessment on the implementation of the ATH 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.

An action plan is created for any areas where the trust is not compliant. This asks ATs to confirm the remedial action they intend to take to achieve compliance together with a timescale for implementation. All action plans are reviewed for completeness.

39 Managing Public Money: https://www.gov.uk/government/publications/managing-public-money
40 Governance Handbook, October 2020: https://www.gov.uk/government/publications/governance-handbook

A sample of FMGS returns are also selected for review. In all cases ATs were making satisfactory progress in their implementation of financial management and governance controls.

All existing ATs are required to complete a School Resources Management Self-Assessment Checklist annually. The return was required by March 2022 for all ATs open on 31 December 2021. The checklist provides a self-assessment on how the AT adheres to the academy accountability framework. High level analysis is carried out on all returns, and this is used to assess risk. A sample of the checklists are reviewed and used as a basis to carry out a Financial Management and Governance (FMG) review. Where we identify concerns, recommendations to achieve compliance are made to the AT.

During 2021/22, the ESFA did not identify serious concerns in the FMG 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.

In response to COVID-19, and to support educational recovery during 2021/22, additional grants were made available to academies. In response a programme of funding audits was carried out for all material COVID-19 grant schemes, and overall, we were satisfied trusts had used the funds appropriately.

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 identifies a range of training material to help AT boards do this.

Each AT is required to appoint its own AO, which should be the senior executive leader of the AT. Their role is to be accountable to Parliament, through me and the ESFA CEO, 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 the Department as part of the AT's audited financial statements.

ATs' funding agreements require ATs to prepare and publish their own annual report and accounts in accordance with the Companies Act 2006, Charities Statement of Recommended Practice (SORP) and AAD. ATs are required to appoint an independent auditor who reports on whether the financial statements present a true and fair view of the AT's financial performance and position. The auditor is also required to give a conclusion, addressed jointly to the AT and the ESFA, on whether any matters of irregularity have come to their attention and include this conclusion within the audited financial statements.

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 ATH.

The Department 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 [41] as required by the Companies Act 2006.

There were expected to be 2,573 financial statements from ATs for the period ending 31 August 2022. At publication, 2,566 (99.7%) had been received, with 7 outstanding.

The Department's governance structure

The ESFA's ARC and the Departmental ARC 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. The ESFA's Finance and Provider Market Oversight Directorate provides assurance to the ESFA and specifically its Accounting Officer over funds disbursed to ATs. It reports to the ESFA's Accounting Officer through an annual statement of assurance.

Figure 51 shows how the ARC reports into the Departmental board, alongside the role of the Department's other committees.

41 Companies House website: https://www.gov.uk/government/organisations/companies-house

Figure 51: The Department's governance structures

Departmental Board

The Departmental board provides strategic and operational oversight for DfE and is supported by its sub-committees. The board is chaired by the Secretary of State and membership is comprised of the Minister of the Board, the Permanent Secretary, two Director Generals, the Strategic Finance Director and the non-executive board members. All junior ministers have a standing invitation to attend the board meetings.

Leadership team

The leadership team provides day to day executive leadership and management on behalf of the board and is supported by four sub-committees.

Performance and Risk Committee

The Performance and Risk Committee provides oversight of the breadth of the Department's performance and risk.

People Committee

The People Committee provides oversight of the Department's people and workforce strategy.

Investment Committee

The Investment Committee is responsible for approval of financially significant or contentious business cases.

Digital, Data and Technology Committee

The Digital, Data and Technology Committee provides oversight of the Department's digital capacity, capability and prioritisation.

COVID Board (retired April 2022)

The COVID Board provides oversight of the Department COVID related Programmes. Membership comprises of Director Generals and Directors as appropriate.

Talent and Remuneration Committee

The Talent and Remuneration Committee reviews and agrees Senior Civil Service workforce and resourcing actions. Membership comprises of Director Generals and the HR Director.

Implementation Committee (retired July 2022)

The Implementation Committee supports the board by scrutinising the Department's performance and delivery, both in the wider sense and in the context of particular projects and issues. It is chaired by the lead non-executive board member and consists of the Permanent Secretary, Director Generals, the non-executive board members, Director of Strategic Finance, Director of Strategy, Social Mobility and Disadvantage, the Chief Analyst and the Head of Delivery Unit.

Audit and Risk Committee

The Audit and Risk Committee supports the board by providing independent scrutiny, support, and challenge of the Department's arrangements for governance, risk management and internal controls. It is chaired by a non-executive board member and membership is comprised of another non-executive board member and four independent members all of whom are independent from the Department.

Nominations Committee

The Nominations Committee supports the board by providing independent scrutiny, assurance and advice on the Department's plans, strategies and systems for senior talent management, senior performance management, pay and reward, succession planning, board appointments and public appointments processes. It is chaired by the lead non-executive board member and consists of non-executive board members, the Permanent Secretary and the HR Director.

SoS as principal regulator

On 1 August 2011, the SoS became Principal Regulator (PR) under charity legislation for foundation and voluntary schools, ATs and sixth form colleges, as exempt charities. The SoS 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 SoS carries out these duties. As agreed in the memorandum of understanding between the Charity Commission and the Department, this duty is discharged in this report. The reporting requirements placed upon the SoS in relation to sixth form colleges, foundation and voluntary schools can be found in the memorandum of understanding[42] between the Charity Commission and the Department.

The memorandum of understanding between the Charity Commission and the Department sets out how they work together, both in co-ordinating regulatory operations and formulating policy. The Department 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.[43]

The articles of association for each AT set out the AT's charitable objects, as well as the financial statements and reports an AT must produce. The funding agreement is a legally binding contract between an AT and the SOS which covers the funding and running of the academy. It specifies how the academy is run, its duties, and the powers the SoS has over the academy. It is how academies are held accountable to the Department.

The Department and the ESFA takes action if they suspect charity law has been breached and, in such cases, shares information with the Charity Commission to facilitate effective investigation. Between 1 August 2021 and 31 July 2022, one case was referred to the Charity Commission for investigation (no cases were referred between 1 August 2020 and 31 July 2021). In August 2022 an additional two cases were referred to the Charity Commission (none in the previous year).

Role of the ESFA within the control framework

The ESFA is an Executive Agency of the Department and 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 SoS;
- intervening if there is a risk of financial failure, or where there is evidence of mismanagement of public funds.

The 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 the ESFA's business plan objectives, organisational effectiveness and performance, and alignment with the Department's mission, strategy and purpose.

The ESFA oversight is based on the financial control framework for ATs set out in the ATH. It also publishes the AAD[44] to help ATs prepare their annual financial statements and to support auditors with the effective audit of AT financial statements. Further reporting support is provided by the ESFA in response to significant events. This is delivered through the issue of supplementary bulletins to the AAD. For example, during the COVID-19 pandemic a supplementary bulletin was issues to support and advise ATs on how to report on COVID-19 related activities and processes.

42 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/640051/Charity_Commision_-_Department_for_Education_-_MOU.pdf

43 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

44 Academies accounts direction 2021/2221 Academies_accounts_direction_2021_to_2022.pdf (publishing.service.gov.uk)

The ESFA actively engages with the sector to raise standards of financial management and governance. In 2021/22, it participated in and ran events for ATs and audit firms to promote understanding of the financial accountability framework and to understand their challenges and pressures. The ESFA has also continued to collaborate with sector representatives, through steering and working groups, to inform the development of the financial accountability framework and to ensure it remains fit for purpose.

While the primary responsibility for the oversight of ATs rests with trustees themselves, the 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. The 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.

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

Where the ESFA has concerns about financial management or governance in an AT, its primary approach is to support ATs to improve their financial capacity and their financial performance. The ESFA will work with the AT to reach a stronger position; and supporting the AT can include supporting with the Department's School Resource Management Offer [45] and or with a School Resource Management Adviser visit.

Where there is a risk to public funds, the ESFA, in collaboration with the Department, intervenes proportionately to the scale and nature of the risk, taking account of local circumstances, and to preserve effective education provision. Intervention actions can include:

- issuing and publishing a Notice to Improve (NtI) – an NtI sets out the actions an AT is required to take in order to address concerns and the ATH requires that ATs comply with the terms of an NTI
- in exceptional circumstances, the termination of the funding agreement due to non-compliance with the terms the NtI sets out

Further details are available with ESFA's 2021-22 annual report and accounts [46] (pages 20-22) and in part 6 of the ATH on the regulator and intervention. [47]

For the year ended 31 July 2022:

- nine NtIs (representing 0.4% of the total sector by number of ATs) were issued, with no further notices issued during August 2022. 14 NtIs (representing 0.5% of the total sector by number of ATs) were issued in the year to 31 July 2021, with no further notices issued during August 2021.
- 16 NtIs were closed, with 1 further notice closed during August 2022. 16 NtIs were closed in the year to 31 July 2021, with three further notices closed during August 2021.

During the year ended 31 July 2022, the ESFA received 34 allegations relating to suspected fraud and/or financial irregularity in ATs from a variety of sources (30 for the year to 31 July 2021), including whistle-blowers. One further referral was received in August 2022.

45 https://www.gov.uk/government/collections/schools-financial-health-and-efficiency
46 https://www.gov.uk/government/publications/education-and-skills-funding-agency-esfa-annual-report-and-accounts-2021-to-2022
47 https://www.gov.uk/guidance/academy-trust-handbook/part-6-the-regulator-and-intervention

Following review and analysis, including triage of the allegations where appropriate, the ESFA undertook the following new activity in the year to 31 July 2022:

- two investigations
- 18 advice cases

During the month of August 2022, we commenced one additional new investigation.

We take the protection of public finds seriously and have a proactive approach to preventing its misuse through the provision of hands-on advice and technical support, so that we are able to tackle emerging risks early.

The investigation cases are usually more complex and as a result take longer to conclude.

The value of suspected fraud, irregularity, or theft against the ESFA confirmed during the year ended 31 July 2022 was £1,600,715 (compared to £2,483,737 in 2020/21). The majority of this value relates to one historical case and includes fraud and irregularity values which occurred in previous academic years. The losses were quantified and reported during 2019/20. There were no cases of suspected fraud, irregularity, and theft against the ESFA in August 2022 (nil in August 2021).

The amount recovered by the ESFA during the year ended 31 July 2022 was £nil (compared to £720,807 in 2020/21). Similarly, no funds were recovered in August 2022 (no recovery was made in August 2021). The recovery of funds does fluctuate and will often fall into later periods. Of the value of fraud, irregularity or theft identified during 2021/22, significant recoveries are anticipated in future periods.

In accordance with the ATH 2022 (s6.12), ATs are required to notify the ESFA of instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any academy financial year. In addition, ATs voluntarily may report frauds of a lower amount which are included in this number reported. The ESFA received 55 notifications from ATs in the year ended 31 July 2022 (compared to 51 in 2020/21). Six further notifications were received during August 2022 (two in August 2021).

The value of suspected fraud, irregularity or theft against ATs confirmed between 1 August 2021 and 31 July 2022 was £786,507 (compared to £1,359,028 in 2020/21). A further £8,247 was confirmed in August 2022 (nil in August 2021). The amount recovered by ATs during the year ended 31 July 2022 was £612,716 (compared to £1,204,252 in 2020/21). This figure includes ongoing recovery against cases notified in prior years and is likely to increase as more information is received for those cases. A further £18,441 was recovered in August 2022 (£573 in August 2021).

The value of fraud reported to the Department by LAs relating to LA-controlled schools was £0.7 million for the 2021-22 LA financial year (£0.2m for the 2020-21 LA financial year). 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.

Regional Schools Commissioners (RSC)

The role of RSCs was established on 1 September 2014. RSCs were civil servants, accountable to the National Schools Commissioner (NSC), and appointed to take decisions in the name of the SoS for Education. The NSC and RSCs worked with schools across England to ensure they were supported to improve and to address underperformance.

The role of RSCs existed until 4 July 2022, when the Department created a new Regions Group, aligned to the nine regions used across the rest of government. From 4 July 2022, nine Regional Directors (RDs) were appointed. RDs work locally across children's social care, SEND, schools and area-based programmes to improve outcomes for children, families and learners. The new RDs continued with the roles of the RSCs until the end of the academic year.

The RSC role, up to the point of transfer, included:

- taking action, alongside the ESFA, where academies and free schools are underperforming
- intervening, alongside the ESFA, in academies where governance is inadequate
- deciding on applications from LA maintained schools to convert to academy status
- improving underperforming (i.e. Ofsted judged inadequate) maintained schools by matching them to support from a strong sponsoring trust
- encouraging and deciding on applications from sponsors to operate in a region
- taking action to improve poorly performing sponsoring trusts
- advising on proposals for new free schools via 'wave' application processes, and working with successful trusts to deliver educationally and financially viable schools
- deciding on whether to defer or enter into Funding Agreements with free school projects, and advising on whether or not to cancel unsatisfactory free school projects
- deciding on applications to make significant changes to academies and free schools
- deploying NLEs and trust leaders to support the schools worse hit by the pandemic
- preparing for the delivery of the Trust and School Improvement offer for 2022/23
- supporting and challenging LAs to fulfil their legal duty to ensure that there are sufficient primary and secondary school places (pupil place planning).

Each RSC was supported by an advisory board (AB), formerly called headteacher board, made up of six to eight members. On each AB, 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. AB 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 ABs are elected for a three-year term. Having been initially established in 2014, the third round of elections would have been held in Spring 2020. These elections were postponed because of COVID-19. They were held between 22 November 2021 and 10 December 2021. Though the elections concluded at the end of 2021, the new ABs did not commence until September 2022. The then existing AB members remained in place for the rest of the 2021/22, the period that this report covers.

ABs provided important local advice to the decisions of an RSC. If an RSC takes a decision that contradicts the advice given by the majority of their AB, this must be reported to the NSC and the responsible minister. A complete guide to AB membership [48] is available in the terms of reference for ABs.

RSCs carry out their functions within a published national framework. [49] RSC decisions are made in line with the individual funding agreements that academies enter into with the Department (and are therefore legally bound by), relevant legislation, and published criteria.

The department, acting through RSCs or the ESFA, as appropriate, will take action wherever an academy is judged 'Inadequate' by Ofsted, or where financial mismanagement and/or governance failure is identified, in line with an academy's funding agreement. The department also takes swift action where there are safeguarding concerns, and the safety of staff or pupils is threatened.

Where Ofsted has inspected an academy and issued it with an inadequate rating, the department will take action to bring about school improvement. The RSC, in their role of monitoring educational performance, will carefully consider the issues highlighted in the Ofsted report and take the decision on how best to address them to bring about rapid improvements. This may include transferring the academy into a different trust.

RSCs will issue a termination warning notice to academies judged inadequate unless there are exceptional circumstances. The issuing of a termination warning notice does not mean that a decision has been taken to transfer the academy to a new trust. It is the mechanism through which trusts are invited to make representations before the RSC decides on the most appropriate course of action.

The department publishes copies of letters [50] that it sends to ATs about poor performance, weaknesses in safeguarding, governance and/or financial management.

RSC escalation approach for educational performance concerns in academies

Figure 52: RSC notices issued between 1 August 2021 and 31 July 2022

	Termination warning notices		Termination notices	
	2021/22	2020/21	2021/22	2020/21
Sponsored academies	22	4	1	3
Converter academies	24	2	-	4
Free schools	5	2	-	-

For the year ended 31 July 2022, 22 RSC notices were issued to sponsored academies, 24 to converter academies, and five to free schools (for the year ended 31 July 2021, four RSC notices were issued to sponsored academies, two to converter academies, two to free schools). In August 2022 nine termination warning notices were also issued, five to sponsored academies and four to converter academies. In 2020/21 one minded to terminate letter was also issued to a sponsored academy and three minded to terminate letters were issued to converter academies.

48 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1023902/Terms_of_Reference_for_Advisory_Boards_October_2021.pdf

49 RSC decision-making framework: Regional Directors' decision making framework – GOV.UK (www.gov.uk)

50 Letters to ATs about poor performance: https://www.gov.uk/government/collections/letters-to-academies-about-poor-performance

RSCs are not responsible for carrying out school improvement activities. They can however advise the AT on suitable options. From 2021/22 RSCs took responsibility for deploying a system leader (National Leader of Excellence or leaders of trusts with sponsoring trust status) to eligible trusts to provide school improvement support under the Trust and School Improvement offer. However, the responsibility and accountability for taking the necessary action to improve outcomes remains with the AT.

Where improvements are not achieved rapidly at an academy, or a trust is not providing good enough support, the RSC can act. In line with the funding agreement and legislation, the RSC can challenge and, where necessary, move the academy to another AT. Where the decision is taken to transfer an academy to a new trust, 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 intervene in LA maintained schools on the grounds of educational underperformance, only where Ofsted has judged them to be inadequate, at which point RSCs will match these schools with an appropriate academy sponsoring trust. During the year up until 31 July 2022, 63 (2020/21: four) such schools were identified and issued with an academy order. The reduction in issued academy orders in 2020/21 was caused by the pause in Ofsted inspections due to COVID-19 during most of the 2020/21 reporting period.

The RSCs 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.

RSCs lead the relationship with sponsoring trusts operating solely within their RSC region, and with agreed national sponsoring trusts. RSCs are responsible for managing the sponsor market in their region and intervening if an AT is failing. Discussions with sponsoring trusts focus on performance and capacity, including plans for growth. An appropriate approach to growth is agreed with all trusts, reflecting their capacity.

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 SoS 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. 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 the 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. [51]

Details of academy transfers [52] include 176 academies moved ATs in 2021-22 (2020-21: 189). Of these 176 academies, 25 transfers were a result of intervention, 25 were a result of trust closures, and the remaining 126 transfers were initiated by the outgoing AT.

51 Academy transfers and funding, Financial Year 2021-22 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

52 https://explore-education-statistics.service.gov.uk/find-statistics/academy-transfers-and-funding

Opening new free schools

RSCs advise ministers on free school applications. They make recommendations about which applications to reject before interview and which to approve into pre-opening before ministers make the final decision.

RSCs decide whether to enter into funding agreements to open free schools and 55 funding agreements were entered into during 2021/22.

Where proposals are received for the establishment of a new LA led presumption free school within their region, the RSC will make the decision about which proposer is most likely to deliver a high performing school. In the 2021/22 academic year proposers were approved for 15 presumption schools.

Working with the ESFA

RSCs and the ESFA work together to develop a coherent and joined up picture of an AT. Together, RSCs and the ESFA consider:

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

RSCs and the 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.

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

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

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

RSCs and the 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.

Independent auditors' opinions on the academy trust financial statements

Independent auditors undertake audits of AT financial statements and provide independent opinions on whether they show a 'true and fair' view and comply with the published AAD[53]. A summary of audit opinions is presented below.

Figure 53: Summary of auditors' opinion

	2021/22 Number	2021/22 %	2020/21 Number	2020/21 %
Unqualified	2,380	92.5%	2,469	92.9%
Unqualified – Emphasis of matter other	6	0.2%	15	0.6%
Unqualified – Financial statements produced on non-going concern basis (trust closing)	135	5.3%	134	5.0%
Unqualified – Material uncertainty to continue as a going concern (financial issues)	39	1.5%	26	1.0%
Qualified	6	0.2%	12	0.5%
Disclaimer of opinion	0	0.0%	0	0.0%
Adverse	0	0.0%	0	0.0%
Financial statements not received	7	0.3%	3	0.1%
	2,573	**100.0%**	**2,659**	**100.0%**

An unqualified opinion with no emphasis of matter means that the auditor was able to conclude the financial statements are materially correct with no significant matters to bring to the reader's attention. In 2021/22, over 99% of AT financial statements received unqualified opinions (2020/21: over 99% of AT financial statements also received unqualified opinions).

The audit opinions that were 'qualified' remained low at 0.2%, a decrease from 0.5% the previous year. The main reasons for the qualifications were predominantly issues in the following areas:

- accounting treatment for the recognition of land and buildings;
- Local Government Pension Scheme (LGPS) actuarial valuations.

The number of ATs reporting a material uncertainty relating to going concern due to financial weakness has increased to 1.5% from the previous year (2020/21: 1%). The number of ATs producing financial statements on a non-going concern basis due to the trust closing has also increased, albeit only slightly, by 0.1% from the previous year. This is attributable to the continuing trend of ATs closing following transfer to other MATs.

53 Academies accounts direction 2021/22: Academies_accounts_direction_2021_to_2022.pdf (publishing.service.gov.uk)

Independent auditors' conclusions on regularity

AT financial statements include an independent reporting accountant's assurance report on regularity, which provides limited 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 funding agreement and ATH.

The table below shows that, at the time of publication, there were 205 instances where these assurance reports identified regularity exceptions.

A regularity exception means that the independent reporting accountant 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 54: Summary of auditors' opinions on regularity

	2021/22		2020/21	
	Number	%	Number	%
No regularity exception noted	2,357	91.7%	2,445	92.0%
Regularity exception noted	209	8.1%	211	7.9%
Financial statements not received	7	0.2%	3	0.1%
	2,573	**100.0%**	**2,659**	**100.0%**

Independent reporting accountants concluded that there were no regularity exceptions in trust financial statements for 92% of trusts. Whilst modifications in terms of both numbers and percentage points has shown no significant year on year change, the main reason to have decreased is the number of trusts reporting a modification as a direct impact of the COVID-19 pandemic.

The ESFA reviewed the exceptions raised for the remaining 8% of ATs. The areas where the independent reporting accountants identified failure of ATs to comply fully with ATH requirements included:

- internal financial reporting
- related party transactions
- the use of funds for ineligible expenditure (including alcohol)

The reasons for the majority of the regularity exceptions were the same as the previous year and related to internal reporting and control arrangements. Regularity modifications in relation to the ineligible use of funds predominantly related to the purchase of alcohol, where the amounts were not significant. The regularity opinion is a key part of the governance statement for the individual AT and identifies breaches of the ATH. Generally, they were not related to specific transactions and the exceptions do not have a material impact on the SARA.

The ESFA review audit opinions, regularity report conclusions, audit management letters and accounting officer statements of regularity, propriety and compliance. Where the 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 the ESFA requirements. More details on the role of the ESFA in the control framework are provided below.

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 the Department.

The top risks for the academies programme in 2021/22 were:

MATs and sponsor capacity risk: High quality sponsors are essential in driving up school performance across the sector. The March 2022 White Paper 'Opportunity for all' set out that by 2030 the majority of children will benefit from being taught in a strong family of schools, with their school being part of a MAT. 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 trusts. 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 Trust Capacity Fund (TCaF) is a competitive grant fund available to help trusts develop their capacity to grow. It was used to support strong MATs to grow and innovate in areas of long-standing need, accelerate the development of mid-sized trusts with the potential to be strong, and create strong trusts either by SATs joining larger trusts, or by supporting the growth of existing trusts via mergers. TCaF 2021-22 was launched in May 2021 with 145 trusts awarded funding in three funding windows. There was an additional window of funding from April – June 2022 which drew funds from the £86 million committed in the Schools White Paper and resulted in a further 104 trusts being awarded.

The Department also provides support for MATs to grow capacity through CEO and Chairs induction, regional MAT leadership events, and programmes that offer peer support and collaboration across the sector. However, during this period, the sector continued to face pressures because of the on-going COVID-19 pandemic and continued to focus their attention to response efforts and recovery.

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. The Department continues to improve the way information and data is shared between operational teams. They work closely to maintain a single departmental view of ATs of concern based on common information, this is done in partnership with colleagues in the ESFA. This strengthens our forecasting and leads to consistently applied joint intervention where necessary. This applies to any failure of education, governance or finance. In July 2022, the department restructured internal and launched the new Regions Group with a purpose to set the department up to deliver for and respond more effectively to local needs by bringing together improvement and intervention work in Children's Social Care, SEND and Schools.

The Levelling-Up White paper, launched in February 2022, announced that the department will introduce a new power to intervene in schools with successive Ofsted judgements below 'Good' and the designation of 55 Education Investment Areas in local authorities in England with the weakest school outcomes.

Financial health and efficiency 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. The government recognised the emerging financial challenges and costs pressures facing the academies sector and wider society and has announced significant additional investment in schools. The core school budget is increasing by £2.0 billion in each of 2023-24 and 2024-25. Where it is the case that individual academy trusts face more significant financial difficulty, the department has offered supportive conversations to explore the challenges trusts are faced with and to suggest practical ways it may be able to support with the new School Resource Management Strategy: Building a Stronger System was published June 2022. The strategy outlines the department's approach to supporting schools and academy trusts to get the best value from all their resources and help strengthen their financial decision making. This offer of support was even more important in view of the financial challenges faced by all schools.

Education recovery: To ensure that pupils within AT recover from the impact of the pandemic on there education in order to prevent the potential of widened gaps between pupils (linked to socio-economic disadvantage, SEND and place). This has included additional funding given to academies through the recovery premium to help children catch up on lost learning (plus additional funding to scale up evidence-based approaches) for 2021/22. Recovery premium has been expanded and extended to 2023/24.

As well as support for the sector to implement measures to keep children and young people in face-to-face education in the face of COVID-19 challenges, the Department has undertaken alongside wider delivery activity to improve attendance. This has included establishing the Attendance Action Alliance which brings together education, children's, social and health services to raise school attendance, deploying attendance advisors ATs, as well as LAs, and rolling out a pilot for attendance mentoring.

School Buildings: There is a risk of building collapse in the school estate resulting from structural safety issues. While general deterioration of building condition increases the risk of building collapse, of greatest concern are buildings constructed post-1945 that use materials and/or designs that are past their intended design life and could be subject to defects that increase the risk of collapse. If buildings have not been carefully monitored and maintained by responsible bodies, the risk of structural failure increases. The Department provides significant funding and support to all academy trusts who have responsibility for their school estate to help them ensure the safety of their school buildings.

The risk likelihood remained stable during 2021/22 as the Department supports all bodies responsible for the schools and college estate to identify and manage any risks from reinforced autoclaved aerated concrete (RAAC) in their buildings. The government is funding the emergency work needed to mitigate the presence of RAAC, including installing alternative classroom space where necessary. All reasonable requests for additional help with revenue costs, like transport to locations or temporarily renting a local hall, are approved. The government is funding longer-term refurbishment or rebuilding projects to address the presence of RAAC in schools. Schools and colleges will either be offered capital grants to fund refurbishment work to permanently remove RAAC, or rebuilding projects where these are needed, including through the School Rebuilding Programme.

There has not been a structural incident the Department is aware of that has caused injury or harm to pupils and/or staff in the period of account or subsequently up to the publication date of this report. We continue to gather data and intelligence on the condition of the school estate so we are proactively aware of any serious condition issues in the estate and can quickly support responsible bodies to address them, including through our Condition Data Collection 2 programme. This is one of the biggest condition data collection exercises in the UK public sector, sending surveying organisations to visit every government-funded school and further education college in England to collect data about the condition of their buildings between 2021-2026.

Other forms of assurance

NAO

The National Audit Office (NAO) undertakes around 60 value for money studies [54] each year which Parliament use to hold government to account for how it spends its 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 services under examination.

54 https://www.nao.org.uk/

The NAO has published the following value for money reports which have relevance for the academies sector:

Report title	NAO summary
Financial sustainability of schools in England [55] (November 2021)	This report examines the financial sustainability of mainstream schools in England. A financially sustainable school system is vital to the learning and development of the country's children. Schools are financially sustainable when they successfully provide a good-quality education to all their pupils within the income that they receive.
Education recovery in schools in England [56] (published February 2023)	This report examines whether the Department is achieving its objective to help pupils recover lost learning by effectively supporting education recovery in schools following the COVID-19 pandemic. The evaluative criteria that NAO used to assess value for money included: • whether the Department used the available evidence in designing its package of recovery interventions • whether the Department has assurance that funding is being used for the intended purposes • what evidence there is on take-up and whether the interventions are reaching disadvantaged pupils as intended • whether the package of interventions is having an impact in terms of reducing learning loss. NAO's work did not cover early years, education for 16 to 19-year-olds, or further or higher education. The report covers: the design and funding of the recovery package for schools; the main interventions provided to support education recovery; and the recovery package's impact.
The condition of school buildings [57] (published June 2023)	This report examines whether the Department is achieving its objective to ensure the school estate contains the safe and well-maintained school buildings that it regards as essential for a high-quality education. The NAO's evaluative criteria for assessing value for money include whether the Department has: • a good understanding of the condition of school buildings • appropriate arrangements to allocate funding for school buildings in line with need • effective ways to support the sector
Environmental sustainability overview of the Department for Education [58] (published June 2023)	Responding to a request by the Environmental Audit Committee, this report will assess the approach taken by the Department to environmental sustainability. It will review the Department's climate change and sustainability strategy and plans to improve the sustainability of the school estate.

55 https://www.nao.org.uk/report/financial-sustainability-of-schools-in-england/
56 https://www.nao.org.uk/reports/education-recovery-in-schools-in-england/
57 https://www.nao.org.uk/work-in-progress/the-condition-of-school-buildings/
58 https://www.nao.org.uk/work-in-progress/environmental-sustainability-overview-of-the-department-for-education/

Public Accounts Committee (PAC)

The PAC[59] examines the value for money of government projects, programmes, and service delivery. Drawing on the work of the NAO, the committee holds government officials to account for the economy, efficiency and effectiveness of public spending. As delivery models for public services have changed, so the reach of the committee, in following the taxpayer's pound, has spread beyond government departments to also examine public bodies and private companies providing public services.

The Permanent Secretary, on behalf of the Department, attended the following PAC sessions directly relating to the academy sector:

Inquiry and hearing dates	Government response
Financial sustainability of schools in England[60] hearing – 8 December 2021 report published – 4 March 2022	Government's response[61] published – 26 April 2022
Academies Sector Annual Report and Accounts 2019/20[62] hearing – 24 January 2022 report published – 25 March 2022	Government's response[63] published – 16 May 2022
DfE recall: SEND review Schools White Paper and the National Tuition Programme[64] hearing – 11 May 2022 report published – unpublished	Response published – 5 August 2022
Education recovery in schools[65] hearing – 9 March 2023 report published – 7 June 2023	Response to be published

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. There were no findings that were specific to the SARA.

Susan Acland-Hood
Accounting Officer
24 January 2024

59 https://www.parliament.uk/business/committees/Committees-A-Z/commons-select/public-accounts-committee/
60 https://committees.parliament.uk/publications/9103/documents/159388/default/
61 https://committees.parliament.uk/work/1581/financial-sustainability-of-schools-in-england/publications/2/government-response/
62 https://publications.parliament.uk/pa/cm5802/cmselect/cmpubacc/994/report.html
63 https://committees.parliament.uk/work/1714/academies-sector-annual-report-and-accounts-201920/publications/2/government-response/
64 https://committees.parliament.uk/work/6675/dfe-recall-send-review-schools-white-paper-and-the-national-tuition-programme/
65 https://committees.parliament.uk/work/7229/education-recovery-in-schools/

Remuneration and staff report

Information in this section is reported to meet the requirements of the 2021-22 Government FReM and relates to the academic year ending 31 August 2022. This information has been collated from the audited AAR, which is an annual return submitted by individual ATs to the 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. Derogations from FReM, as approved by HMT, are set out in the 2021/22 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 2021, it was recommended that a consolidated pay award of £250 be given to all teachers whose full time equivalent basic earning are less than; £28,681 in inner London; £25,194 in the fringe and £24,000 in the rest of England. From September 2022, it was recommended that a 5% increase to all pay and allowance ranges and advisory points, with higher increases to some parts of the main pay range to deliver a minimum starting salary of £30,000 by September 2023.

The Department does not set the employment and remuneration policies of ATs. Accordingly, in a departure from FReM, the Department has not presented the employment and remuneration policies of the sector as this would imply a greater level of influence by the Department 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 the Department in this area, the Department has restricted remuneration disclosures in the AAR 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.

Trustee remuneration

The academy sector is not a single corporate body with a single board of trustees. Therefore, disclosures required by International Accounting Standard (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.

The table below presents a breakdown of the number of trustees who received remuneration either in their capacity as a member of staff as well as a trustee or in their capacity purely as trustee (and not a member of staff). 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 E. The remuneration shown below includes salary, bonus payments, benefits-in-kind and employer pension costs.

Included in the table below are 4,105 trustees paid as staff (2020/21: 4,487) and no non-staff paid trustees (2020/21: none). In 2020/21 there were 18,110 trustees who were not paid (2020/21: 18,299) 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).

Trustee remuneration including employer pension contributions

	2021/22	2020/21
Remuneration bands (including employer pension contributions)	**Number of trustees**	**Number of trustees**
£1-£60,000	1,680	1,908
£60,001-£70,000	345	383
£70,001-£80,000	238	257
£80,001-£90,000	208	226
£90,001-£100,000	215	236
£100,001-£110,000	192	195
£110,001-£120,000	200	224
£120,001-£130,000	250	270
£130,001-£140,000	212	222
£140,001-£150,000	187	190
£150,001+	378	376
	4,105	**4,487**
Of which:		
Trustees paid as staff	4,105	4,487
Trustees paid as non-staff	-	-
Trustees that are not paid	**18,110**	**18,299**

Pension entitlements

ATs operate a range of pension schemes for their employees, dependent upon their role. The latest actuarial valuation of the Teachers' Pension Scheme (TPS), one of the schemes operated by ATs, was carried out as at 31 March 2016 and was published by the Department in April 2019. Subsequently, the employer contribution rate was increased from 16.48% to 23.68% on 1 September 2019 and remained the same during 2021/22. 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

Staff exit packages: audited

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

Exit package cost band	Compulsory redundancies	Other departures agreed	Total exit packages
			2021/22
	Number	Number	Number
< £10,000	731	1,410	2,141
£10,001-£25,000	314	691	1,005
£25,001-£50,000	106	271	323
£50,001-£100,000	13	34	47
£100,001-£150,000	1	1	2
£150,001-£200,000	-	1	1
£200,001-£250,000	1	-	1
£250,001+	1	-	1
Total number of exit packages	**1,167**	**2,354**	**3,521**
Total cost (£m)	**15**	**28**	**42**

Exit package cost band	Compulsory redundancies	Other departures agreed	Total exit packages
			2020/21
	Number	Number	Number
< £10,000	1,994	1,651	3,645
£10,001-£25,000	634	740	1,374
£25,001-£50,000	180	220	400
£50,001-£100,000	19	21	40
£100,001-£150,000	3	3	6
£150,001-£200,000	-	-	-
£200,001-£250,000	-	-	-
£250,001+	-	-	-
Total number of exit packages	**2,830**	**2,635**	**5,465**
Total cost (£m)	**26**	**29**	**55**

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

	2021/22			2020/21		
	Accounting Officer	Other Trustee	Total	Accounting Officer	Other Trustee	Total
	Number	Number	Number	Number	Number	Number
Serving at end of year	-	-	-	-	-	-
Left during year	5	-	5	3	37	40
Total number of cases	**5**	**-**	**5**	**3**	**37**	**40**

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. However, due to the derogation received from HMT pay multiples at sector level are not recorded in this document. This is due to the fact there is no single directing authority for pay within the sector.

Staff report part A: audited

Staff costs

			2021/22	2020/21
	Permanently employed staff	Temporary staff	Total	Total
	£m	£m	£m	£m
Wages and salaries	17,737	-	17,737	16,793
Temporary staff costs	-	1,329	1,329	1,016
Social security costs	1,772	50	1,822	1,669
Pension costs	5,688	148	5,836	4,946
Severance payments	48	-	48	69
	25,245	**1,527**	**26,772**	**24,493**
Less recoveries in respect of outward secondments	**(2)**	**-**	**(2)**	**(2)**
	25,243	**1,527**	**26,770**	**24,491**

The table above shows an increase of 9.3% in total staff costs, which is mainly attributed to the staff pay rises, including subsequent impact on pensions and social security costs, the increase to the staff numbers in the sector which have increased by 3.6% (see table below) and the impact of needing to use more temporary staff to cover an increase in staff sickness (noted below) with an increase in costs of £313 million from 2020/21.

Average number of persons employed

The average number of full-time equivalent persons employed during the year is shown in the table below.

			2021/22
	Permanently employed staff	Temporary staff	Total
	Number	Number	Number
Teachers	247,489	16,671	264,160
Management	33,847	658	32,274
Admin and support	246,684	19,921	238,648
	528,020	**37,250**	**565,270**

			2020/21
	Permanently employed staff	Temporary staff	Total
	Number	Number	Number
Teachers	241,167	14,903	256,070
Management	32,274	601	32,875
Admin and support	238,648	17,936	256,584
	512,089	**33,440**	**545,529**

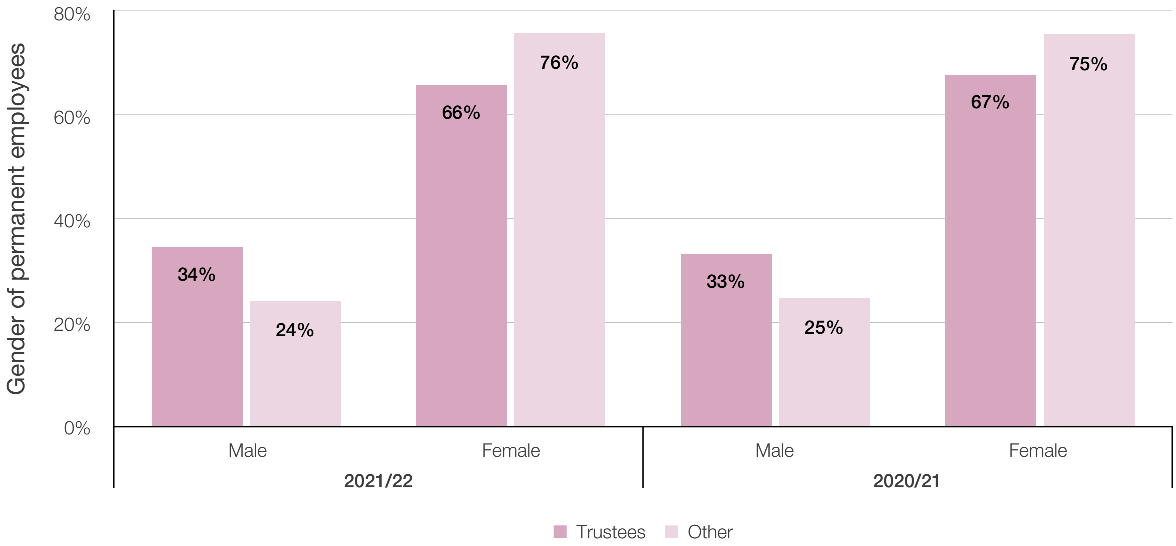
Staff numbers have grown by 3.6% which is broadly in line with the increase in academies converting into the sector and the increase in pupil numbers of 5.5%.

Staff report part B: unaudited

Staff by gender

The charts below cover permanent staff as at 31 August 2022, based on headcount.

Figure 55: Split of male and female employees by Trustees and other



	2021/22			2020/21		
	Male	Female	Total	Male	Female	Total
	Number	Number	Number	Number	Number	Number
Trustees	684	1,305	1,989	775	1,544	2,319
Other staff	127,510	398,521	526,031	127,099	382,670	509,769
	128,194	**399,826**	**528,020**	**127,874**	**384,214**	**512,088**

Details of the average number of staff employed are included in the table on page 84.

Sickness absence

Figures below show the average number of working days lost through sickness absence.

	2021/22	2020/21	2019/20	2018/19	2017/18
Total number of days lost	5,762,228	4,272,007	3,527,753	3,414,590	3,147,771
Average days per FTE	10.9	8.3	7.2	7.2	7.1

Consultancy

The Sector's consultancy expenditure was as follows:

	2021/22	2020/21	2019/20	2018/19	2017/18
	£m	£m	£m	£m	£m
Educational	280	209	193	193	166
Non-educational	62	43	35	37	35
	342	**252**	**228**	**230**	**201**

Off-payroll arrangements

During the year, 38 ATs (2020/21: 75 ATs) had off-payroll arrangements, of these nil (2020/21: four) had such arrangements with trustees. The arrangements with trustees for prior year were for CEO and human resources consultancy services. Details of these arrangements can be found in the individual AT financial statements.

Parliamentary accountability and audit report

Grant tracker: audited

Parliament votes grant expenditure through the Department's supply estimate process, which operates on a financial year basis (year to 31 March).

The below 'grant trackers' reconcile the grants paid out by the Department (over the 2021-22 and 2022-23 financial years to 31 March), with the amount recognised as grant income in the financial statements of the ATs for the 2021/22 academic year to August.

There are three elements to this:

- the revenue grant tracker that looks at the predominantly 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
- where an AT administers a grant on behalf of the Department, and the ultimate recipient is an individual pupil or family, the SARA will only recognise the element of administration cost for that grant. Examples include the 16-19 bursary and some COVID-19 funding (see note 5.3).

Revenue grant tracker

The revenue grant tracker below includes all academy revenue funding for academy operations and other education priorities. This includes:

- 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;
- 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).

Figure 56: Revenue grant tracker

Academic year 2021/22 Revenue Grant Reconciliation	
Grants paid from the Departmental Group to academies	£28.42 billion
Grant income from the Departmental Group reported in the Sector Accounts	£28.46 billion
Variance	-£0.05 billion
Explained variance	-£0.06 billion
Residual (unexplained) variance	-£0.01 billion

The primary reasons for the difference between the Department 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.

Capital grant tracker

The capital grant tracker below includes all academy capital funding issued by the Department. 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 condition improvement fund and Priority School Building Programme);
- funds for structural changes to the academy sector (e.g. capital funding for the free schools programme).

Figure 57: Capital grant tracker

Academic year 2021/22 Capital Grant Reconciliation	
Grants paid from the DfE Group to academies	£2.07 billion
Grant income from the DfE Group reported in the Sector Accounts	£2.02 billion
Variance	£0.05 billion
Explained variance	(£0.01) billion
Residual (unexplained) variance	£0.06 billion

The primary reasons for the difference between the Department 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;
- differences in accounting treatment, where an AT can recognise grants on receipt of confirmation of grant approval such as Condition Improvement Fund grants for school building improvements, that the Department recognises in later grant instalment payments.
- There will be timing and recognition differences between the Department and ATs. Prior to conversion the Department will pay capital grants to LAs to fund building work, however on completion of AuC the SARA will bring on the full value. The data from the Department is at a point in time and is not restated, whereas the SARA will recognise the total costs on completion, and as such is treated as an explained variance.

Public sector losses and special payments : audited

Losses statement

	2021/22	2020/21
Total number of cases	**172**	**695**
Total value of losses	**£m**	**£m**
Cash losses	0.1	0.1
Administration write offs	0.1	0.4
Total value	**0.2**	**0.5**

Special payments

	2021/22	2020/21
Total number of cases	**1,783**	**1,846**
Total value of special payments	**£m**	**£m**
Ex-gratia	0.0	0.0
Compensation	0.1	0.2
Severance	17.9	16.8
Other	0.4	0.1
Total value	**18.4**	**17.1**

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

The highest payment of severance by a trust was £534,000 relating to 43 individual cases (2020/21: £331,000 relating to 45 cases), the lowest payment made by a trust was £1,000 relating to 1 case (2020/21: £1,000 relating to 5 cases).

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

Gifts

	2021/22	2020/21
Total number of cases	1,084	2,577
Total number of ATs paying gifts	19	31
Total value of gifts	**£m**	**£m**
Total value	**0.04**	**0.1**

No single gift exceeded the £300,000 disclosure threshold.

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.

Susan Acland-Hood
Accounting Officer
24 January 2024

The Report of the Comptroller and Auditor General to the Secretary of State for Education and 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 2022. The financial statements compromise the Sector's:

- Consolidated Statement of Financial Position as at 31 August 2022;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Sector's affairs as at 31 August 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Accounts Direction issued by HM Treasury.

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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022).* My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019.* I am independent of the Sector in accordance with the ethical requirements that are relevant to my audit of 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

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

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

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Sector is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Accounts Direction issued by HM Treasury.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with the Accounts Direction issued by HM Treasury;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

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 material misstatements in the Performance and Accountability Reports.

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 by the Sector or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Sector from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions; and
- assessing the Sector's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Sector will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the International Standards on Auditing (UK) (ISAs (UK))

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

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Sector's accounting policies.
- inquired of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Sector's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Sector's controls relating to compliance with Managing Public Money and the Academies Act 2010;
- inquired of management and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal and external specialists, including Pensions (Local Government Pension Scheme) and Property experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Sector for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override of controls.

I obtained an understanding of the Sector's framework of authority and other legal and regulatory frameworks in which the Sector operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Sector. The key laws and regulations I considered in this context included the Accounts direction issued by HM Treasury, the Academies Act 2010, and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Department for Education Board; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

Gareth Davies
Comptroller and Auditor General
26 January 2024

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

Financial Statements

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 August 2022

	Note	2021/22 £m	2020/21 £m
Income	5	(36,048)	(33,934)
Total income		**(36,048)**	**(33,934)**
Staff costs	6	26,770	24,491
Other operating expenditure	7	11,136	11,383
Total operating expenditure		**37,906**	**35,874**
Net operating expenditure		**1,858**	**1,940**
Net finance cost on defined benefit scheme	14	304	232
Net (gain) on conversion of non-LA academies	4	(1)	(15)
Net (gain) on conversion of LA academies	4	(1,053)	(1,124)
Net expenditure for the year		**1,108**	**1,033**
Other comprehensive (income)/expenditure			
Items that will not be reclassified subsequently to profit or loss:			
net gain on revaluation of property, plant and equipment	2	(2,555)	(2,843)
actuarial (gain)/loss on defined benefit pension scheme	14	(17,107)	2,080
Items that may be reclassified subsequently to profit or loss:			
other recognised gains and losses		6	(10)
Total other comprehensive (income)/ expenditure		**(19,656)**	**(773)**
Comprehensive net (income)/ expenditure for the year		**(18,548)**	**260**

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

The notes on page 104 to page 150 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 August 2022

	Note	2022 £m	2021 £m
Non-current assets			
Property, plant and equipment	2	65,949	62,419
Intangible assets		3	5
Investments	9	177	93
Receivables	10	23	19
		66,152	**62,536**
Current assets			
Inventories		10	9
Receivables	10	1,846	1,656
Cash and cash equivalents	11	6,674	5,942
		8,530	**7,607**
Total assets		**74,682**	**70,143**
Current liabilities			
Payables	12	(3,281)	(2,704)
Provisions		-	(1)
		(3,281)	**(2,705)**
Total assets less current liabilities		**71,401**	**67,438**
Non-current liabilities			
Payables	12	(165)	(228)
Provisions		(7)	(7)
Pension deficit	14	(3,356)	(17,878)
		(3,528)	**(18,113)**
Assets less liabilities		**67,873**	**49,325**
Taxpayers' equity			
Charitable Funds		53,252	37,259
Revaluation Reserve		14,621	12,066
		67,873	**49,325**

Susan Acland-Hood
Accounting Officer
24 January 2024

The notes on page 104 to page 150 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 August 2022

	Note	2021/22 £m	2020/21 £m
Cash flows from operating activities			
Net operating deficit		(1,858)	(1,940)
Depreciation and amortisation	2,7	1,668	1,587
Impairment	2	1,626	3,853
Impairment reversal	2	(1,777)	(1,543)
Increase in receivables	10	(194)	(90)
Increase in payables	12	514	277
Non-cash pension movements	14	3,590	2,720
Employer pension contributions	14	(1,242)	(1,155)
Property, plant and equipment donations	2	(334)	(405)
Other non-cash transactions *		1,020	397
Net finance cost on defined benefit scheme	14	(304)	(232)
Net cash inflow from operating activities		**2,709**	**3,469**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1,848)	(2,024)
Proceeds of disposal of property, plant and equipment		(57)	(300)
Other movements		(55)	(10)
Net cash outflow from investing activities		**(1,960)**	**(2,334)**
Cash flows from financing activities			
Cash acquired on conversion of academies	4	52	67
Other movements		(69)	(6)
Net cash (outflow)/inflow from financing activities		**(17)**	**61**
Net increase in cash and cash equivalents in the year		**732**	**1,196**
Cash and cash equivalents at the beginning of the year net of overdrafts	**11**	**5,942**	**4,746**
Cash and cash equivalents at the end of the year net of overdrafts	**11**	**6,674**	**5,942**

The notes on page 104 to page 150 form part of these accounts.

* The majority of the "Other non-cash transactions" relates to profit/loss on disposal shown in Note 7 offset by other smaller amendments.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 August 2022

	Note	Revaluation Reserve £m	Charitable Funds £m	Taxpayers' Equity £m
Balance at 1 September 2020		**9,223**	**40,362**	**49,585**
Deficit for the year		-	(1,033)	(1,033)
Other comprehensive income				
Net gain on revaluation of property, plant and equipment	2	2,843	-	2,843
Actuarial loss on defined benefit pension scheme	14	-	(2,080)	(2,080)
Fair value gain on investments		-	10	10
Total other comprehensive income/(deficit)		**2,843**	**(2,070)**	**773**
Total comprehensive income/(deficit) for the year		**2,843**	**(3,103)**	**(260)**
Balance at 31 August 2021		**12,066**	**37,259**	**49,325**
Deficit for the year		-	(1,108)	(1,108)
Other comprehensive income				
Net gain on revaluation of property, plant and equipment	2	2,555	-	2,555
Actuarial (loss)/gain on defined benefit pension scheme	14	-	17,107	17,107
Fair value (loss)/gain on investments		-	(6)	(6)
Total other comprehensive income/(deficit)		**2,555**	**17,101**	**19,656**
Total comprehensive income/(deficit) for the year		**2,555**	**15,993**	**18,548**
Balance at 31 August 2022		**14,621**	**53,252**	**67,873**

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

The notes on page 104 to page 150 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.

These accounts have been prepared in accordance with the 2021-22 FReM issued by HMT and with the AAD issued by HMT (annex I). 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 I. 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 2021/22 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 SORP based on UK generally accepted accounting policies.

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

1.2 Going concern

The accounts are produced on a going concern basis. The academies sector is financed by the Department, 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, the Department 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, the Department has the power to re-broker struggling academies to stronger ATs to maintain provision.

Consequently, the Department 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. Until 2015-16, ATs were included within the Departmental consolidation boundary.

The Department 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 is included in the relevant note.

To provide increased clarity and brevity, the Department 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 FReM amendments

There have been no significant amendments to the FReM for 2021-22.

1.6 Early adoption

The sector has not early adopted any accounting standards in 2021/22.

1.7 IFRSs in issue but not yet effective

To comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the SARA must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Department has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. The full impact of the IFRSs in issue but not yet effective is not known and could be material to the accounts. The Department has chosen not to early adopt requirements of the following accounting standards and interpretations which have an effective date after the start of these accounts.

1.7.1 IFRS 16 Leases (IFRS 16)

Effective for annual periods beginning on or after 1 April 2022. The proposed changes 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 all leases which last over 12 months on-balance sheet. This will result in the recognition of a right of use asset, measured at the present value of future lease payments, with a matching financing liability. The pattern of recognition of the expenditure will result in depreciation of the right of use asset and an associated finance cost being recognised.

The current year accounts do not reflect changes for IFRS 16, however we have commenced work for transition to IFRS 16 which are shown in Note 2.9 along with an indicative impact where this is known. Our work to date suggests that from 1 September 2022 we expect to de-recognise an element of AUC which will now be recognised by the Department. A number of sites previously deemed to be operating leases will be recognised as right of use assets with associated liabilities as required.

1.7.2 IFRS 17 Insurance Contracts (IFRS 17)

Effective for annual periods beginning on or after 1 January 2023. It has not yet been decided when FReM will adopt the standard for government financial reporting and what amendments or interpretations may be necessary.

The standard makes changes to how insurance contracts are accounted for and may in certain circumstances widen the scope of which financial positions are judged to be in-scope for the standard than those caught by IFRS 4 Insurance Contracts (IFRS 4). However, prior to adoption by FReM the final version for the standard applicable to the SARA has still to be decided and as such unable to scope the impact of adopting the new standard.

2. Property, plant and equipment

2.1 2022

	Land and Buildings	Leasehold Improve'ts	IT Equipment	Plant and Machinery	Furniture and Fittings	Motor Vehicles	AuC	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
At 1 September 2021	59,270	1,013	1,869	248	2,014	59	1,681	66,154
Additions	54	222	231	30	251	6	1,054	1,848
Acquired on conversion								
LA	1,000	3	2	4	4	-	140	1,153
Non-LA	35	-	1	-	2	-	9	47
Donations	301	7	17	-	7	-	2	334
Disposals	(635)	(11)	(71)	(5)	(24)	(4)	(281)	(1,031)
Revaluations	1,606	-	-	-	-	-	-	1,606
Impairment charge	(429)	-	-	-	-	-	-	(429)
FAR alignment	2	-	-	-	-	-	-	2
Reclassifications	1,280	40	6	1	12	-	(1,339)	-
Transferred from/(to) Departmental Group	-	-	-	-	-	-	36	36
At 31 August 2022	**62,484**	**1,274**	**2,055**	**278**	**2,266**	**61**	**1,302**	**69,720**
Depreciation								
At 1 September 2021	(508)	(236)	(1,447)	(152)	(1,349)	(43)	-	(3,735)
Charged in year	(1,148)	(69)	(228)	(22)	(193)	(6)	-	(1,666)
Disposals	4	2	70	9	16	1	-	102
Revaluations	1,528	-	-	-	-	-	-	1,528
Reclassifications	-	-	(2)	2	-	-	-	-
At 31 August 2022	**(124)**	**(303)**	**(1,607)**	**(163)**	**(1,526)**	**(48)**	**-**	**(3,771)**
Carrying value as at:								
31 August 2022	**62,360**	**971**	**448**	**115**	**740**	**13**	**1,302**	**65,949**

2.2 2022 reconciliation of impairment and revaluation

	Value in Land and Buildings (note 2.1)	Value disclosed in SoCNE (note 7)	Net Revaluation Movement in SoCTE (reserves)
	£m	£m	£m
Impairment	1,296	1,626	2,922
Impairment reversal	(1,724)	(1,777)	(3,501)
Revaluation gain	3,134	-	3,134
Total	**2,706**	**(151)**	**2,555**

2.3 2021

	Land and Buildings	Leasehold Improve'ts	IT Equipment	Plant and Machinery	Furniture and Fittings	Motor Vehicles	AuC	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
At 1 September 2020	57,078	823	1,605	221	1,809	59	1,784	63,379
Additions	-	166	247	25	210	4	1,372	2,024
Acquired on conversion								
LA	1,224	1	4	-	6	-	94	1,329
Non-LA	23	-	-	-	-	-	15	38
Donations	305	4	67	1	12	-	16	405
Disposals	(169)	(14)	(56)	(1)	(30)	(4)	(5)	(279)
Revaluations	2,231	-	-	-	-	-	(4)	2,227
Impairment charge	(3,106)	(4)	-	-	-	-	-	(3,110)
FAR alignment	5							5
Reclassifications	1,679	37	2	2	7	-	(1,727)	-
Transferred from/(to) Departmental Group	-	-	-	-	-	-	136	136
At 31 August 2021	**59,270**	**1,013**	**1,869**	**248**	**2,014**	**59**	**1,681**	**66,154**
Depreciation								
At 1 September 2020	(790)	(184)	(1,300)	(132)	(1,197)	(40)	-	(3,643)
Charged in year	(1,127)	(55)	(201)	(20)	(177)	(5)	-	(1,585)
Disposals	-	3	53	-	24	2	-	82
Revaluations	1,409	-	1	-	1	-	-	1,411
Reclassifications	-	-	-	-	-	-	-	-
At 31 August 2021	**(508)**	**(236)**	**(1,447)**	**(152)**	**(1,349)**	**(43)**	**-**	**(3,735)**
Carrying value as at:								
31 August 2021	**58,762**	**777**	**422**	**96**	**665**	**16**	**1,681**	**62,419**

2.4 2021 reconciliation of impairment and revaluation

	Value in Land and Buildings (note 2.2)	Value disclosed in SoCNE (note 8)	Net Revaluation Movement in SoCTE (reserves)
	£m	£m	£m
Impairment	(3,110)	3,837	727
FAR Alignment	5	16	21
Impairment reversal	-	-	-
Revaluation gain	3,638	(1,543)	2,095
Total	**533**	**2,310**	**2,843**

2.5 Accounting policy: 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 SoS
- 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

2.5.1 Accounting policy: Key accounting judgements and estimates affecting recognition

Individual ATs are required to consider compliance with SORP in recognition of their own land and buildings. The SARA is prepared on an IFRS basis as set out in the FReM. To ensure a consistent accounting policy is applied and judgements formed may differ between the local accounts and the SARA account. These adjustments do 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.

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 LA 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 majority of ATs are not direct counterparties to the PFI agreements, which remain with their LAs or the ESFA.

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

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

2.5.2 Change in accounting treatment for recognition of local additions and disposals

Whilst the majority of capital additions at Trust sites are funded by DfE, either fully or in part, LAs and Trusts can use their own funds to make capital changes to sites (local additions). Until the current year, the Department had made a presumption that unless clear evidence existed to the contrary that these local additions would ultimately enhance the service potential of a site, either through extending the life of buildings or through increasing the number of students that could be educated at a site. Consequently, these local additions were rolled forward in the carrying value of land and buildings until the next professional valuation occurred. These additions therefore formed part of the valuation technique that we used to reach the fair value of the site in line with IFRS 13.

2020/21 showed a significant increase in the volume and number of local additions reported by Trusts to us. When we reviewed the cases in further detail, we identified that the majority of these balances did not directly lead to an increase in the service potential of a school in terms of the number of students that could be educated at the site. Whilst there is no question that the works will address condition issues, and/or provide valuable additional educational benefits for pupils at the school, the Department concluded that these should not be viewed as an addition in light of the specific definition the DRC cost model of service potential.

Where an adjustment in relation to local capital spend cannot be seen to provide additional service potential as outlined above, an adjustment will be made to treat any such spend in the year as maintenance.

2.6 Accounting policy: Valuation of land and buildings

2.6.1 Valuation policy

Land and buildings are valued on a DRC basis using a modern equivalent asset as at 31 August. This is how assets are held at current value in existing use. This approach is used, in line with IFRS 13 Fair Value Measurement, in order to reflect the amount required to replace the service potential 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. The Department used Montagu Evans LLP as their professional surveyors from 2017/18 to present. Valuations are carried out in accordance with the Royal Institute of Chartered Surveyors' (RICS) *Appraisal and Valuation Manual* and the *Department'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
- We determine that only part of the site should be recognised; 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.

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

- Buildings are indexed using the Office for National Statistics interim construction output prices: new work: public (other than housing).
- Land values were indexed, using the House Price Index residential land index issued by LSL Acadata in 2020/21. In 2021/22 we applied no indexation as it significantly diverged from our valuers estimate of land price and other evidence the Department had.

The Department 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 2021/22 the Department updated the Building Bulletin standards, which have resulted in a number of changes to the valuation methodology, set out in 2.6.2 Critical accounting judgements and estimates 'Valuation Model' below.

The Department has also revisited its accounting policy to determine when the changes will be recognised within these accounts. From 2021/22, changes linked to the updated BB103/104 will be recognised at the next full professional valuation. The Department has taken this deliberately prudent policy, as it reflects the complex interplay of the changes in the model and the variable impact across the estate. Further information on the basis for adopting this policy are set out in 2.6.2 Critical accounting judgements and estimates 'Prospective adoption of Net Zero' below.

2.6.2 Critical accounting judgements and estimates affecting valuation

Specialised vs non-specialised assets

The SARA estate is pre-dominantly comprised of school buildings held either freehold or through long leasehold e.g. lease term greater than 75 years at the outset and at a peppercorn rent. As discussed further below these are considered to be specialist assets held for their service potential.

Whilst the sector also occupies buildings such as headquarters buildings and caretakers' houses, these assets would be classified as non-specialised operational assets and will not be valued using the valuation model outlined below. However, these buildings tend to be occupied under arrangements that do not meet the recognition criteria under IAS 17 set out in note 2.5 above.

The valuation model

The value of land and buildings shown in the accounts 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, by creating a Modern Equivalent Asset (MEA) value for recognised buildings assets. Due to 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)
- 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; and
- from 2021/22 the Building Bulletins also specified additional requirements in future builds to support the Departments contribution to the net zero target [66]. This will result in significant increases in the future costs of construction.

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 result in a lower MEA 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.

66 Sustainability and climate change: a strategy for the education and children's services systems – GOV.UK (www.gov.uk)

These factors drive the MEA cost 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 LA 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 construction cost data provided by the ESFA, updated by further 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.

The value that is taken into our accounts is DRC, which adjusts the MEA cost to take into consideration physical obsolescence. Physical obsolescence is primarily calculated through estimating the year of construction of an academy. A discount factor is applied to the MEA cost.

- This factor is greater for assets post World War 2 to the 1990s, to reflect building techniques used at the time, including pre-stressed concrete that may require quicker replacement than other forms of construction.
- From 2021/22 an additional discount factor was applied to reflect that the existing estate would potentially now need to be renovated than its physical condition would require, in order to meet the Departments commitments to net zero. This adjustment effects all construction prior to 2022 but is weighted towards the older parts of the estate The impact of this is further discussed under the prospective implementation of Net Zero below.
- Where schools are shown to be over capacity an additional discount factor is applied to reflect that the school may be subject to more physical obsolescence; and
- Valuers are able to adjust the discount factor, where in their professional judgement evidence supports this. Such evidence includes physical inspection, condition data collection surveys, planning consents and satellite imaging indicates either the condition is worse than expected in which case a higher discount factor is applied or the condition is better or net zero enhancements have been made the discount will be lowered.

The impairment charge reported in the year of £1.6 billion recognised against land and buildings reflects the changes in valuation methodology (brought about by the change in valuers from Kier to ME in 2017/18) and the increase in the volume of valuations undertaken. This was offset by £1.7 billion in upwards movement.

The overall result of valuations in the year was a net revaluation gain of £2.6 billion.

The primary reason for a revaluation gain are changes in the market conditions (i.e. changes in land prices), rather than it reflecting a change in the condition of the estate. A small amount of the movement has arisen due to this being the last year that site may have been valued by Kier (2017-18) and this being the first valuation under the ME methodology we have used since then.

As at 31 August 2022 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.

Prospective application of Net Zero

We consider the changes to the Building Bulletin 2021/22 are prospective in nature and do not require restatement of the accounts under IAS8.

Further, it is the judgement of management that due to the complexity of applying the updated building standard that the most prudent application is to recognise the impact on the carrying value of a property only when it has been professionally valued. We expect that all recognised elements of the existing estate will be valued by 2025/26.

This decision has been taken, as management consider that significant uncertainty exists over the value of the uplift to be applied to individual schools.

Management has formed this judgement, as opposed to the alternative of applying an uplift across the estate in 2021/22 following consideration of the points below.

We consulted with our professional valuer, as to the potential impact of applying the revised standard. They advised, that in their professional judgement, significant variability existed in the impact of applying the revised Building Bulletins to the estate.

They based this upon an analysis of the 2020/21 valuation batch for planning purposes and compared this to the actual valuation impact of applying the changes for the 2021/22 valuation batch.

This suggested that at planning, the expected impact was c4.6% on average for the batch, but when considered by type of provision, there was a range of movements between 0% - 10%. When comparing to actual valuations, where evidence of existing net zero modifications are considered alongside other factors such as pupil roll, the average impact was assessed to be c4.8% but when applied to type of provision the range was between 3.2% and 7%. These variations also continued across valuation batches within 2021/22 suggesting that there was significant uncertainty as to whether an individual site would see an uplift upon valuation.

The reason for this variability lies within a number of factors which are not immediately identifiable until a detailed review of a site is conducted. The factors include:

- whether a site comprises building constructed at the same time, or across periods of construction that would attract differing UELs. This would seem to explain the variability we can see between types of provision, where primary schools are more likely to be from a single phase of construction, with secondary being developed to reflect changes in curriculum over time.
- the extent to which sites have been developed since 2010, and to what extent those developments have contributed towards energy efficiency. As the professional valuation allows for individual buildings on a school site to be considered in this way, the impact can vary drastically in multi-building sites.
- the professional valuation allows for other factors, such as pupil roll and condition to be included in the valuation. This may act to either increase the impact of the net zero change, where pupil roll has increased since the last valuation, or to mitigate against it if pupil roll has declined. This is more likely to affect primary schools than secondary schools as the current demographic trend shows a small decline in primary numbers. Whilst this is not sufficient to counteract price inflation within the building estimate, or to require a general impairment at this time, it may offset in part (or fully) any proposed increase.
- the focus of centralised data collections on the estate has historically been on the legal basis of occupation and the condition of the estate. A less complete picture exists of the extent to which the existing estate is already net zero compliant. This prevents us being able to reliably estimate the adjustment at an individual site level.

Management also consider:

- raising the MEA valuation, without also amending the associated discount factor which derives the DRC would result in an uplift in the valuation, without the subsequent increased depreciation in subsequent years that would be anticipated by applying the valuation model in full.
- significant uncertainty exists as to following key factors which we would need to be aware of to assess whether our current modification to UELs is sufficient:
- the policy decisions to be taken around how & how quickly the net zero amendment will take place.
- whether the current batch is indicative of the wider population, especially with respect to when they were last significantly developed/renovated.
- the cost and technology available to retrofit the existing estate; and
- the funding available in the mid-term to deliver this change.

Taken together, all of these factors prevent us being able to reliably estimate in isolation the effect of net zero on asset values without placing them through the full valuation methodology, which management assess as not cost effective.

Valuation of AuC, additions and converter schools

The value of 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 and relevant attributable internal costs to the sector. 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 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 DRC.

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 these 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 AuC programme, they are recognised at the value of the asset recognised in the ATs' financial statements and then revalued in line with the Department's valuation policy.

2.7 Accounting policy: Property, plant and equipment 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.

2.8 Accounting policy: 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 – up to 60 years, or the lease term (whichever is shorter)
- leasehold improvements – up to 60 years, or the lease term (whichever is shorter)
- motor vehicles – 3 to 10 years
- IT equipment – 2 to 10 years
- plant and machinery – 3 to 30 years
- furniture and fittings – 2 to 20 years

2.9 Impact of adopting IFRS 16

In line with the FReM the SARA has not yet adopted IFRS 16 whose adoption date is 1 April 2022. Further background to IFRS 16 can be found in 13.3.1. However, the SARA is required to disclose the expected quantified impact of adopting a new financial reporting standard in financial statements prior to transition. The disclosures below provide a summary of our approach to adopting the new standard and the management judgements applied where necessary.

As noted above (note 2.6.2) the SARA estate is a mix of specialised and non-specialised assets. In order to demonstrate ownership of the land and buildings under IAS 16 and 17 the Department has collected data from the sector annually. This information has been used to confirm the legal basis of the ownership of the asset and provides the basis of any recognition decisions made within these accounts.

The latest collection was as at 31 August 2022. It has also been used to form the basis of any assessments required below for our implementation of IFRS 16.

The current data collected shows that most of the sectors school sites are occupied in one of three ways:

- Freehold
- Long leasehold (which has been classed as virtual freehold as per note 2.5.1)
- Church Supplemental Agreements (as discussed in 2.9.11)

Therefore, there will be no change in the way these assets will be recognised under IFRS 16.

The data also suggests that locations currently recognised as operational leases tend to be non-specialised operational assets (note 2.6.2), such as admin buildings or caretaker houses. They are usually leased for a shorter term, typically no more than 25 years and potentially leased under market rental arrangements.

2.9.1 Management judgements on implementation of IFRS 16

FReM adopts IFRS 16 with a number of adaptations and interpretations to reflect the public sector reporting environment. We describe how we will implement IFRS 16 below.

2.9.2 Transition approach

FReM requires the SARA to adopt the cumulative catch-up approach to adopting the new financial reporting standard. Consequently, there will be no restatement of prior periods through adopting the new standard, all impacts on prior year reported balances will be accounted for as movement in Charitable Funds as at 1 September 2022.

2.9.3 Population of leases to transition

FReM requires the SARA to apply the practical expedient in identifying agreements to transition to IFRS 16. We are not required to make extensive reviews of agreements to identify those agreements in scope of the standard. Only those agreements previously accounted for as a lease are required to be transitioned to IFRS 16 as at 1 September 2022, with peppercorn leases being an exception. The SARA has based its transition workings on leases accounted for under IAS 17 Leases and disclosed as such in the SARA in note 14 and the population of peppercorn leases.

2.9.4 Peppercorn leases

FReM provides clarity as to the treatment of peppercorn leases, which are brought into scope of the financial reporting standard if they meet the definition of a lease for all other aspects of the agreement. Peppercorn leases are described as leases with nil or significantly below market value rentals.

SARA makes a distinction between peppercorn agreements with a term of 70 years or more, which is more than the UEL of a building, these have been recognised. Although they take the legal form of a lease, in substance the SARA recognises these as a donation of a virtual freehold and will continue to do so. Whilst the majority have already been recognised on the SoFP and are not affected by IFRS 16, there are still some sites that will require further review due to confirm the recognition decision.

Peppercorn leases with a term of less than 70 years, which is less than the UEL of a building, have previously not been recognised. Under IFRS 16 these will be reviewed, and a right-of-use asset will be recognised to the value provided by professional valuers.

As the leases are at peppercorn there is expected to be a minimal liability to recognise. Instead, there will be a donation within the accounts to the extent that the change in valuation can be attributed to the adoption of IFRS 16 and recognised as a day 1 accounting adjustment.

Where it is not possible to identify the change in value of a school site attributable to IFRS 16 due to other changes to the service potential of a site as outlined in note 2.6.2, it is likely we will take this as an in-year movement to a school site. This is where some sites have multiple leases and have previously only recognised some under IAS 17. Due to multiple leases it is difficult to attribute movement in value caused by IFRS 16 to the specific element that is being included.

As a consequence, management will be unable to estimate the impact of adoption until such time professional valuations are complete.

2.9.5 Commercial leases

Management has conducted an initial review of land and building leases with an annual rent of £6,000 or more not covered by the two exemptions 2.9.6 and 2.9.7 below. Current rentals below £6,000 are likely to meet the definition of peppercorn and will be treated as per 2.9.4. Our initial estimate of the value of the right of use asset and the associated liability is the value of land and buildings lease commitments in note 13 excluding PFI service concession payments. Cost will be used as the proxy for commercial leases. Individual work is ongoing to calculate the actual value to be recognised on implementation.

2.9.6 Short-term leases

FReM has removed the choice in accounting for leases of less than twelve months duration (short-term leases). FReM requires all departments to adopt the exemption whereby neither a right-of-use asset nor finance liability is recognised, instead rentals are expensed as incurred. This means that all leases of less than twelve months duration as at 31 August 2022 will retain their existing rental expense accounting approach.

2.9.7 Low value leases

The sector has entered into a number of leases for other non-land and buildings assets such as sports equipment, IT equipment, printers and kitchen equipment. At transition FReM requires departments to make use of the exemption available in the standard to retain an expense treatment for rentals for leases of assets classified as low value. Low value is not based on a monetary threshold, rather it is an assessment of the asset's inherent value to the reporting body. The standard removes motor vehicles from the scope of the exemption.

2.9.8 Motor vehicles

The sector has entered into a number of leases for motor vehicles, such as mini-buses. Whilst the standard explicitly states that they cannot be included within a low value exemption, from management preparatory work to identify the scale of leasing in the sector, suggest it is likely to be immaterial, as detailed below.

On transition a decision will be made to determine whether collection of this data will still continue, in light of materiality.

2.9.9 Discount rate

FReM contains an interpretation applying to the discount rate applied to a lease's cash flows to calculate the right-of-use asset. Whilst the standard requires a lease's inherent discount rate to be applied, FReM allows departments to apply an HMT-provided rate if they are unable to readily determine a lease's rate.

The SARA has taken advantage of this interpretation and will apply the discount rate provided by HMT (0.95%) to calculate transition values on adoption.

2.9.10 De-recognition of AuC sites

IFRS 16 provides clearer guidance to the recognition of leased AuC assets prior to control passing on completion of the outbound lease/licence. Where the Department has acquired a site and is constructing a school on it the Department now recognises the AuC until such time as a school is operational and ultimately a lease agreement has been signed with the AT. This will result in a de-recognition of some AuC assets previously recognised.

2.9.11 Other arrangements not expected to change under IFRS 16

Due to the complex scale of the sector there are a number of agreements similar to leases and a review is undertaken to identify if they are in substance a lease under IFRS 16. The table below shows the current treatment (under IAS 17) and that under IFRS 16:

	Under IAS 17	Under IFRS 16
Type of arrangement		
Mere licenses/ Church or Charitable Supplemental Agreements	De-recognise	De-recognise
Tenancy at will	De-recognise	De-recognise
Open ended licenses	De-recognise	De-recognise
Development agreements	Recognise	Recognise

- Mere licenses are undocumented agreements to occupy a site and can be terminated at any point.
- Tenancy at will and open-ended licenses are similar to mere license except that they are documented.
- Church or Charitable Supplemental agreements are documents which relate to a mere license. Under case law the site can be taken back by the charity or faith body with two years notice or less.
- Development agreements are used when constructing or significantly re developing a school site. They grant a license with an implicit lease of 125 years at peppercorn which automatically comes into place once construction is complete and treated as a virtual freehold.

2.9.12 Other practical expedients expected to be adopted on transition

- to exclude intangible assets;
- to exclude service charges or maintenance costs from the measurement of the ROU asset where it can be separately identified.

2.9.13 Operational activities

Leases entered into in this area are commercial in nature and were classified as operating leases under IAS 17. The Sector acts as tenant/lessee in all instances. Our current best estimate of the impact of adopting IFRS 16 for these leases is shown in the table below.

Operating leases at peppercorn rent as noted at 2.9.4 above require professional valuations. Therefore, we cannot provide an estimate at this stage.

Other occupations comprise sites occupied under the categories outlined at 2.9.11 have been reviewed under IAS 17 and it is expected that we will apply the treatment outlined there under IFRS 16. No estimate has been provided as there is no change expected when adopting IFRS 16. These can include undocumented arrangements as at 31 August 2022 data collection. An additional review will be completed at transition based on the August 2023 data collection to ensure no additional new information has been presented at the transition date.

	Land and buildings	Equipment	Motor vehicles	Total
	Number	Number	Number	Number
Number of leases held:				
No exemption applied	239	-	2,095	2,334
Short-term exemption applied	-	-	-	-
Low value exemption applied	-	486	-	486
AuC	31	-	-	31
Total lease numbers	270	486	2,095	2,851
	£m	**£m**	**£m**	**£m**
Values of adopting IFRS 16 as at 1 September 2022				
Right-of-use asset recognised	159	-	31	190
AuC de-recognised	(194)	-	-	(194)
Prepaid/accrued rentals removed	-	-	-	-
Financing liability recognised	(159)	-	(31)	(190)
Net impact on Reserves	**(194)**	**-**	**-**	**(194)**
Exemption values			-	
Annual rentals for exempted short-term and low value-leases	-	7	-	7

Leases identified, but unable to quantify the impact.

	Land and buildings
	Number
Number of leases held:	
Operating leases at peppercorn rent	487
Other occupations	234
Total lease numbers	**721**

3. Related party transactions

Related parties for the sector include both DfE and the senior management of DfE, and senior management within each individual AT. As set out in annex I, HMT has approved a derogation in respect of related party transactions disclosures. The relationship between DfE and the sector is considered in the grant trackers included in the accountability section on page 87 to page 89. The relationship between management of DfE and the sector have been disclosed in DfE's 2022-23 ARA. [67]

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:

- 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 RPTs are disclosed in ATs' financial statements.

3.1 Payments to related parties

	2021/22	2021/22	2020/21	2020/21
	Number of related party transactions	Payments to related parties	Number of related party transactions	Payments to related parties
	Number	£m	Number	£m
£1 to £50,000	1,354	13	1,406	14
£50,001 to £100,000	119	8	123	9
£100,001 to £200,000	60	8	58	8
£200,001 to £250,000	8	2	12	3
£250,001+	37	31	46	22
	1,578	**62**	**1,645**	**56**

67 https://www.gov.uk/government/collections/dfe-annual-reports

3.2 Payments from related parties

	2021/22	2021/22	2020/21	2020/21
	Number of related party transactions	Payments from related parties	Number of related party transactions	Payments to related parties
	Number	£m	Number	£m
£1 to £50,000	572	6	651	7
£50,001 to £100,000	72	5	78	6
£100,001 to £200,000	65	10	59	8
£200,001 to £250,000	20	5	20	5
£250,001+	63	56	63	57
	792	**82**	**871**	**83**

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. [68]

4. Transfer on conversion

	2021/22	2021/22	2021/22	2020/21	2020/21	2020/21
	LA	DfE	Total	LA	DfE	Total
	£m	£m	£m	£m	£m	£m
Non-current assets						
Property, plant and equipment	1,153	47	1,200	1,329	38	1,367
	1,153	**47**	**1,200**	**1,329**	**38**	**1,367**
Current assets						
Receivables	38	-	38	30	-	30
Cash and cash equivalents	36	16	52	67	-	67
	74	**16**	**90**	**97**	**-**	**97**
Current liabilities						
Payables	(4)	(3)	(7)	(6)	(23)	(29)
	(4)	**(3)**	**(7)**	**(6)**	**(23)**	**(29)**
Non-current liabilities						
Payables	(1)	-	(1)	(2)	-	(2)
Pension scheme deficit	(169)	(59)	(228)	(294)	-	(294)
	(170)	**(59)**	**(229)**	**(296)**	**-**	**(296)**
Net assets transferred on conversion – total	**1,053**	**1**	**1,054**	**1,124**	**15**	**1,139**

68 https://www.gov.uk/government/collections/academies-investigation-reports

4.1 Accounting Policy: In-year conversions

Schools convert into academies throughout the reporting period.

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 LA'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), 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.

5. Income

5.1 Summary

	2021/22	2020/21
	£m	£m
Income from contracts		
Income from activities for generating funds from contracts	324	259
Miscellaneous income from contracts	531	268
Catering income	375	232
	1,230	**759**
Revenue grant income		
DfE Group grants:		
GAG and other revenue grants	26,872	25,202
Pupil premium grant	1,366	1,261
Universal Free School Meals	227	241
LA grants:		
High needs funding	1,530	1,311
Other revenue grants	777	711
Other grants	139	173
	30,911	**28,899**
Capital grant income		
DfE Group capital grants	2,021	2,574
LA capital grants	194	168
Other capital grants	37	33
	2,252	**2,775**
Other income		
Capital donations	1,151	1,098
Revenue donations	206	180
Rental income	209	130
Investment income	6	5
Income from activities for generating funds	22	19
Miscellaneous income	61	69
	1,655	**1,501**
	36,048	**33,934**

Individual grants over £150 million are disclosed separately, with the rest aggregated within Other Grants.

5.2 Accounting policies

5.2.1 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. The majority of non-grant income recognised by the sector is delivered at the point of delivery. It is exempt from IFRS 15 and there are no performance obligations that stretch over an academic year.

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 LAs 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.

5.2.2 Grant income (IAS 20)

Grant income from DfE and other government bodies is recognised on an accruals basis. The grant income received provides the majority of the funding for the sector, including the GAG and a number of other programmes that targets specific areas.

The grant tracker provides a reconciliation between both revenue and capital grant income from DfE (and the ESFA) recorded by the sector and expenditure on the sector recorded by DfE and the ESFA. The grant tracker can be found on page 87 to page 89.

Income is stated net of recoverable VAT where applicable.

5.2.3 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.

5.3 Exceptional income in response to COVID-19

The table below outlines the main sources of income in response to the COVID-19 pandemic during the reporting period:

	2021/22	2020/21
	£m	£m
DfE costs associated with COVID-19 Grant	77	113
COVID-19 Recovery Premium *	171	345
COVID-19 National Tutoring Programme	175	-
DfE total	**423**	**458**
COVID-19 Job Retention Scheme Grant	-	14
COVID-19 Government funding – other	19	46
	442	**518**

* previously known as Catch-up Premium

The above sources of COVID-19 income from Government sources were included within Revenue grant income in note 5. Funds were provided to the sector by these sources, in relation to additional costs incurred and disclosed within staff costs note 6, and other operating expenditure note 7.

The funding support from the Department principally comprises payments made to reimburse ATs for costs linked to National Tutoring Programme and Recovery Premium. In 2021/22 the Recovery Premium was provided by the Department. This fund was provided to support children and young people to catch up on missed learning due to COVID-19.

The Job Retention Scheme funding was provided by HM Revenue and Customs where staff were furloughed. The reasons for ATs claiming this include schools which provide boarding facilities, peripatetic teachers in subjects such as music and sports, and where the school generated additional income from its sports facilities.

Other Government funding was in relation to mass testing and other locally sourced grants i.e. LA COVID winter grant and COVID uniform and meals funding.

5.4 What's important to understand about COVID-19 income in the sector?

In 2021/22 Recovery Premium was provided by the Department to all state-funded mainstream and special schools. The fund was provided to support pupils whose education has been impacted by COVID-19 and was focused on pupils who were eligible for FSM, as well as pupils with no recourse to public funds (NRPF), looked-after children (LAC) and children no longer looked after by a LA in England and Wales because of adoption, a special guardianship order, or child arrangements order (previously known as a residence order).

The value reported in the SARA accounts is lower than the value reported in note 6 of the DfE's 2021-22 ARA for the following reasons:

The SARA operates on a different year end to the Department. Therefore, only funding relating to September 2021 - August 2022 was recognised in this year's SARA.

The Department totals include a number of programmes where payment is made to LAs, such as the Free School Meals Supplementary Grant, and therefore is not recognised in the AT's financial statements. As such, this income is not consolidated within the SARA accounts.

The value reported in the SARA cannot be compared to the DfE 2022-23 ARA as it does not include a separate note for COVID-19 grants. All related funding programmes will be reported within the total grants from 2022-23 onwards.

6. Staff costs

	2021/22	2020/21
	£m	£m
Salaries	17,737	16,793
Temporary staff costs	1,329	1,016
Social security	1,822	1,669
Pension costs	5,836	4,946
Severance payments	48	69
	26,772	**24,493**
Less recoveries in respect of outward secondments	(2)	(2)
	26,770	**24,491**

Staff numbers and further disclosures relating to staff costs are included within the Remuneration and Staff Report on page 83.

6.1 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. For further details, please see the Remuneration and Staff Report. The ATH sets out delegation limits, beyond which permission to make severance payments must be approved by both the ESFA and HMT.

7. Other operating expenditure

7.1 Operating expenditure

	2021/22	2020/21
	£m	**£m**
Educational supplies	852	667
Building maintenance and repair costs	2,136	1,634
Premises costs including rates and service charges	859	806
Catering costs	767	629
Consultancy and other professional fees	558	459
IT and telecommunications costs	503	455
Utilities	507	394
Exam fees	262	212
PFI related charges	248	215
Staff related costs	235	180
Remuneration of academy auditors:		
Audit fees	38	37
Non-audit fees	4	3
Other expenditure	1,656	1,285
Non-cash items		
Depreciation & amortisation	1,668	1,587
Impairment	1,626	3,853
Impairment reversal	(1,777)	(1,543)
Loss on disposal	988	499
Other non-cash expenditure	6	11
	11,136	**11,383**

Operating expenditure has decreased in the current year. More detail on this is included in the financial overview section and note 2.

7.2 Audit fees

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

The NAO charges a fee of £505,000 (2020/21: £460,000) for the audit of SARA and a further £12,500 (2020/21: £12,500) for the audit of the SARA's Whole of Government Accounts return. This is not reported in the values above as the SARA does not bear central costs itself. 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

	2022	2022	2022	2021
	Financial Assets held at amortised cost	Designated at fair value through profit or loss	Total	Restated Total
	£m	£m	£m	£m
Investments	34	143	177	93
Receivables	1,522	-	1,522	1,416*
Cash	6,674	-	6,674	5,942
	8,230	**143**	**8,373**	**7,451**

* VAT has been removed from the analysis and represents an aggregate of AT restatements.

8.2 Financial liabilities by category

	2022	2021
	£m	£m
Held at amortised cost:		
Loans	160	164
Other payables, excluding accruals	1,845	1,620
	2,005	**1,784**

All financial liabilities are carried at amortised cost.

8.3 Accounting Policy: Financial instruments

The sector adopts IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments (IFRS 9). 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.

8.3.1 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:

- Investments

  comprise cash deposits with a maturity of one year.
- Trade and other receivables

  which have fixed or determinable payments that are not quoted on an active market. They do not carry any interest.
- Cash and cash equivalents

  comprise 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 SoCNE 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.

FVTPL

Financial assets at FVTPL include:

- Investments

  the sector holds a small number of quoted investments which are recognised at fair value. Fair value is calculated as the closing bid price as at the year end. 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 expected credit losses (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 the ESFA.

The Sector holds £620 million (2020/21: £433 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 recognise an ECL.

8.4 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans. The sector does not currently have financial liabilities measured at FVTPL; 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:

- Trade and other payables

  excluding 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.

8.5 Financial instrument risk management

As the cash requirements of the sector are met through grant funding from the Department, 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

	Amortised cost	FVTPL	2022 Total	2021 Total
	£m	£m	£m	£m
Balance at 1 September	**17**	**76**	**93**	**90**
Additions	18	84	102	72
Disposals	(1)	(42)	(43)	(61)
Other reclassifications and fair value adjustments	**-**	**25**	**25**	**(8)**
Balance at 31 August	**34**	**143**	**177**	**93**

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

10. Receivables

10.1 Amounts falling due within one year

	2022	2021
	£m	£m
Trade receivables	144	116
VAT receivable	347	259
Accrued capital grants	424	406
Prepayments and other accrued income	842	782
Other receivables	89	93
	1,846	**1,656**

10.2 Amounts falling due after one year

	2022	2021
	£m	£m
Receivables due after more than one year	23	19
	23	**19**

11. Cash and cash equivalents

	2022	2021
	£m	£m
Balance at 1 September	5,942	4,747
Acquired on conversion	52	67
Net change excluding conversions	680	1,128
Balance at 31 August	**6,674**	**5,942**
The following balances are held as cash at bank and in hand:		
Cash at bank and in hand	6,674	5,942
Balance at 31 August	**6,674**	**5,942**

Included in the above is £88 million in relation to amounts held for third parties (2021: £64 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 gain ESFA approval before undertaking borrowings, including bank overdrafts.

12. Payables

12.1 Amounts falling due within one year

	2022	2021
	£m	£m
Accruals and other deferred income	1,441	1,148
Trade payables	834	662
Tax and social security payables	419	388
Loans	31	30
Other payables	556	476
	3,281	**2,704**

12.2 Amounts falling due after one year

	2022	2021
	£m	£m
Loans	129	134
Other payables	36	94
	165	**228**

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:

	2022	2021
	£m	£m
Property, plant and equipment	532	484
Non-cancellable contracts	32	30
	564	**514**

13.2 Commitments under leases

13.2.1 Operating leases

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

	2022	2021
	£m	£m
Land and buildings		
Not later than one year	266	232
Later than one year and not later than five years	988	885
Later than five years	1,717	1,850
	2,971	**2,967**
Other		
Not later than one year	108	76
Later than one year and not later than five years	122	107
Later than five years	12	29
	242	**212**

Included in the table above is £2,812 million (2021: £2,843 million) in respect of service concession arrangements on PFI contracts. These obligations are primarily recharges owed to LAs who are the legal parties to the relevant PFI deals. These do not form a part of a lease payment for rent.

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

13.2.2 Finance leases

Total commitments under finance leases have an aggregate liability of £12 million (2020/21: £4 million restated, due to restatements in the underlying AT accounts). The restated balance does not include any finance leases commitments relating to PFI arrangements which are all accounted for as operating lease commitments

13.3 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 SoCNE as expenditure is incurred.

13.3.1 IFRS 16 Leases

IFRS 16 became effective in Government for accounting periods beginning on or after 1 April 2022. 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 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.

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. As the impact on lease accounting from IFRS 16 will not change the way these leases will 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 2021/22 (as we do not consider these to be recognisable under IAS 16), as detailed in note 2.9.11;

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

The sector participates in pension schemes for its employees.

14.1 Teachers' Pension Scheme

The Teachers' Pension Scheme in England and Wales (TPS) is a statutory unfunded, multi-employer, contributory, defined benefit scheme and members contribute on a 'pay as you go' basis. 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. Employers and members contribute on a "pay as you go" basis with contributions received used to offset payments to current pensioners with the balance of the funding provided by Parliament.

The actuarial valuation of the TPS applicable to the 2021/22 accounts 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 charge equivalent to 0.08% of pensionable salary to cover administration expenses which was introduced from 1 September 2015. Employers' contributions for 2021/22 were £2,630 million (2020/21: £2,411 million).

The formal actuarial valuation report and supporting documentation can be found on the TPS website.[69] The valuation using 31 March 2020 data has been published on the TPS website[70] and is applicable from April 2024.

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

14.2 LGPS

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 LAs. Whilst the scheme is national, benefits are accrued at the local fund level. The assets of the scheme are held separately from those of the sector and are invested in managed funds.

Parliament has agreed, at the request of the Secretary of State, 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.

69 https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx
70 https://www.teacherspensions.co.uk/news/employers/2023/10/valuation-result.aspx

Employer contribution rates are determined by a qualified actuary and on the basis of triennial valuations. Employers' contributions for 2021/22 were £1,242 million (2020/21: £1,155 million). The agreed contribution for future years ranges from 17% to 50% for employers' dependent on the LA.

As LGPSs are not sectionalised the value of the assets and liabilities in respect of each participating employer including each AT is only determined once every three years via an actuarial funding valuation. The results of the valuation are used to determine the funding level of the LGPS and to specify the level of future contributions for each employer. The results of the funding valuation are then rolled forward each year allowing for cashflows and changes in financial conditions to produce the approximate funding level on an accounting basis for each AT. The asset and liability values for each AT at 31 August 2022 and 2021 are based on the results of the 31 March 2019 valuation. The actual asset value for each AT's share of an LGPS is determined only at each funding valuation.

The most recent actuarial valuation was as at 31 March 2022 but this valuation was not available to ATs when producing their accounts and therefore the valuation used in these accounts was as at 31 March 2019. Actuarial experts have estimated that the difference between the two actuarial valuations would not be materially different, at between 0.1% and 0.4% of liabilities. However, this could only be confirmed by recalculating all assets and liabilities for each AT which is considered an inappropriate burden on the sector, so the roll forward methodology of the 31 March 2019 valuation is retained for this report.

At the 31 March 2019 funding valuations, the funding level across the LGPS's funds in England and Wales as a whole was 98% which was an improvement from the 85% level from the 31 March 2016 funding valuations. Across these LGPS units as a whole the average employer contribution rate, as a percentage of salary, payable for the period 2020 to 2023 was similar to the rate for 2017 to 2020.

There were two main impacts of the 2019 funding valuation. Demographic assumptions were updated to reflect more up to date experience and expectations. In particular, life expectancies for the 2019 funding valuations are around one year less than for the 2016 valuations. The impact of some of this change was reflected in 2017/18 and 2018/19. The impact reflected in 2019/20 is estimated to be around 1% of the liability value which is around £250 million. The second impact related to updating the calculations for the actual experience differing from that assumed over the 2016 to 2019 period, with an estimated loss reported in 2019/20 of around £400 million.

14.3 Other pension schemes

The sector participates in other pension schemes, but the TPS and LGPS are the largest and most significant schemes.

14.4 Fuller details of the LGPS

14.4.1 Summary of movements in the LGPS net deficit

Funded pension schemes are shown on a net deficit 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.

	2022 £m	2021 £m
At 1 September	17,878	13,928
Net liabilities assumed on conversion	228	294
Current service cost	3,221	2,479
Employee contributions	-	-
Employer contributions	(1,242)	(1,155)
Benefits paid	-	-
Past service cost	15	8
Net finance cost	304	232
Settlements	26	2
Curtailments	24	2
Pension scheme administration costs	9	8
Actuarial loss/(gain)	(17,107)	2,080
At 31 August	**3,356**	**17,878**

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:

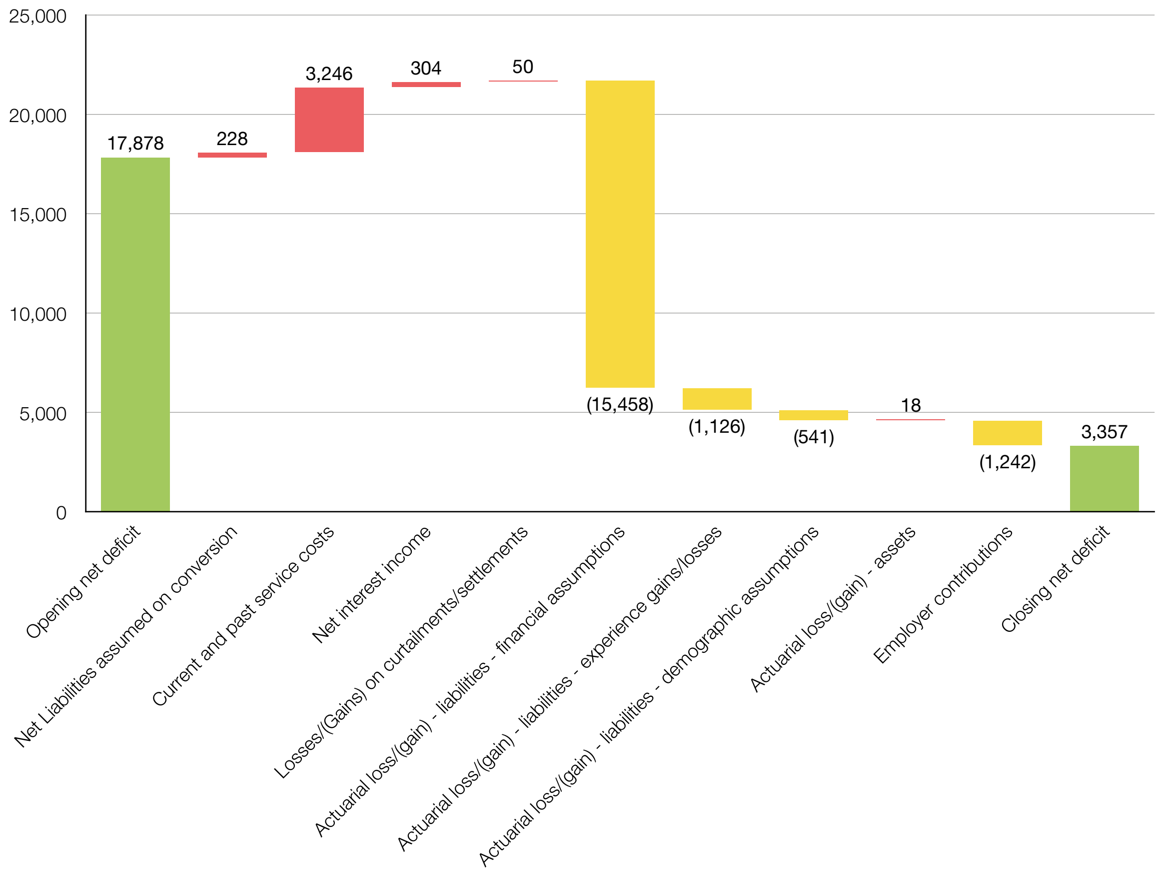
- the actuarial loss/gain
- the current service costs which increase the liability
- employer contributions which decrease the liability

In 2021/22, there has been a significant shift in the nominal discount rate which is shown through the actuarial gain of £17,107 million. Different ATs use different discount rates due to the varied profiles of their liabilities and the durations of future cashflows, but they all receive actuarial advice when setting the discount rate to be used.

The net discount rate is the difference between the discount rate and the CPI inflation rate; the weighted average net discount rate for the sector was 1.2% p.a. for 2021/22 (2020/21: (1.1%) p.a.). The 2020/21 discount rate was negative and therefore, instead of reducing the future liabilities to take into account the time value of money, the discount rate served to increase the value of the future liabilities. In 2021/22, the net discount rate has swung by 2.3% to a positive figure which means that the discount rate now reduces the value of the future liabilities. The swing in the discount rate has led to the significant actuarial gain and meant that the value of the liabilities at 31 August 2022 is far lower than the value of the liabilities at 31 August 2021.

The sensitivity analysis in the 2021/22 SARA showed that a move of +/- 0.1% in the discount rate would lead to a +/- £825 million movement in the liability. Therefore, the swing of +2.3% would lead to a movement of approximately £18,975 million. The actual movement is slightly less than this due to the sensitivity being an approximation rather than an exact figure.

2021/22 Movements in net pension deficit



In 2021/22, the actuarial gain in the financial assumptions for the liabilities is the key driver behind the decrease in the net pension liability. The increase in net discount rate to 1.2% (2020/21: 1.1%) is the most significant element of change in financial assumptions. The discount rate is set by following yield curves of corporate bonds and the increase in this rate decreases the value of the net pension liability recognised in the 2021/22 SARA. However, 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 increase during 2021/22 may be reversed in future years.

The current service cost is the most significant element increasing the net pension deficit. The current service cost is an estimate made by scheme actuaries of the pension benefit earned by employees in the current year. 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 and they reduce the net pension liability.

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 included an estimated allowance of £250 million for the potential costs following the judgement in the prior year accounting period within past service costs in 2018/19.

An analysis of the in-year movement in LGPS gross liabilities and gross assets are provided in notes 14.4.3 and 14.4.4. Employee contributions and benefits paid impacted on both the gross liability and the scheme assets and so have a neutral impact on the net liability.

14.4.2 Breakdown of Actuarial Gain/Loss

	2022	2021
	£m	£m
Experience gains	(1,126)	(1,956)
Change in financial assumptions – assets	18	3
Change in financial assumptions – liabilities	(15,458)	3,916
Demographic assumptions	(541)	117
Actuarial (gain)/loss	**(17,107)**	**2,080**

FRS 102, 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 financial statements.

14.4.3 Movements in the present value of LGPS gross liability

	2022	2021
	£m	£m
At 1 September	36,129	27,989
Liabilities assumed on conversion:		
LA	463	549
Non-LA	-	-
Current service cost	3,221	2,479
Interest cost	621	483
Employee contributions	339	317
Past service cost	15	8
Actuarial (gain)/loss	(17,960)	4,547
Benefits paid	(289)	(253)
Pension scheme administration costs	1	3
Losses on curtailments	24	2
Effect of non-routine settlements	56	5
At 31 August	**22,620**	**36,129**

14.4.4 Movements in the fair value of LGPS scheme assets

	2022	2021
	£m	£m
At 1 September	18,251	14,061
Assets transferred on conversion:		
LA	235	255
Non-LA	-	-
Employer contributions	1,242	1,155
Employee contributions	339	317
Actuarial (gain)/loss	(853)	2,467
Benefits paid	(289)	(253)
Interest income	317	251
Assets transferred on scheme settlements	-	0
Pension scheme administration costs	(8)	(5)
Effect of non-routine settlements	30	3
At 31 August	**19,264**	**18,251**

14.4.5 Scheme assets

	2021/22	2020/21
	%	%
Equities	63	63
Corporate bonds	10	10
Property	10	8
Gilts	7	8
Cash and other liquid assets	3	3
Other	7	8
	100	**100**

14.4.6 Analysis of non-interest costs charged to SoCNE

	2021/22	2020/21
	£m	£m
Current service cost	3,221	2,479
Past service cost	15	8
Loss on curtailments	24	2
Loss on transfer of assets on scheme settlements	26	2
Pension administration costs	9	8
Net cost	**3,295**	**2,499**

14.4.7 Analysis of interest costs charged to SoCNE

	2022/21	2020/21
	£m	£m
Interest income	(317)	(251)
Interest on scheme liabilities	621	483
Net cost	**304**	**232**

14.4.8 Analysis of amounts in other comprehensive expenditure

	2021/22	2020/21
	£m	£m
Total actuarial loss/(gain)	(17,107)	2,080
Net cost	**(17,107)**	**2,080**

14.4.9 Major financial assumptions

	2021/22	2020/21
Rate of Inflation	0.4% – 9.9%	0.5% – 3.9%
Rate of increase in salaries	1.8% – 4.6%	1.7% – 4.4%
Discount rate	1.7% – 4.9%	1.3% – 2.9%
Rate of increase of pensions in payment	1.5% – 4.3%	2.0% – 4.3%
Average future life expectancies:		
Current pensioners: males	20 – 27	20 – 25
Current pensioners: females	22 – 27	21 – 27
Future pensioners retiring in 20 years: males	21 – 25	22 – 27
Future pensioners retiring in 20 years: females	23 – 27	22 – 27

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.

The key investment risks are:

1. **Market risk**
   this is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. All investments present a risk of loss of capital. In general, excessive volatility in market risk is managed through the diversification of the individual LGPS portfolios in terms of asset classes, geographical and industry sectors and individual securities. The emergence of COVID-19 in 2020 led to an unprecedented level of market volatility in global economic markets.

2. **Interest rate risk**
   this represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The value of the liabilities is also estimated using long term interest rates (by reference to AA corporate bonds).

3. **Currency risk**
   this represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

4. **Credit risk**
   this represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the LGPS to incur a financial loss.

5. **Liquidity risk**
   this represents the risk that the LGPS will not be able to meet its financial obligations as they fall due.

As the ATs participate in a number of LGPS, we consider that the investment risks within the SARA will be similar to those for each LGPS. On this basis, we do not believe at the consolidation level that there is any undue concentration of asset or investment risk.

In 2021/22, 83% of assets were in equity, corporate bonds and property (2020/21: 82%). The markets for these assets may be subject to significant volatility over time and as a result, asset values may move in value.

14.4.10 Inflationary pressure: COVID-19 and conflict in Ukraine uncertainty

COVID-19 continued to cause disruption throughout 2021, although less than 2020. The impact on global supply chains has contributed to upward inflationary pressures merging towards the end of 2021, noticeably so in the energy markets.

February 2022 saw Russian troops invading Ukraine. This is currently still ongoing, and economic sanctions have been placed on Russia by many countries internationally. Both the sanctions and the conflict have already impacted on the global economy and further contributed to the upward inflationary pressures.

Both of these pressures continue to have an impact on the 2021/22 SARA most obviously through the effect of the market uncertainty on corporate bond yield curves. The yield curves drive the discount rates used by ATs and the significant swing in discount rates has led to a smaller net liability on the LGPS as explained in note 14.2.

14.4.11 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%	+/- £575m
CPI inflation (and associated pension increases and salary growth)	+/- 0.1%	+/- £575m
Salary growth	+/- 0.1%	+/- £125m
Life expectancy	+/- 1 year	+/- £725m

There is a range of actuarial assumptions which is acceptable under IAS 19, particularly in respect of expected salary increases and demographic factors. The assumptions used are the responsibility of the ATs, after taking the advice of the actuaries. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a “best estimate” under IAS 19. The actuaries interpret this as meaning that the proposed assumptions are neutral, i.e. there is an equal chance of actual experience being better or worse than the assumptions used.

The assumptions used are largely prescribed and reflect market conditions at 31 March 2022. Changes in market conditions can have a significant effect on the value of liabilities reported. For example, a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. The effect of changes in the key assumptions is shown in the table below.

Over the year to 31 August 2022, there has continued to be an increased level of volatility in the discount rate which is used to value the pension scheme deficit. The table below shows the lower and upper bound of the fluctuation between 31 August 2021 and 31 August 2022 on the same indices reported in the major financial assumptions section (section 14.4.9 above), and what the scheme liabilities would be for the LGPS if it were valued using these alternative discount rates. The effective date of the 2022 SARA coincided with the highest point in the year for the discount rate and therefore the illustrative discount rate is the same as the upper bound.

	Discount rate used 31 August 2022 (illustrative)	Liability at 31 August 2022 using discount rate (illustrative)	Lower bound discount rate	Liability when using lower bound discount rate	Upper bound discount rate	Liability when using upper bound discount rate
Assumption	%	£m	%	£m	%	£m
LGPS	4.10%	22,469	1.50%	37,198	4.10%	22,469

It is anticipated that future year's accounts will move again significantly due to increasing discount rates.

14.5 Accounting policy: Pensions

The sector has adopted FRS102, which is materially compliant with IAS 19, Employee Benefits (IAS 19), 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/E.

14.5.1 Pension valuation for the LGPS

LGPS 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.

15. Contingent Liabilities

15.1 IAS 37 contingent liabilities

15.1.1 Quantifiable

The sector held no material contingent liabilities as at 31 August 2022.

15.1.2 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 2022.

16. Events after the reporting period

ATs continued to be incorporated and to open new academy schools throughout the period from 31 August 2022 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 financial statements. Any significant events will be disclosed as non-adjusting events.

16.1 Inflation

The supply chain has been affected by the conflict in Ukraine, as well as the long-term effects on UK businesses from the COVID-19 pandemic. The rise in energy prices has been one of the main contributors to inflation, with the consumer price index rising to 11.1% in October 2022.

The increase in inflation has affected the supply of goods and has put pressure on the cost of essentials such as fuel and food. These increases will likely affect individual academies and trusts within the sector with the cost of utilities to run the school and food to feed its pupils expected to continue to increase. At the sector level, assets and liabilities linked to market conditions, most notably pension investments and building costs will also be impacted.

16.2 Industrial action

Industrial action was announced in England in January 2023 as a result of formal ballot by the National Education Union (NEU). The NEU initially declared six days of strike action in February and March, though any individual school was only affected by four. Following those strikes, a resolution was not found in England and a further four days of strikes were announced for the Summer Term. The decision on whether academies could remain open rested with the academy trusts. The strikes will have impacted a number of academies in the sector, which may have had to close or restrict attendance, causing disruption to pupils' education and parents. Whilst the pay deal has now been resolved the impact of any disruption will be shown in the 2022/23 account.

16.3 Ministerial changes

During 2022 there were a number of government reshuffles, and changes to the ministerial team as a result of the changes to the Prime Minister:

	Date appointed	Date left
The Rt Hon James Cleverly MP	07 July 2022	06 September 2022
The Rt Hon Kit Malthouse MP	06 September 2022	25 October 2022
The Rt Hon Gillian Keegan MP	25 October 2022	

The Minister for the school system also changed on 17 September 2021 from Baroness Berridge of the Vale of Catmose to Baroness Barran MBE.

From the 22 September 2022 to 26 October 2022 the role title changed from Minister for the School System to Minister for the School and College System and was then subsequently changed on the 27 October to the Minister for the School System and Student Finance, Baroness Barran was reappointed each time.

16.4 Reinforced Autoclaved Aerated Concrete (RAAC)

Since March 2022 the Department has been conducting a review of schools' sites which may have RAAC present. At August 2022 the valuation methodology significantly discounted the value of schools constructed during the 1950-1980's to reflect our professional experts concerns over the condition of the estate dating from this period. Following new evidence in summer 2023, the Department instructed Responsible Bodies to take spaces that are known to contain RAAC out of use until appropriate mitigations are in place. Management have assessed whether a further impairment of these sites was required as at 31 August 2022, but have concluded that this is a non-adjusting event after the balance sheet date, but we will bring forward planned valuations of the affected sites once mitigating actions have been taken.

16.5 Modular construction

In August 2023 three school sites were closed over concerns around the construction materials used by the contractor Caledonian Modular (CM). Remedial works are being undertaken at these sites to ensure they are suitable for use as a school. Further investigative work has now been undertaken at a small number of other sites where CM have been identified as a significant sub-contractor as a precaution. Once the nature of the required works is understood, we will commission a revised valuation for affected sites.

16.6 Authorisation

These accounts were authorised for issue by Susan Acland-Hood (Accounting Officer) on the date they were signed by the C&AG.

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

Department for Education

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