Department
for Education

Academy Schools Sector in England

Consolidated annual report and accounts

For the year ended
31 August 2023

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Annexes

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

Overview

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

- Performance Report – a summary of the financial position and educational performance of the sector
- Accountability Report – a summary of the Department for Education Group's (DfE) and its Agencies' governance structures that provide oversight over the sector. The section also includes 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)

Reporting period

This Annual Report and Accounts (ARA) covers the year to 31 August 2023 before the 2024 general election was called. The performance described herein was achieved under the priorities and objectives of the sitting government of the day. Those objectives may differ from the stated aims and policy objectives of the new government that took office from 5 July 2024. Individuals named are those that served in the reporting year.

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Performance Report

Permanent Secretary's foreword

I am pleased to introduce the 2022/23 Academy Sector Annual Report and Accounts. These accounts provide valuable insight into the academic year ending 31 August 2023 as we bring together the educational performance, governance and financial performance of over 2,400 trusts.

The preparation of these accounts reflects a great deal of hard work across the whole of the academy sector, including from those that provide strong governance, accountability and financial management. I am grateful to everyone who has played a part in this.

Susan Acland-Hood
Permanent Secretary

5 March 2025

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 several types of academies, providing a range of academic provision as follows:

- Free schools – are new schools which are funded by the government but are not run by the local authority. Suitable sponsors can include parents, teacher groups and academy trusts and who 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 [4] and under the contractual arrangements academies entered into with the Secretary of State for Education.

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
4 https://www.legislation.gov.uk/ukpga/1996/56/section/537

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 Accountability Report and the Staff Report, primarily due to structural differences between the sector and central government departments, such as the lack of a single board of directors covering the whole sector. Where possible, the spirit of the requirements has been followed.

Throughout this ARA we have used terminology consistently:

- Department, to mean the core Department for Education
- Agencies, to mean our three executive agencies, either individually or collectively. The executive agencies are the Education and Skills Funding Agency (ESFA), the Standards and Testing Agency (STA) and the Teaching Regulation Agency (TRA)
- The Sector, to mean all academies and academy trusts.
- Financial years to 31 March are written '2023-24', whereas academic years to 31 August are styled '2023/24'

Education and Skills Funding Agency (ESFA)

On 11 September 2024, it was announced that the ESFA would be disbanded, with all core functions moved to the Department by 31 March 2025.

Where references are made to the ESFA's roles and responsibilities, we have provided details of the governance arrangements in place for the 2022/23 academic year.

Overview and analysis

The academy sector at a glance

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

99.7% of ATs (excluding ATs who didn't return their accounts to DfE) received an unqualified audit opinion as at 31 August 2023 (2021/22: 99.8%).

The number of academy trusts has **decreased** during the year to 31 July to **2,400** (2021/22: 2,505).

The number of academies has **increased** during the year to 31 July to 10,350 (2021/22: 9,989).

The number of pupils educated at academies has increased by **3.3%** during the year to **4.8 million** (2021/22: 4.6 million).

At 31 July 2023, **88% of all academies (9,134 academies)** are in a Trust with more than 1 academy (2021/22; 87%, 8,673 academies).

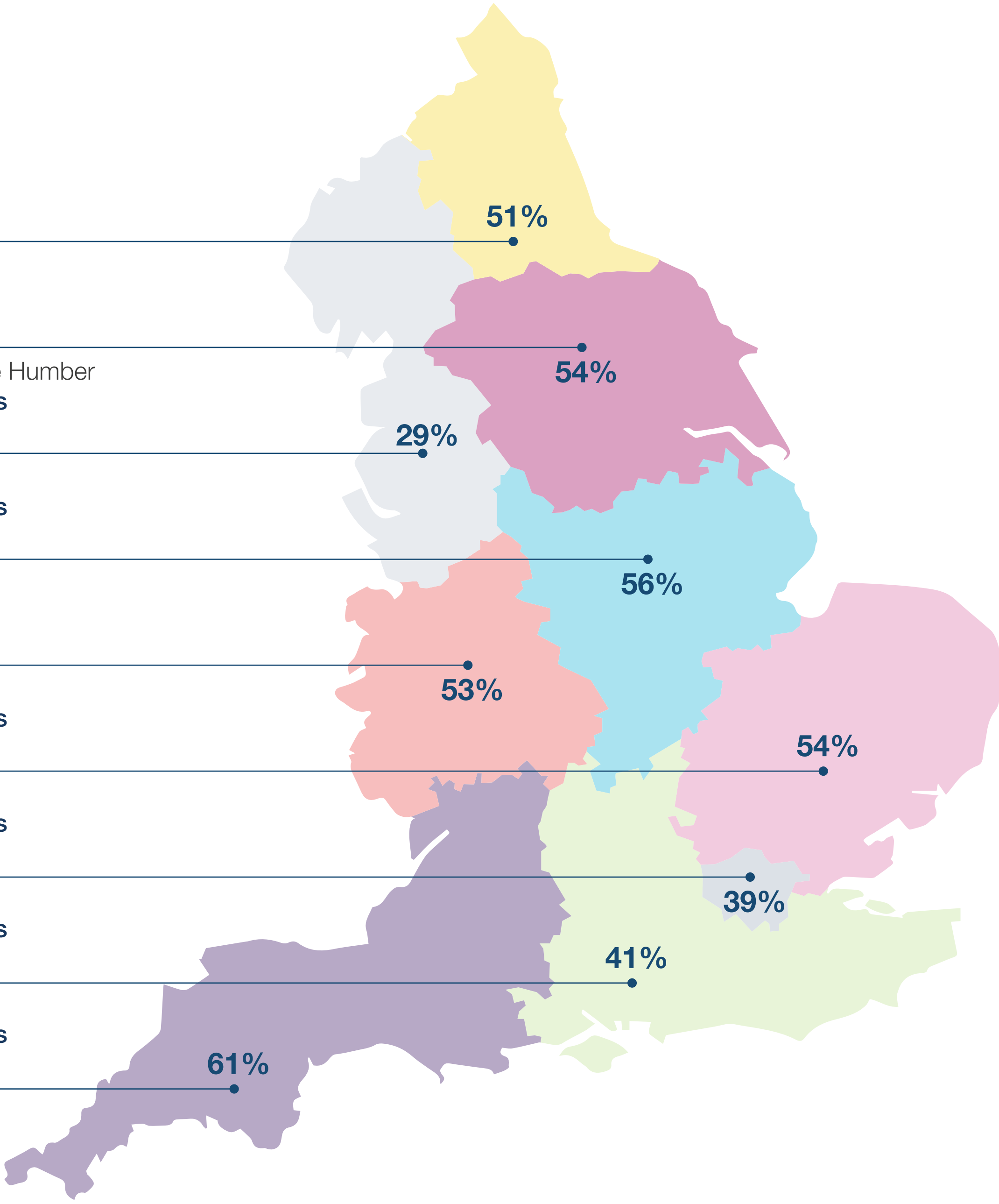
At 31 July 2023, 48% of state-funded schools were operating as academies (compared to 46% at 31 July 22).

The net current assets as at 31 August 2023 were **£5.4 billion** (compared to **£5.2 billion** as at 31 August 2022).

Progress made by pupils in primary converter academies between KS1 and KS2 was higher than all state-funded mainstream pupils overall.

Geographical analysis

Figure 1: The number of academies in each region and percentage of all schools in each region that are academies as at 31 August 2023



North East
560 academies

Yorkshire and the Humber
1,023 academies

North West
2,268 academies

East Midlands
921 academies

West Midlands
1,137 academies

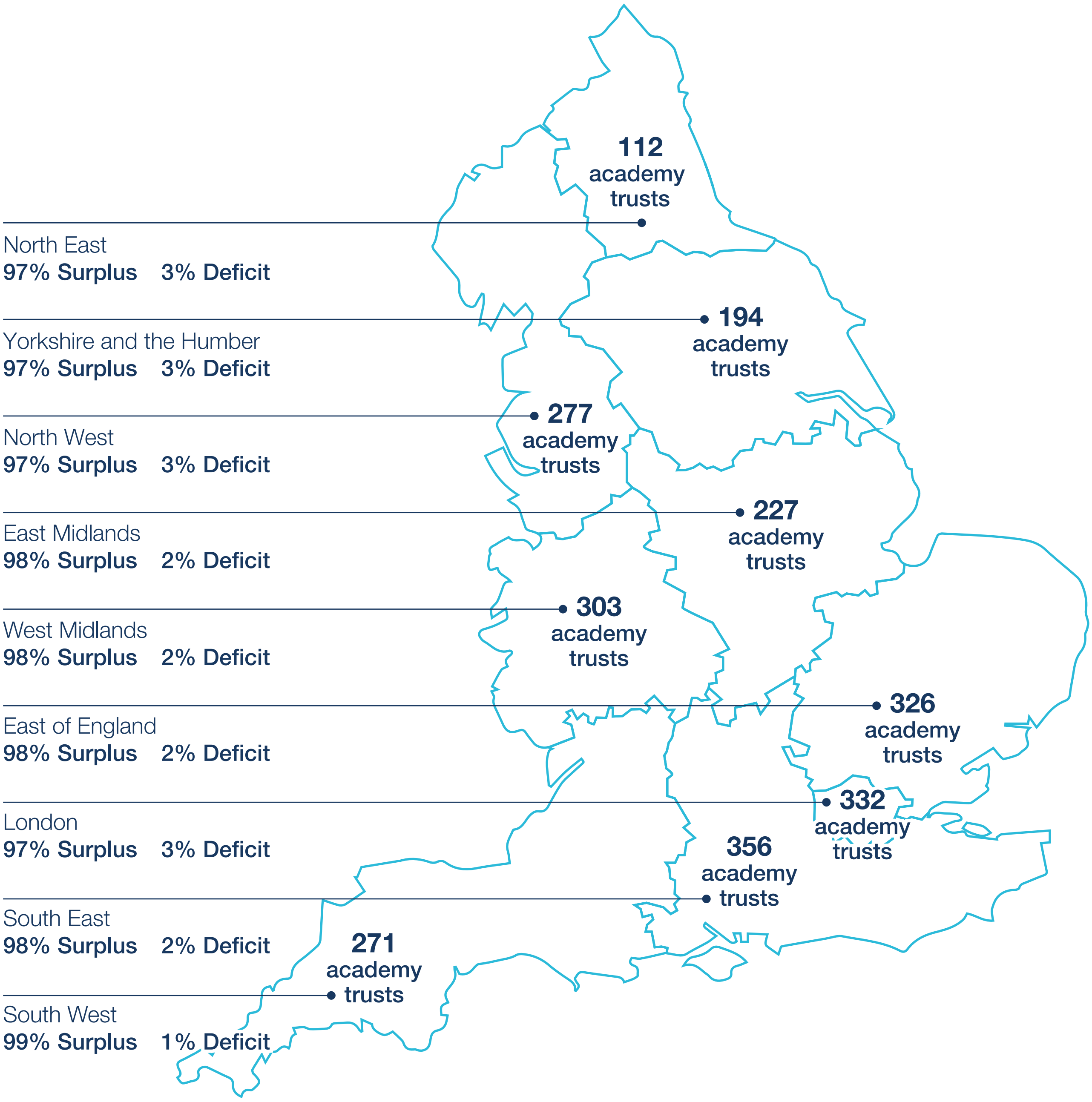
East of England
1,178 academies

London
1,598 academies

South East
2,003 academies

South West
918 academies

Figure 2: Number of academy trusts by region, with percentage of trusts in cumulative surplus and 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.

Reserves

Figure 3 and Figure 4 reconcile the Sector's opening and closing reserves with the in-year movement of income and expenditure for the current and previous year respectively.

The Statement of Comprehensive Net Income (SoCNI) shows that in 2022/23 the Sector has returned a surplus of £4.6 billion (2021/22: a surplus of £18.5 billion). In both years the surplus arose from non-cash movements on the defined benefit pension liability, gains on conversions of academies and the revaluation of property, plant and equipment.

The surplus in 2021/22 was largely due to the actuarial gain of £17.1 billion following movement in the discount rate because of market volatility. Whilst there is an actuarial gain in 2022/23 it is significantly lower at £2.6 billion.

Significant elements of the movement in SoCNI, significant either because they are large in value or are exceptional in nature, are discussed on the following pages.

Figure 3: Income and expenditure in 2022/23 – reconciliation of the Sectors' reserves

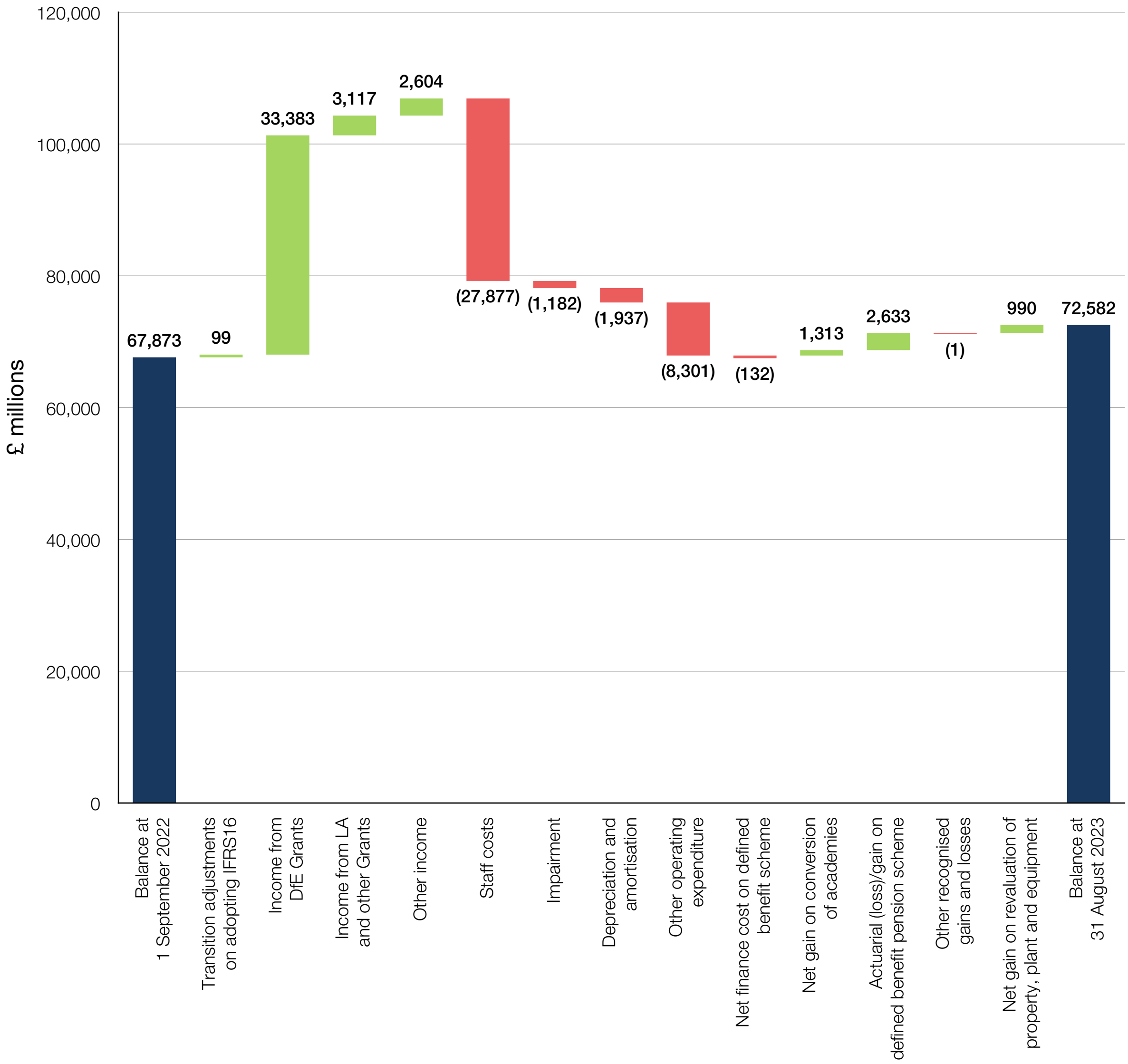
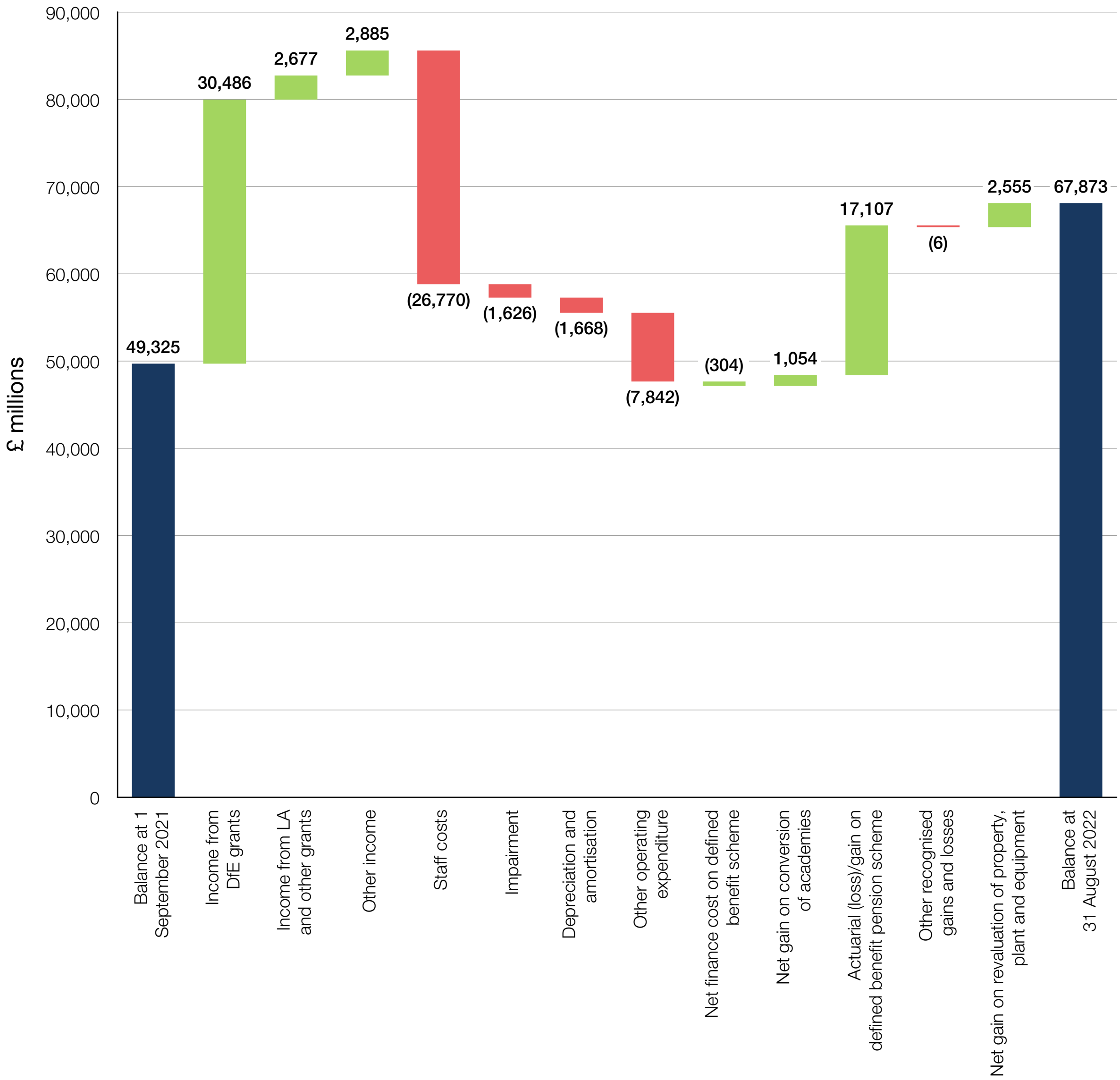


Figure 4: Income and expenditure in 2021/22 – reconciliation of the Sectors' reserves



Statement of Comprehensive Net Income (SoCNI)

During the year to 31 August 2023, the number of academies within the sector increased by 3.6%. Of the 9,073,832 total pupils that are in state education in England, 52.9% of pupils were educated in an academy at the reporting date, which impacts both income and associated expenditure.

The Sector generated total comprehensive net income of £4.6 billion (2021/22: £18.5 billion). The significant factors contributing to this were:

- £1.3 billion (2021/22: £1.1 billion) gain on conversion to academy status, the majority of which relates to the value of land and buildings transferred
- £2.6 billion (2021/22: £17.1 billion) actuarial gain on the defined benefit pension scheme, which is driven by movements in the discount rate
- £1.0 billion (2021/22: £2.6 billion) gain on revaluation of property, plant and equipment primarily due to market conditions
- Increase in DfE grant income of £2.9 billion

These movements are reviewed in more detail below.

Income and funding

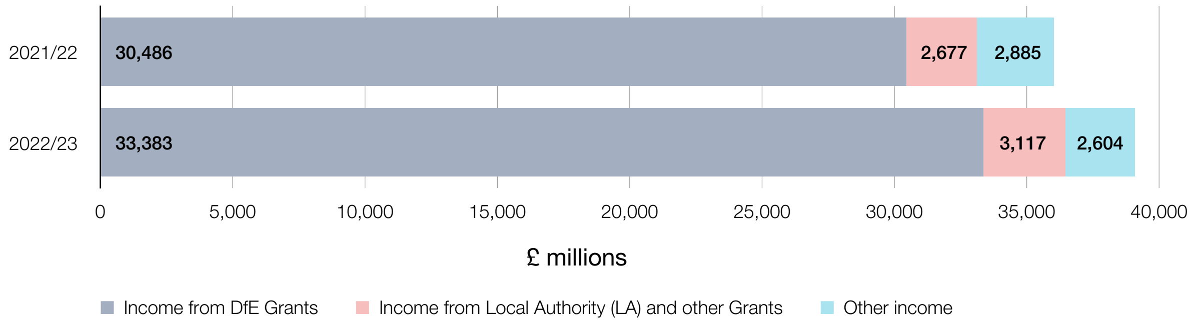
As noted in Table 1, most of the Sector's funding is provided via grant income both from the Departmental Group and from other sources including Local Authorities (LAs).

Table 1: Income by category

	2022/23	2021/22	Movement	Movement
	£bn	£bn	£bn	%
Revenue grant income	34.0	30.9	3.1	10.1
Capital grant income	2.5	2.3	0.2	8.7
Other income including income from contracts	2.6	2.8	(0.2)	(7.1)
Total	**39.1**	**36.0**	**3.1**	**8.6**

A detailed breakdown of income contained in each category is included in note 5.

Figure 5: Income for the last two years



Revenue Grant income

The Department and its agencies fund over 90% of the Sector's revenue grant income. The largest element of grant income that ATs receive is the General Annual Grant (GAG).

In 2022/23 DfE revenue grant income was £31.2 billion (2021/22: £28.5 billion), an increase of £2.7 billion (9.5%).

The increase was caused by the following factors:

- the increase in the academy sector pupil numbers (3.3%) following local-authority-maintained schools converting to academies as GAG is based on pupil numbers
- an average 3% uplift in the amount of funding per pupil
- additional funding of approximately £700m paid as the Schools Supplementary Grant to help cover any additional costs
- increase to the national funding rate for 16 – 19-year-old provision to incorporate funding for the teachers' pay grant, for inflationary pressures and to support the delivery of additional hours.

Local Authority Grant income has increased by £435 million. There has been a £315 million increase in Local Authority Special Educational Needs grants. These are funds which the Department pays to Local Authorities, who then redistribute it based on each individual school's needs. The increase is driven by the continued trend of a rise in pupil numbers requiring additional support. Further information can be found here[5].

5 https://explore-education-statistics.service.gov.uk/find-statistics/special-educational-needs-in-england/2022-23

Capital Grant income

Capital grant income has risen by 8.7%, with £194 million of the £221 million increase attributable to DfE capital funding following additional funding announced in December 2022 to assist schools and colleges with energy efficiency upgrades, helping to manage energy consumption and save on bills.

Other income

Table 2: Other income

	2022/23 £bn	2021/22 £bn	Movement £bn	Movement %
Trust generated income	1.8	1.5	0.3	22.9
Revenue donations	0.2	0.2	0.0	11.0
Capital donations	0.6	1.1	(0.5)	(51.0)
Total	**2.6**	**2.8**	**(0.2)**	**(7.0)**

Income generated by Trusts, which includes catering income and rental/facilities income, has increased by £250 million. Capital donations income relates to school sites donated to ATs following conversion to academy status and the completion of capital projects by DfE or local authorities carried out for trusts, such as construction of new Free Schools. Capital donations have fallen by £500 million. The value of capital donations in any one year will be driven by the number of new converter academies and the pipeline of capital projects, which is driven by the need for new school places and to improve the overall quality and diversity of educational provision.

Operating expenditure

Table 3: Expenditure by category

	2022/23 £bn	2021/22 £bn	Movement £bn	Movement %
Staff costs	27.9	26.8	1.1	4.1
Other operating costs	11.4	11.1	0.3	2.7
Total	**39.3**	**37.9**	**1.4**	**3.7**

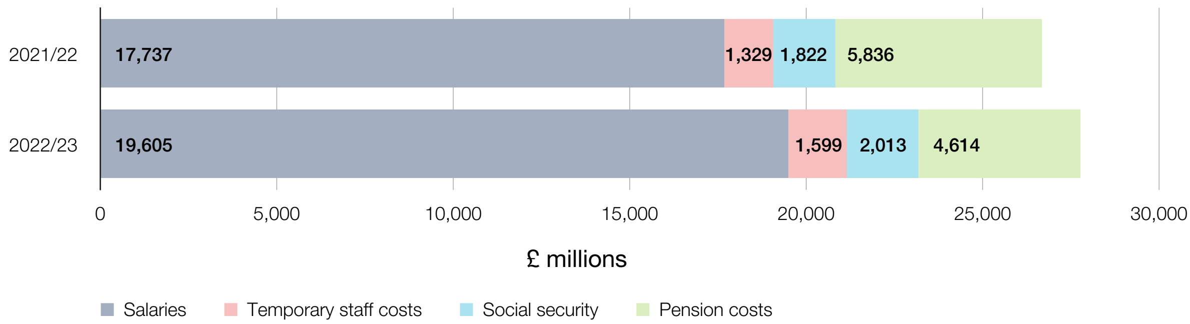
Operating expenditure has risen by £1.4 billion (3.7%). When excluding non-cash costs in both years, the underlying increase in expenditure is 5.1%. The rise is driven by:

- the 3.3% increase in the number of pupil numbers in the Sector which translates to a corresponding increase in additional staff numbers and staff costs
- the impact of inflationary pressures on costs, specifically energy costs

Staff Costs

Staff costs have increased by 4% in the year, a detailed breakdown can be found in note 6.

Figure 6: Staff costs for the last two years



Total staff costs make up over 70% of total operating expenditure and have increased by 4% in the year, due to the following factors:

- average permanent staff numbers have increased by 3.9%, primarily due to the 3.6% increase in academy numbers
- an average teacher pay award of 5.4% [6] and teachers' progressing up pay scales
- increase in temporary staff costs which is in line with the rise in temporary staff numbers, specifically in administrative and support roles. See page 99.

Employer pension contributions have increased this year to £4.3 billion (2021/22: £3.9 billion) following salary rises.

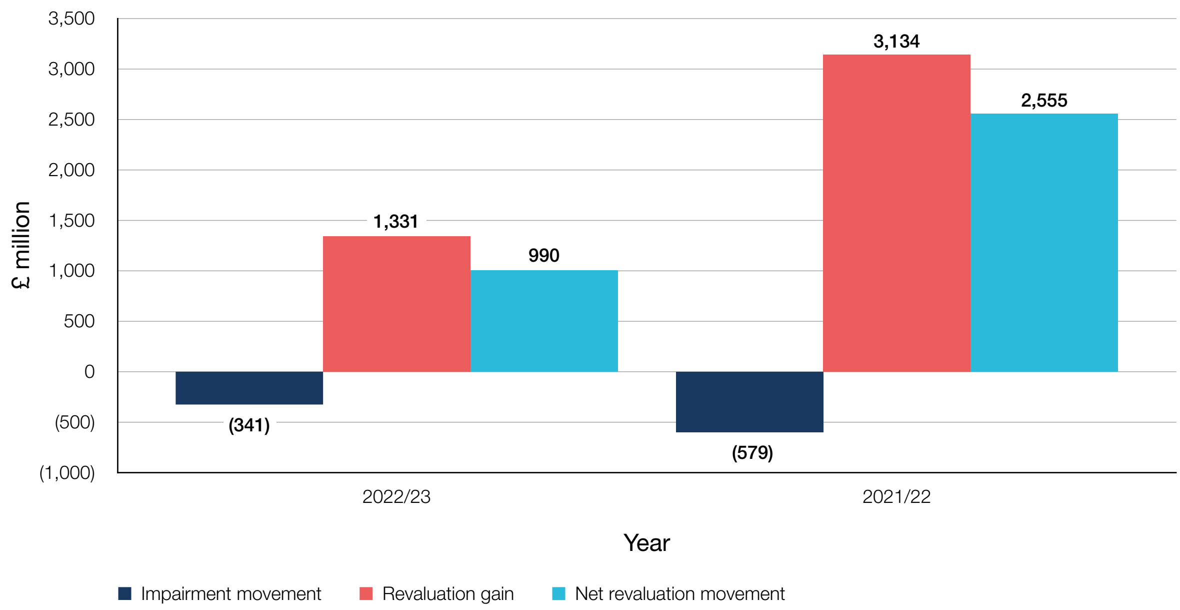
The reduction in total pension costs is due to movement in the current service cost element of the Local Government Pension Scheme (LGPS) funded scheme. This is directly affected by the increase in the discount rate in the previous year, which reduced the current service cost and therefore the pension cost. This is discussed further in note 14.

6 https://assets.publishing.service.gov.uk/media/64aff19dfe36e000146fa8e6/STRB_33rd_Report_2023_Web_Accessible_v02__1_.pdf

Revaluation movement

The net increase in land and buildings values year on year is driven by the revaluation gain (charged to the revaluation reserve) of £990 million (2021/22: £2.6 billion), as well as the impact of the impairment movement. The gains on revaluation are held separately from operating profit as they may be reversed in future years.

Figure 7: Net revaluation movement for the last two years



In 2022/23 the net impairment loss has decreased to £341 million (2021/22: £579 million) due to the impact of external market factors (e.g. rate of inflation) on indexation rates applied to the in-year valuation of academy sites.

Revaluation gains on buildings have arisen predominantly due to market conditions, particularly cost inflation within the construction industry e.g. material costs and salaries. We are continuing to implement the changes to Building Bulletin 103: Notes on area guidelines for mainstream schools (BB103)[7] to help the Department achieve the net zero targets as outlined in note 2.

The net revaluation gain has reduced significantly due to the offset of downwards movement on the valuation of land as advised by our external valuers and our review of market indices. Our initial valuation work completed for 2023/24 is indicating that these downwards movements on land may well be reversed in subsequent years as market conditions change.

More information on the property, plant and equipment valuation methodology can be found in note 2.

7 https://www.gov.uk/government/publications/area-guidelines-and-net-capacity/notes-on-area-guidelines-for-mainstream-schools-bb103

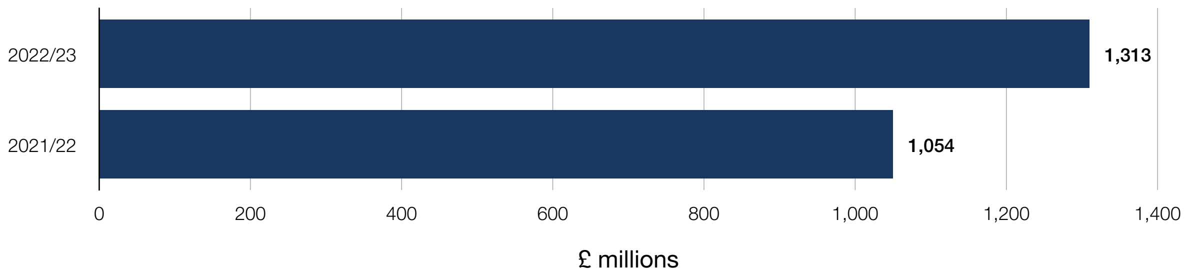
Other (income)/expenditure

Table 4: Other (income)/expenditure

	2022/23	2021/22	Movement	Movement
	£bn	£bn	£bn	%
Finance cost	0.1	0.3	(0.2)	(56.0)
(Gain) on conversion of academies	(1.3)	(1.1)	(0.2)	19.4
Gain) on revaluation	(1.0)	(2.6)	1.6	(61.9)
Actuarial (gain) other income	(2.6)	(17.1)	14.5	(84.6)
Total	**(4.8)**	**(20.5)**	**15.7**	**(76.6)**

Net gain on conversion to academies

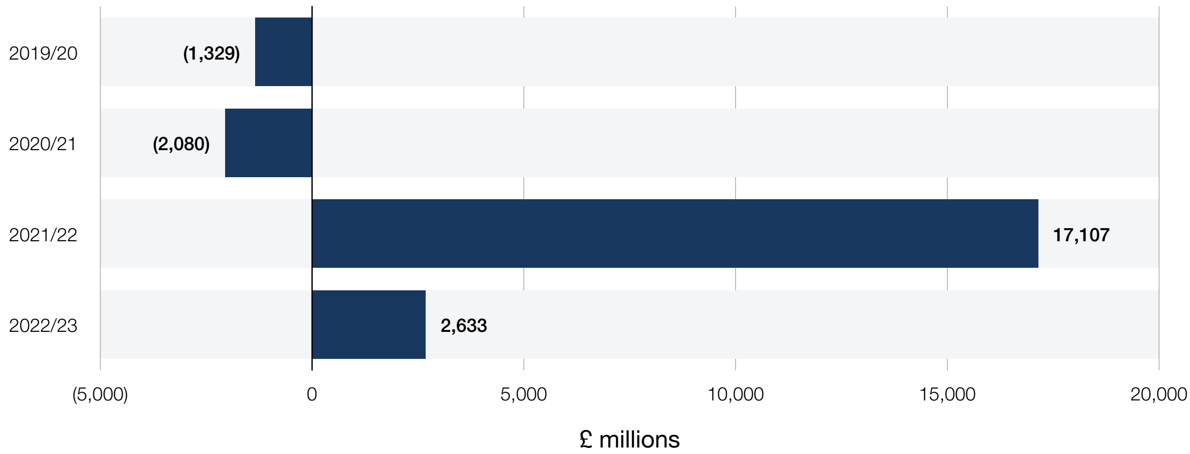
Figure 8: Net gain on conversion to academies for the last two years



The movement in the net gain on conversion of academies is largely consistent with the increase in the number of in year conversions. The number of schools converting to academies during 2022/23 continued to be lower than pre-Covid. In 2022/23, 391 converted (2021/22: 371). Initial data for the 2023/24 year is showing that conversions are returning to pre-Covid levels.

Actuarial loss/(gain) on defined benefit pension scheme

Figure 9: Actuarial (loss)/gain on defined benefit pensions schemes from 2019/20 to 2022/23



The actuarial gain in 2022/23 is predominantly driven by movements in actuarial assumptions, including the rate of inflation and salary increases. The fluctuations over the last 4 years highlights the volatility in these assumptions, particularly with the discount rate considerably more volatile due to economic conditions.

The gain was substantially larger in 2021/22 due to a significant movement in the discount rate of 2.3% to 1.2% p.a. for 2021/22 (2020/21: (1.1%) p.a.). This reduced the value of future liabilities and increased any actuarial gains, effectively reversing the previous year's losses.

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 have increased to £72.6 billion as at 31 August 2023 (£67.9 billion as at 31 August 2022), primarily due to an increase in the value of buildings and a 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 current assets have increased to £5.4 billion (2021/22: £5.3 billion). This increase is mainly attributable to cash held within the sector, for working capital purposes.

Table 5: Distribution of assets by category

	2022/23	2022/23	2021/22	2021/22
	£bn	%	£bn	%
Land and buildings	64.5	83.1	62.4	83.5
Other property, plant and equipment	3.8	4.9	3.6	4.8
Cash and cash equivalents	6.9	8.9	6.7	9.0
Receivables	2.1	2.7	1.9	2.6
Other	0.3	0.4	0.1	0.1
Total	**77.6**	**100%**	**74.7**	**100%**

The value of land and buildings has increased during the year primarily due to the impact of the indexation uplift on buildings. 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). The distribution and value of other assets is consistent both years.

Table 6: Distribution of liabilities by category

	2022/23	2022/23	2021/22	2021/22
	£bn	%	£bn	%
Pension deficit	1.2	24.5	3.4	50.0
Payables	3.7	75.5	3.4	50.0
Total	**4.9**	**100%**	**6.8**	**100%**

The pension deficit has decreased due to changes in actuarial assumptions, primarily due to movement 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.

Yields have been volatile over the last three financial years due to external economic influences. Inflationary pressures caused by 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 increased to 2.2% p.a. in 2022/23 (2021/22: 1.2% p.a.) which has the effect of discounting the liabilities further than in prior years. The current year movement is not as significant as in 2021/22, this is shown through the movement in the actuarial gain/loss (Figure 9)

Cash and cash equivalents

Table 7: Cash balances and average cash balances held for the last two years

	2022-23	2021-22	Movement
	£m	£m	%
Total sector cash balance (£m)	6,855	6,674	2.7%
Average cash balance per academy	0.66	0.70	(5.4%)

The total value of cash held by the sector has increased by 2.7% (£0.2 billion) from £6.7 billion to £6.9 billion. The percentage of cash held to operational expenditure has remained consistent at 17.5% in 2022/23 compared to 17.6% in 2021/22. This represents approximately two months' cash expenditure.

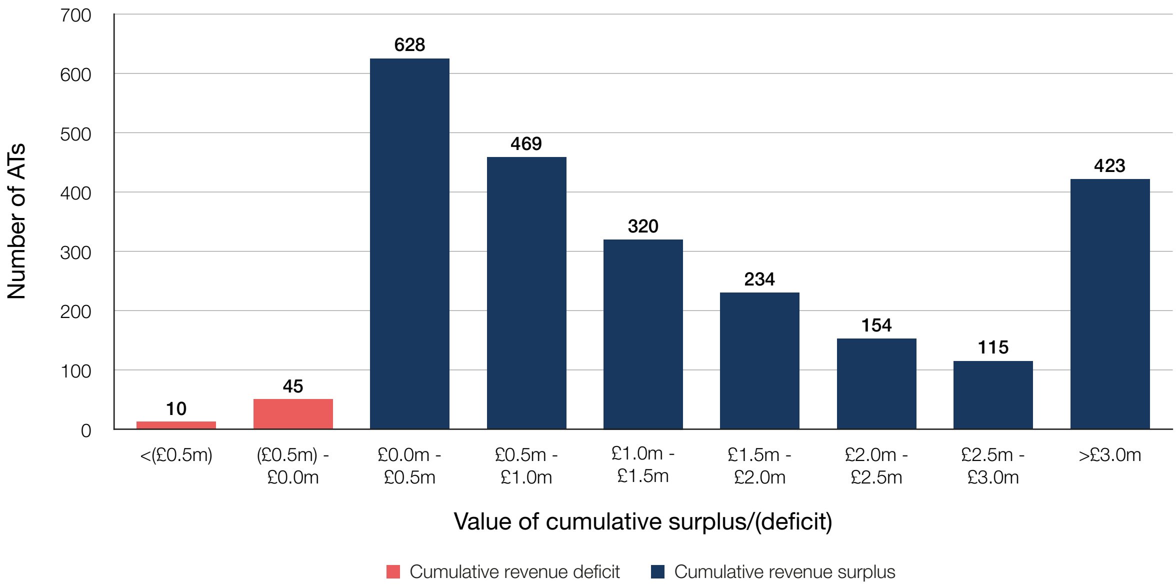
The sector is encouraged to manage its cash position carefully and avoid becoming overdrawn. The total value of overdrafts held by the sector has increased to £0.11 million. The total number of ATs with an overdraft at the reporting date was five, which represents 0.2% of all ATs at year end (2021/22: five ATs representing 0.2% of all ATs at year end)

Cumulative Academy Trust Revenue Reserves

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

The SoFP shows the sector is reporting a net surplus, however there are some individual ATs in a net deficit position.

Figure 10: Number of ATs with cumulative revenue surplus/(deficit)



There were 423 ATs (2021/22: 398) with a surplus greater than £3 million, which represents 17.4% (2021/22: 15.9%) of ATs with a surplus/deficit reported in the year. The total aggregate cumulative deficit for 2023 has increased from 2022, as has the number of ATs in deficit. There were 55 ATs (2021/22: 46) with a cumulative deficit (see Figure 10 to Figure 12 below), which represents 2.2% of ATs (2021/22 1.8%).

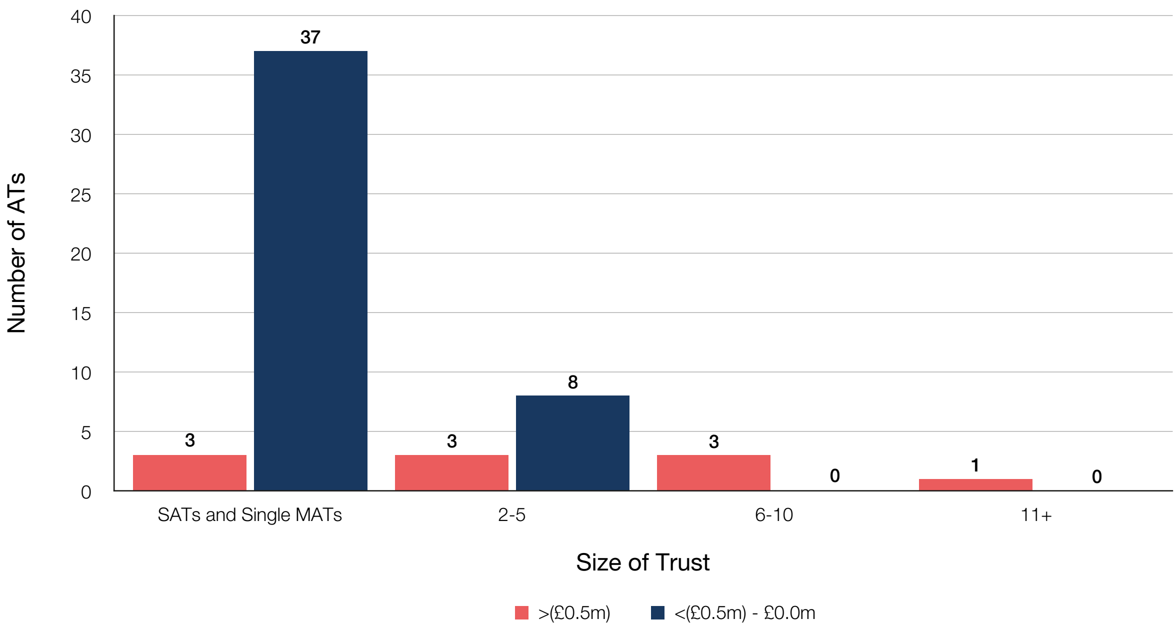
The Department engages with academy trusts with the highest levels of reserves. This work ensures trusts have plans in place to use their funds to deliver outcomes that benefit pupils, trusts are planning effectively to mitigate against unforeseen issues and are investing in their current and future pupils' education.

Any AT reporting a cumulative deficit will be supported by the ESFA who must also agree a recovery plan to the AT to help it return to strong financial health [8]. The ESFA will work with the AT to understand the challenges it is facing and find an appropriate solution. There are also support and tools available, to help schools manage their resources as effectively as possible and therefore maximise the impact on pupil outcomes. These tools are free and available to all state-funded schools.

Where an AT is reporting a cumulative deficit, it may require financial support as part of that recovery plan. If approved, financial support [9] 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. A listing of ATs that received additional financial support in 2022/23 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 2022/23 one QFC was issued (2021/22: one).

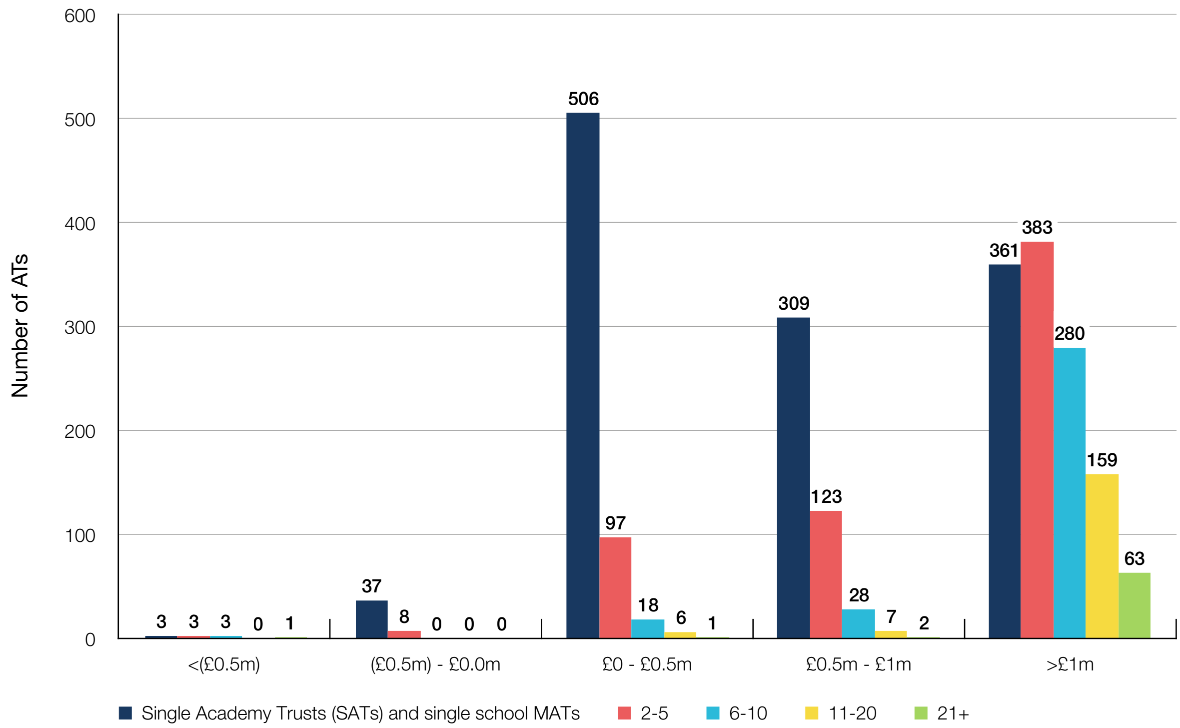
Figure 11: Analysis of ATs with cumulative deficits by size of AT



8 https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides
9 https://www.gov.uk/government/publications/financial-support-for-academy-trusts-in-financial-difficulty/financial-support-for-academy-trusts-in-financial-difficulty

Most ATs with a cumulative revenue deficit are ATs with only one academy. The number of Single Academy Trusts fell to 1,216 (2021/22: 1,316) and the number of MATs fell to 1,182 (2021/22: 1,190). Academies continued to join or form larger trusts as part of a strategy to build institutional strength and sustainability.

Figure 12: Analysis of ATs with cumulative revenue surplus/(deficit) by size of AT



The tendency is that larger MATs are less likely to have a deficit and hold larger cumulative revenue surpluses. MATs can pool either income or reserves allowing for greater efficiencies in joint purchasing and economies of scale.

Table 8: Cumulative deficits of ATs from 2018/19 to 2022/23

	2022/23	2021/22	2020/21	2019/20	2018/19
Number of ATs in cumulative deficit	55	46	70	110	168
% of AT population in cumulative deficit	2.3%	1.8%	2.7%	4.1%	6.1%

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 Financial Benchmarking and Insights Tool website [10] which is based on the raw data as submitted by ATs. Annex G details those trusts reporting a cumulative deficit in 2022/23.

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 2022/23 was £18.5 million (£12.7 million for 2021/22), compared to total cumulative aggregate surplus of £4.6 billion (£4.5 billion for 2021/22). Included within the current year number of ATs with a cumulative deficit figure are 32 ATs (2021/22: 35) 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.

Related party transactions (RPTs)

Table 9: RPTs received and paid in 2022/23 and 2021/22

	2022/2023 Number	2021/22 Number	Change %	2022/23 £m	2021/22 £m	Change %
Paid to a related party	1,498	1,578	(5.1%)	69	62	11%
Received from a related party	799	792	0.9%	92	82	12.2%

A detailed breakdown of RPTs can be found in note 3.

The Department actively manages governance risks around related party transactions. ATs must declare their intention to ESFA to enter into an agreement with a related party before confirming it with their supplier. Apart from exemptions set out in the Academies Trust Handbook (ATH) [11], ATs must also seek approval from the ESFA before they agree any RPT exceeding £40,000 with the supplier – whether as a single contract, or cumulative value with the same supplier.

Further details of the reporting requirements are available here: reporting RPTs [12]

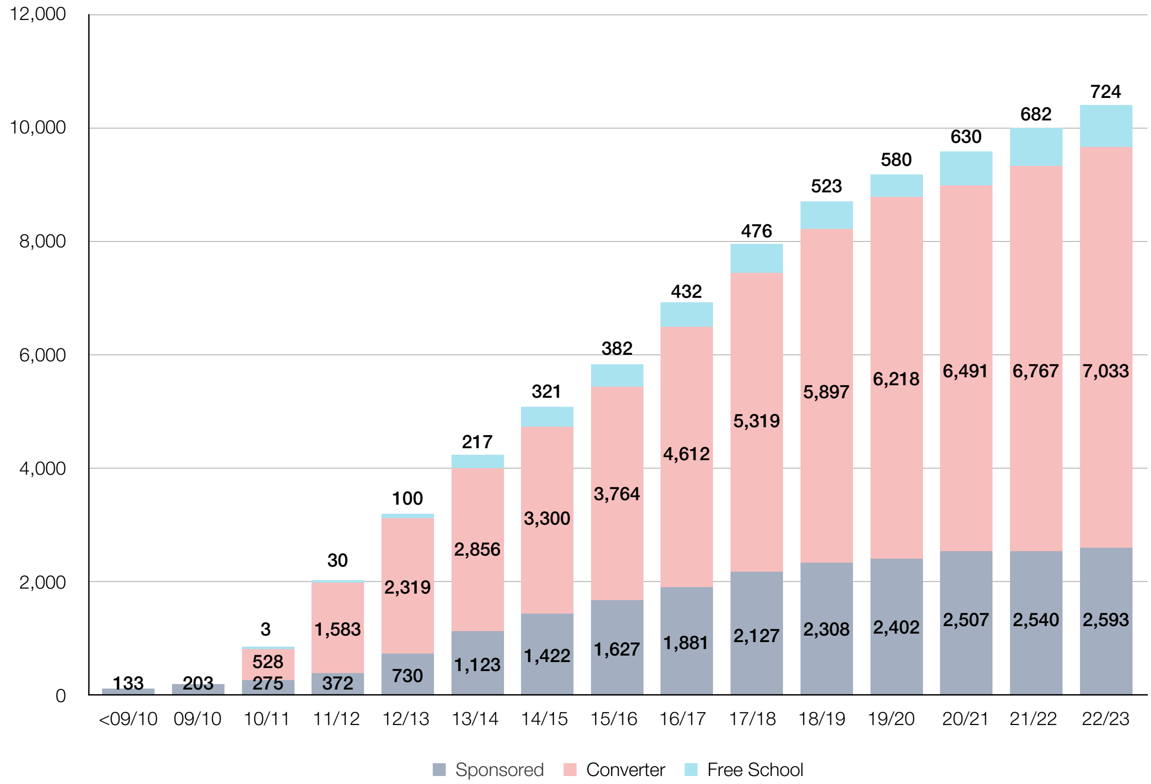
10 Financial Benchmarking and Insights Tool - GOV.UK
11 For more information, please see section 5.42 of the Academy Trust Handbook: https://assets.publishing.service.gov.uk/media/66a3909aab418ab055592dda/Academy_trust_handbook_2024_FINAL.pdf
12 https://www.gov.uk/government/publications/related-party-transactions-information-for-academy-trusts/declare-or-seek-approval-for-related-party-transactions-summary-guidance

Sector development

The number of schools operating as academies in England continued to grow in 2022/23, with an increase of 3.6% between 31 July 2022 and 31 July 2023. Figure 13 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 [13] service.

Figure 13: Number of academies, by type as at 31 July 2023



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 2022 and 31 July 2023, 51 academies closed. Over the same period 365 academies and 47 free schools opened. The number of academies open as at 31 August 2023 was 10,364 (31 August 2022: 9,994).

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

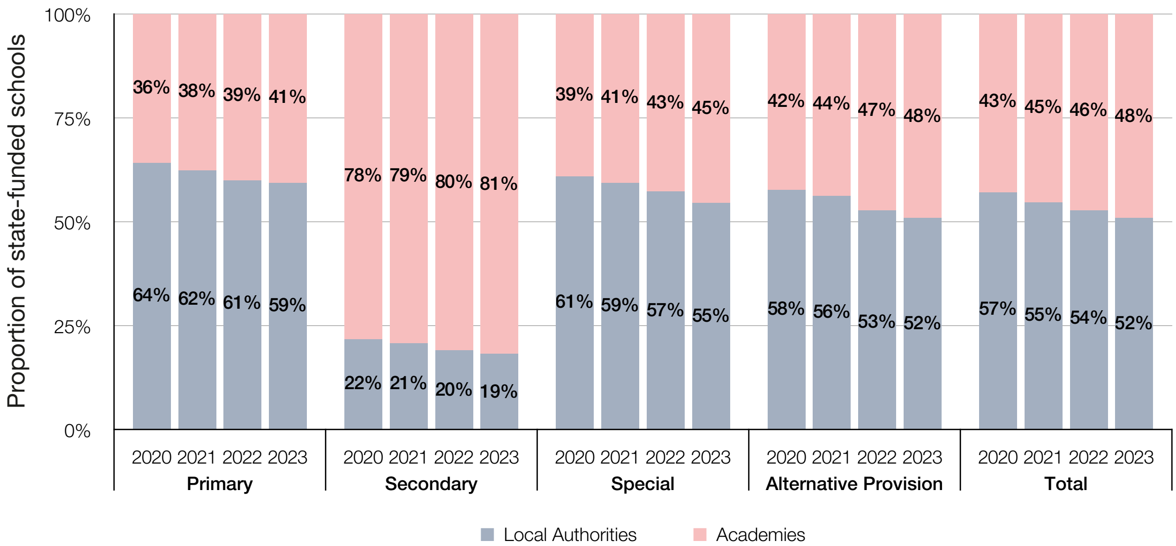
Table 10: Academies opened during the year to 31 July 2023, by type

	Primary	Secondary	Special	Alterna-tive provision	Total
Sponsored	42	12	8	1	63
Converter	243	43	10	6	302
Free school	17	12	17	1	47
Total	**302**	**67**	**35**	**8**	**412**

Table 11: Academies open at 31 July 2023, by type

	Primary	Secondary	Special	Alternative provision	Total
Sponsored	1,684	795	85	29	2,593
Converter	4,958	1,705	291	79	7,033
Free school	256	324	93	51	724
Total	**6,898**	**2,824**	**469**	**159**	**10,350**

Figure 14: Proportion of state-funded schools operating as academies by provision type at 31 July across the 4 years to 2023



At 31 July 2023, 48% of state-funded schools were operating as academies, although this proportion varied by type of provision (Annex B). While academies accounted for 81% of all secondary provision, they accounted for between 41% and 48% of other types of provision.

Academies as a proportion of state-funded provision continued to vary by local authority. Camden and Brighton and Hove local authorities had the lowest academisation rates at 9% of state-funded schools (five of 57 and seven of 66 respectively). Thurrock had the highest academisation rate with 98%: 55 of 56 schools in the local authority were an academy.

All the 153 local authorities in England, except for the Isles of Scilly, offer state-funded primary provision. 52 local authorities had at least 50% of their state-funded primary provision operating as academies. Six local authorities had over 90% primary academy provision. The only local authority to have no academies was the City of London, as its one primary school is local-authority-maintained.

State-funded secondary level provision was provided by 152 local authorities. The City of London was the only local authority offering no state-funded secondary level provision. In 23 local authorities, all state-funded secondary level provision was through academies. In 140 local authorities, 50% or more of state-funded secondary level provision was through academies. All local authorities had at least 10% of their state-funded secondary level provision provided through academies.

State-funded special provision was offered by 151 local authorities, with the City of London and Isles of Scilly being the two local authorities offering no state-funded special provision. 25 of the local authorities offering state-funded special provision offer no state-funded special provision through academies and 16 local authorities provide 100% of the state-funded special provision through academies.

There were 142 local authorities with state-funded alternative provision (AP), of which 56 do not offer AP through academies. There were 65 local authorities who offer at least 50% of AP through academies including 42 who offer all AP through academies.

Multi-academy trusts

As of 31 July 2023, there were 9,134 (88%) academies in 1,183 MATs with more than one academy. This compares to 8,673 (87%) academies in 1,189 MATs with more than one academy at 31 July 2022. There were 1,056 academies in a single academy trust (SAT) and a further 160 in a MAT with only one academy. Figure 15 and Figure 16 shows the proportions of MATs broken down by phase and type of academy.

Figure 15: Percentage of academies in a trust with more than one academy as at 31 July, across the 4 years to 2023, by phase

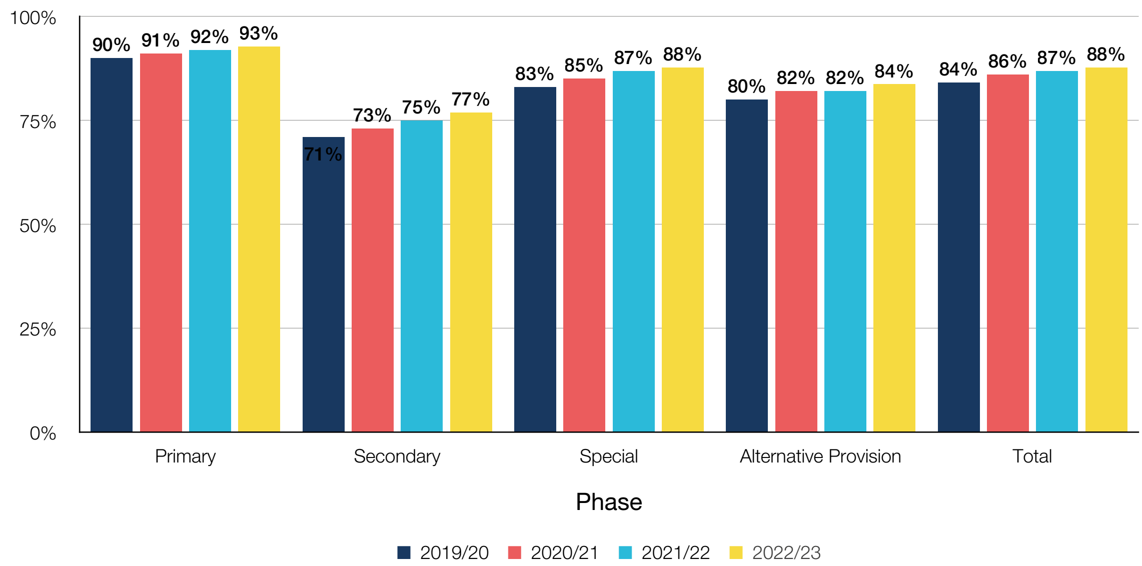
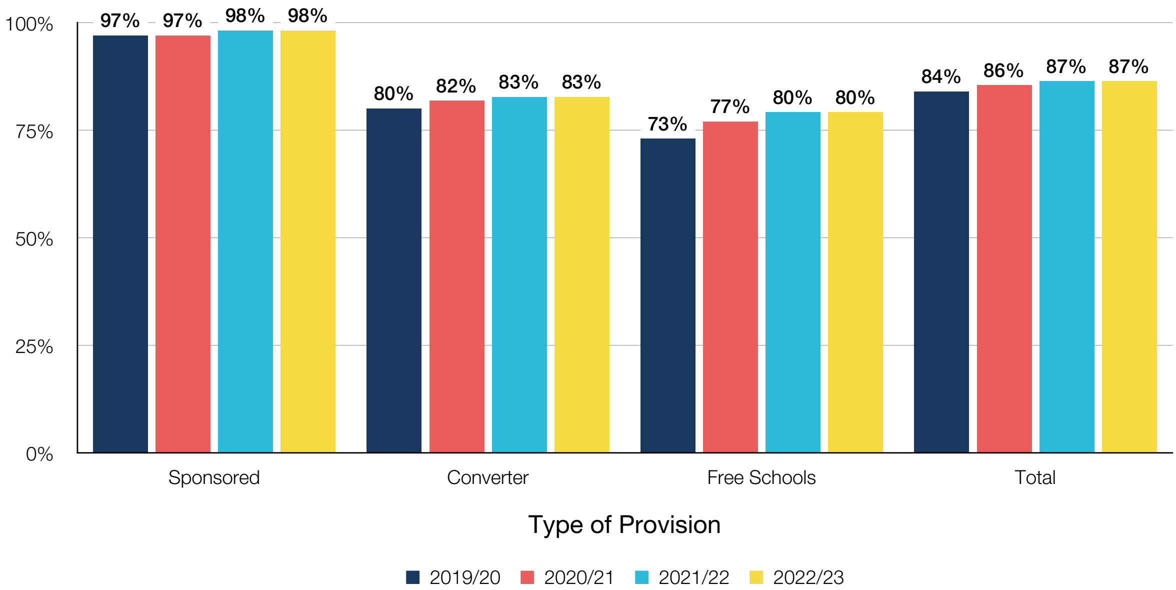


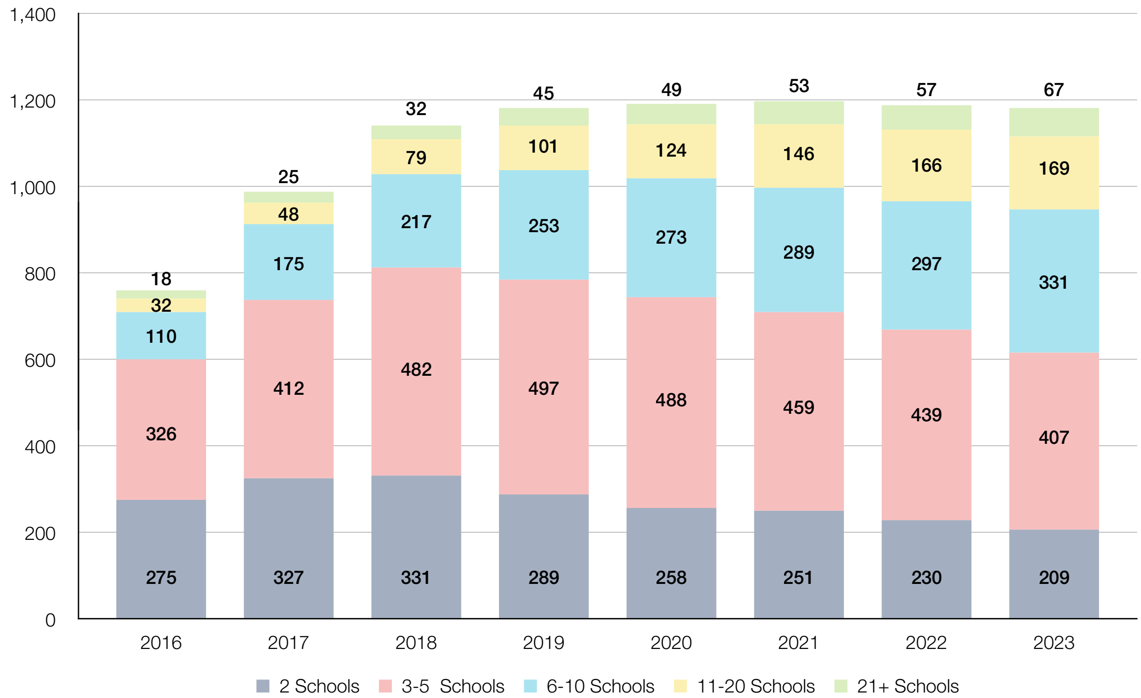
Figure 16: Percentage of academies in a trust with more than one academy as at 31 July, across the 4 years to 2023, by type



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 academy trusts with one academy were technically constituted as MATs), while the largest had 81.

Figure 17: Academies in MATs with more than one academy, by trust size



Key risks and issues

Our risk management framework can be found in the Accountability Report on page 75. As required by the ATH, individual ATs must manage risks to ensure their effective operation, and they must maintain a risk register. The management of these risks must also include contingency and business continuity planning. The key risks we have outlined here are those risks that, if materialised, would have a significant impact on the academies programme. Some of these risks are specific to academies, while others are relevant to all types of schools.

The Sector operates via a mature delivery model, and the principal risks have not changed since last year. Risk mitigations will change and develop year to year as we monitor their impact on the risk. Where there have been significant developments in risk mitigations since the end of the academic year, we have included these below.

Risk 1 – MATs and Sponsor Capacity Risk

Under the model for school improvement to the 22/23 academic year, high quality sponsors are essential in driving up school performance across the sector. As such, there was a risk of there being an insufficient number of high-quality sponsors and MATs available, in the right geographical areas, to support underperforming local authority schools, and to take on underperforming academies that are transferred from their previous trusts.

Developments in risk mitigation during the academic year

- An increased number of good and outstanding schools were encouraged to become sponsors. Approval was restricted to potential sponsors who can demonstrate a track record of helping other schools to improve.
- The Trust Capacity Fund was a competitive grant fund available to help trusts develop their capacity to grow. It had a particular focus on supporting strong trusts, and strong schools forming trusts, to take on underperforming schools in Education Investment Areas and Priority Education Investment Areas. An additional window was launched on 20 October 2022 until 16 December 2022 in which an additional 105 trusts were awarded funding. The 2023-25 window opened on 3 April 2023, which included the new Trust Establishment and Growth fund, a grant to provide start-up funding to either existing trusts wishing to expand or create a new MAT hub, or organisations wishing to establish a new trust.
- In March 2023, the Department published a set of Trust Development Statements [14] in each of the 55 Education Investment Areas. These statements more clearly signpost the types of trust growth project we want to encourage within each area, including whether there are opportunities for MAT growth in specific setting types.
- The Academies Regulatory and Commissioning Review [15] published in March 2023, looked at how to maximise the difference that academy trusts made to children's lives, so all children could fulfil their potential, through a focus on trust quality and improved system resilience. The Department also provided support for MATs to grow capacity through CEO and Chair inductions, regional MAT leadership events and programmes that offered peer support and collaboration across the sector.

Developments in risk mitigation made following the academic year

The department's approach to school improvement has developed since 2022/23, with less reliance placed on sponsor bodies to support underperforming schools. As such, this is not defined as a key risk in the 24/25 academic year, and mitigation activity has consequentially changed, with no further rounds of the Trust Capacity Fund proposed.

14 https://www.gov.uk/government/publications/education-investment-area-eia-trust-development-statements-tds
15 https://www.gov.uk/government/publications/academies-regulatory-and-commissioning-review

Risk 2 – Intervention and performance risk

Lack of joined up oversight of the sector leads to the failure of a Trust and the Department did not identify this and intervene in good time.

Developments in risk mitigation during the academic year

In July 2022, the Department restructured internally and launched the new Regions Group by bringing together improvement and intervention work across Children's Social Care, Special Educational Needs and Disability (SEND) and Schools with a purpose to set the Department up to deliver for and respond more effectively to local needs.

Developments in risk mitigation made following the academic year

The closure of ESFA and transfer of its functions into the Department in 2025 will mean a more joined-up delivery for education settings and ensure financial improvement is central to school improvement. It is part of a plan to establish Regional Improvement for Standards and Excellence (RISE) teams to drive high and rising standards in schools. A single regulator model with governance and accountability sitting in one place will ensure academies will have a single point of contact for financial management and support.

Risk 3 – Financial health and efficiency risk

The sector faces financial challenges and cost pressures. There is a risk that school leaders do not maximise the efficient use of their resources to maintain good financial health and deliver the best outcomes for pupils.

This is compounded by the financial challenges many local authorities are experiencing which could impede delivery of essential support services delivered by ATs across nursery provision, SEND and AP. This could lead to worsening outcomes for the most vulnerable and exacerbate cost pressures.

Developments in risk mitigation during the academic year

- The Department increased funding for schools, increasing the core schools' budget by £2.0bn in the 23-24 financial year. Elements of this funding apply to the latter part of the 2022/23 academic year, the period for which this account is prepared.
- Our range of tools and support to enable schools and academy trusts to get the best value from all their resources and help strengthen their financial decision making.
- Following the publication of the SEND and AP Improvement Plan, the delivery of reforms to create a national SEND and AP system started. The reforms aim for resource to be better targeted at early intervention and mainstream settings to reduce the reliance on securing this through the statutory process, thus reducing the financial burden on local authorities.

Developments in risk mitigation made following the academic year

The Department has continued to increase funding for schools, increasing the core schools budget by £2.0bn in the 24-25 financial year.

Risk 4 – Educational recovery

Absence from education settings remains significantly higher than pre-pandemic levels and does not recover, impacting attainment and wellbeing and leads to widened gaps between pupils (linked to socio-economic disadvantage, SEND and place).

Developments in risk mitigation during the academic year

- Additional funding was provided to academies through the recovery premium to help children catch up on lost learning.
- Schools have access to a daily attendance data tool. This provides new ways to analyse attendance data and make more timely and targeted interventions where issues arise.
- Attendance advisors have been deployed to work with ATs to review practices and develop plans to improve attendance management.

Developments in risk mitigation made following the academic year

The recovery premium grant has been expanded and extended to 2023/24.

Risk 5 – School Estate

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 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 funding and support to approximately 3,000 academy trusts, local authorities and voluntary aided school bodies (together responsible bodies) who have responsibility for their school estates to help them ensure the safety of their school buildings.

Developments in risk mitigation during the academic year

- The Department gathered data and intelligence on the condition of the school estate, including through our Condition Data Collection 2 programme.
- The Department provides significant funding and support to all academy trusts who have responsibility for their school estate to help them maintain their buildings in a safe and operational condition. This includes annual formulaic and bid based condition programmes. Since 2015, £17 billion has been allocated to the whole education estate. Allocations are weighted to the sites in poorest condition as measured by the Condition Data Collection.
- The Department's ten-year School Rebuilding Programme prioritises school buildings with the highest condition need across England through rebuilding or significantly refurbishing buildings.
- The Capital Advisors Programme sent qualified professionals to advise trusts on how to manage their estates and capital funding. In June 2023 a school estate management competency framework was published, outlining the key skills and standards required of estate management personnel to effectively manage the estate.
- The Academies Accounts Direction, published in 2023, clarified that the Academy Trust's Accounting Officer's statement on regularity, propriety and compliance encompasses estates safety and management.

Developments in risk mitigation made following the academic year

In September 2023, following the Secretary of State's decision to change the approach to Reinforced Reinforced Autoclaved Aerated Concrete (RAAC) in education settings when new evidence emerged, the Department deployed additional staff to provide a fast and dedicated response to support affected schools and colleges to minimise any disruption to education for pupils.

Measures to permanently remove RAAC from all affected schools and colleges were confirmed on 8 February 2024.

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 2023 results, to be congruent with the reporting period.

Gender

The gender split in primary academies is broadly in line with the national average: 50.9% of all state-funded primary school children are boys and 49.1% are girls.

Table 12: Distribution of gender of pupils split by type and phase of academy as at January 2023 (source: Schools, pupils and their characteristics [16])

Gender	Sponsored	Converter	Free schools [17]	Local-authority-maintained	All state-funded
Mainstream primary schools					
Boys	51.0%	50.8%	50.2%	50.9%	50.9%
Girls	49.0%	49.2%	49.8%	49.1%	49.1%
Mainstream secondary schools					
Boys	51.3%	49.6%	54.3%	50.0%	50.3%
Girls	48.7%	50.4%	45.7%	50.0%	49.7%

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 2023, across all state-funded primary schools, 36.1% of pupils were from a minority ethnic group. By type of academy:

- free schools: 57.8%
- sponsored academies: 40.1%
- converter academies: 32.3%

In 2023, across all state-funded secondary schools, 35.4% of pupils were from a minority ethnic group. By type of academy:

- free schools: 58.3%
- sponsored academies: 35.8%
- converter academies: 31.7%.

16 https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2023
17 Including studio schools and UTCs

Distribution of ethnicity of pupils split by type and phase of academy as at January 2023 (source: Schools, Pupils and their Characteristics)

Table 13: Mainstream primary schools

Ethnicity	Academy converter	Academy sponsor led	Free schools [18]	Local-authority-maintained	State-funded primary
White – White British	927,992	283,850	26,994	1,669,235	2,908,071
White – Irish	3,074	692	156	6,759	10,681
White – Traveller of Irish heritage	1,417	790	37	3,000	5,244
White – any other background	97,173	44,163	7,617	200,082	349,035
White – Gypsy/Roma	5,499	4,204	160	8,868	18,731
Mixed – White and Black Caribbean	20,890	9,155	1,291	43,823	75,159
Mixed – White and Black African	12,195	5,168	871	25,527	43,761
Mixed – White and Asian	22,942	7,229	1,702	47,778	79,651
Mixed – any other background	34,335	13,838	3,785	75,446	127,404
Asian – Indian	49,860	14,605	7,353	103,923	175,741
Asian – Pakistani	56,695	26,801	4,575	118,863	206,934
Asian – Bangladeshi	19,326	7,259	1,334	52,752	80,671
Asian – Chinese	9,691	2,370	774	20,736	33,571
Asian – any other background	24,394	10,587	1,470	60,241	96,692
Black – Caribbean	9,112	4,516	1,234	23,950	38,812
Black – African	51,487	25,861	3,786	109,234	190,368
Black – any other background	8,544	4,493	606	21,771	35,414
Any other ethnic group	25,771	13,506	2,556	67,110	108,943
Unclassified	19,568	7,808	1,679	33,913	62,968
Minority ethnic pupils [19]	452,405	195,237	39,307	989,863	1,676,812
Total [20]	**1,399,965**	**486,985**	**67,980**	**2,693,011**	**4,674,851**

18 Including studio schools and UTCs.
19 Includes all pupils classified as belonging to an ethnic group other than White British (excludes unclassified).
20 May not sum due to rounding and pupils can be included in more than one category.

Table 14: Mainstream secondary schools

Ethnicity	Academy converter	Academy sponsor led	Free schools [21]	Local-authority-maintained	State-funded secondary
White – White British	1,273,496	491,202	81,499	422,852	2,269,049
White – Irish	5,573	1,245	430	2,708	9,956
White – Traveller of Irish heritage	681	416	52	277	1,426
White – any other background	119,294	57,964	17,986	53,349	248,593
White – Gypsy/Roma	3,233	3,821	402	1,363	8,819
Mixed – White and Black Caribbean	25,171	14,830	3,703	11,066	54,770
Mixed – White and Black African	15,339	7,615	2,458	7,102	32,514
Mixed – White and Asian	32,065	10,203	3,547	11,246	57,061
Mixed – any other background	44,886	19,541	8,600	19,133	92,160
Asian – Indian	77,310	15,632	14,242	23,526	130,710
Asian – Pakistani	73,984	40,690	18,466	32,845	165,985
Asian – Bangladeshi	25,749	13,644	5,422	22,175	66,990
Asian – Chinese	15,303	3,367	1,364	4,371	24,405
Asian – any other background	42,471	13,639	5,163	16,940	78,213
Black – Caribbean	14,091	10,943	4,157	9,570	38,761
Black – African	67,570	41,383	14,761	38,382	162,096
Black – any other background	11,595	7,414	2,522	6,562	28,093
Any other ethnic group	34,479	22,120	8,020	18,034	82,653
Unclassified	35,511	18,011	7,052	12,957	73,531
Minority ethnic pupils [22]	608,794	284,467	111,295	278,649	1,283,205
Total [23]	**1,917,801**	**793,680**	**199,846**	**714,458**	**3,625,785**

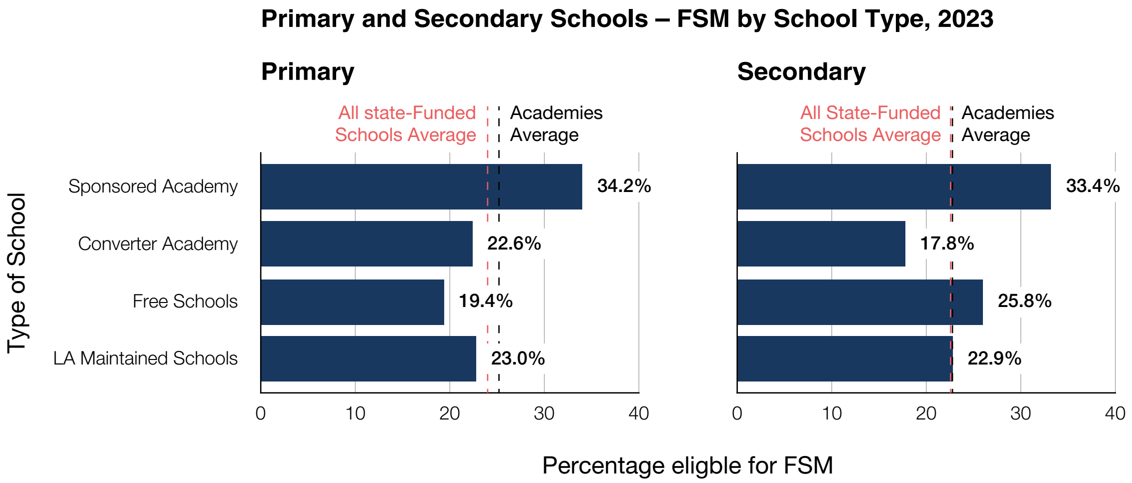
Pupils eligible for free school meals

The percentage of pupils eligible for free school meals (FSM) in primary academies is higher than the national average across all state-funded primary schools. In January 2023, 25.4% of primary academy pupils were eligible for FSM [24], compared with 24.0% across all state-funded primary schools (see Figure 18). The percentage of FSM pupils in all secondary academies is very similar to the average across all state-funded schools.

In secondary academies, 22.6% of pupils were eligible for FSM compared with 22.7% across all state-funded secondary schools.[25]

21 Including studio schools and UTCs.
22 Includes all pupils classified as belonging to an ethnic group other than White British (excludes unclassified).
23 May not sum due to rounding and pupils can be included in more than one category.
24 Based on all full-time pupils aged 15 and under, and part-time pupils aged 5 to 15.
25 Schools, Pupils and their Characteristics: January 2023 https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2023

Figure 18: Percentage of pupils eligible for FSM by type and phase of academy as at January 2023



Secondary free schools in Figure 18 above includes UTC and studio schools.

In primary and secondary sponsored academies, there is a higher percentage of pupils eligible for FSM than the national average. At primary level, 34.2% of pupils in sponsored academies are eligible for FSM compared with 24.0% across all state-funded primary schools. In secondary sponsored academies, 33.4% of pupils are eligible, compared with 22.7% in all state-funded secondary schools. Sponsored academies typically replaced underperforming schools, which tend to be in areas with higher levels of deprivation with a higher proportion of pupils eligible for FSM. In primary free schools, 19.4% of pupils are eligible for FSM, below the average for all state-funded primary schools. In secondary free schools, 25.8% of pupils are eligible for FSM.

Special educational needs

The law and statutory guidance on special educational needs (SEN) [26] and exclusions [27] apply equally to academies and local-authority-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. The figures for the number of pupils with SEN below includes those receiving SEN support or that have an Education, Health and Care (EHC) plan.

Academies overall have a slightly lower proportion of pupils with SEN, at 16.3%, compared to 17.1% of pupils in all state-funded schools. Sponsored academies (18.1%) and free schools (17.4%) have a higher percentage of pupils with SEN than the national average, whilst converter academies have a lower percentage (15.4%). [28]

The split by type and phase of academy are given in Figure 19.

26 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
27 Statutory guidance on school exclusion: https://www.gov.uk/government/publications/school-exclusion
28 SEN in England: January 2023 https://www.gov.uk/government/statistics/special-educational-needs-in-england-january-2023

Primary schools:

Primary school academies have a slightly lower proportion of pupils with SEN (15.9%) compared to all state-funded primary schools (16%) and local authority primary schools (16.2%).

By academy type this is:

- Sponsored academies: 17.8%
- Converter academies: 15.4%
- Free schools: 13.2%

Secondary schools:

Secondary school academies have a slightly lower proportion of pupils with SEN (14.6%) compared to all state-funded secondary schools (14.8%) and local authority secondary schools (15.5%).

By academy type this is:

- Sponsored academies: 17.2%
- Converter academies: 13.4%
- Free schools, UTCs, and studio schools: 15.4%

Alternative Provision:

Alternative provision academies have a slightly lower proportion of pupils with SEN (78.3%) compared to all state-funded alternative provision schools (82.5%) and local authority alternative provision schools (85.7%).

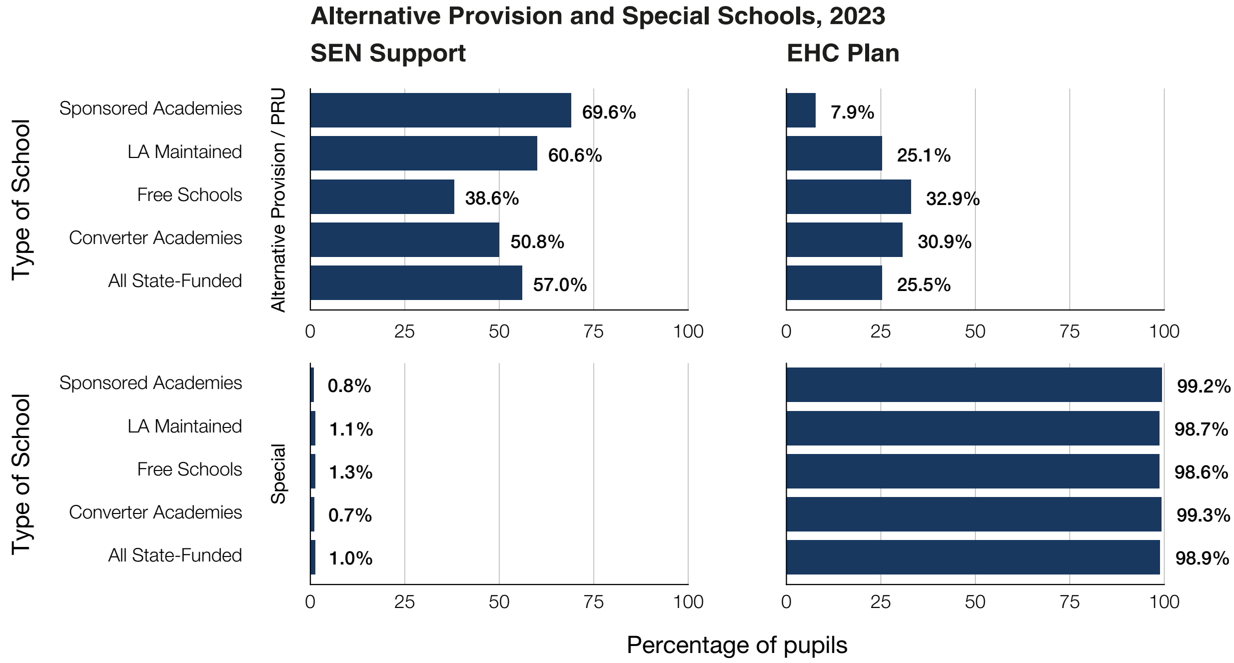
By academy type this is:

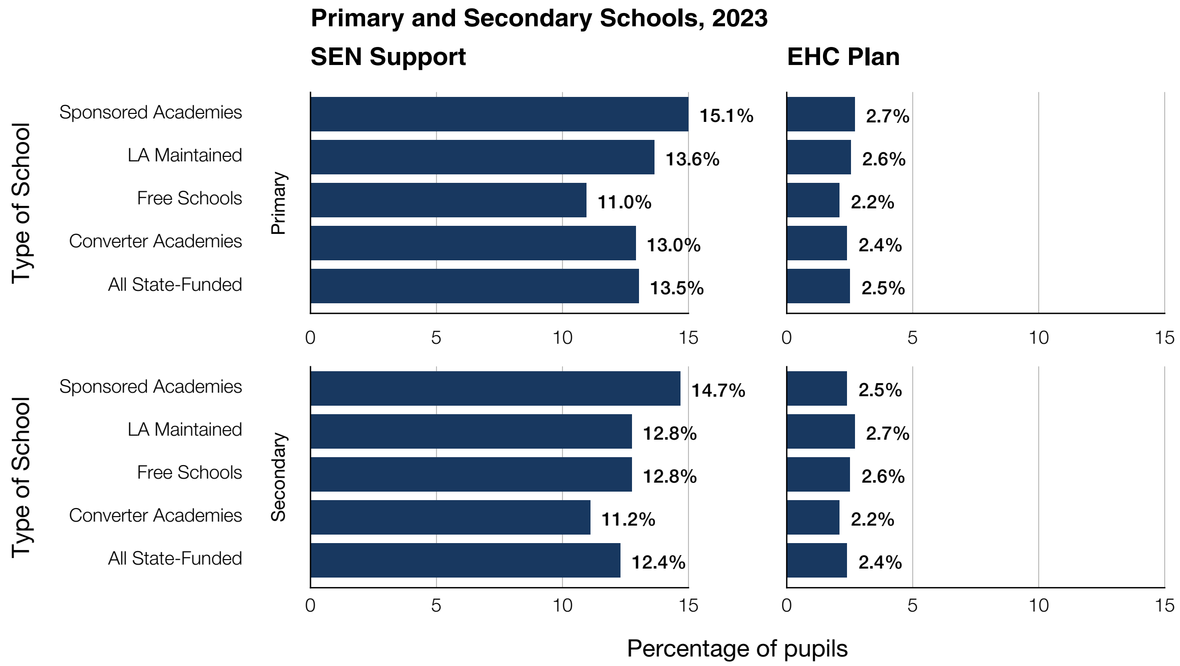
- Sponsored academies alternative provision: 77.5%
- Converter academies alternative provision: 81.7%
- Alternative provision free schools: 71.5%

Special Schools:

Nearly 100% of pupils in special academies are with SEN, and almost all are with an EHC plan (see Annex C). These proportions are similar across all state-funded special schools.

Figure 19 [29]: Special educational needs split by type and phase of academy as at January 2023





29 Details in Annex C

Educational performance

Making comparisons over time between academies and local-authority-maintained schools is difficult as 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 [30]. 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 2022/23, 2021/22 and 2018/19. This provides a comparison to the previous year (2021/22) and the most recent comparable year following the grading adaptations (2018/19). Given the changes to the grade boundaries and methods of assessment for 2021/22, readers need to exercise caution when considering comparisons over time.

30 https://www.gov.uk/government/publications/school-and-college-accountability-approach-2020-to-2022

Performance in primary academies

43%

of key stage 2 pupils are in academies.

56%

of pupils met the expected standard in reading, writing and mathematics in sponsored academies in 2023, compared to 60% in all state-funded mainstream schools.

62%

of pupils met the expected standard in reading, writing and mathematics in converter academies in 2023, compared to 60% in all state-funded mainstream schools.

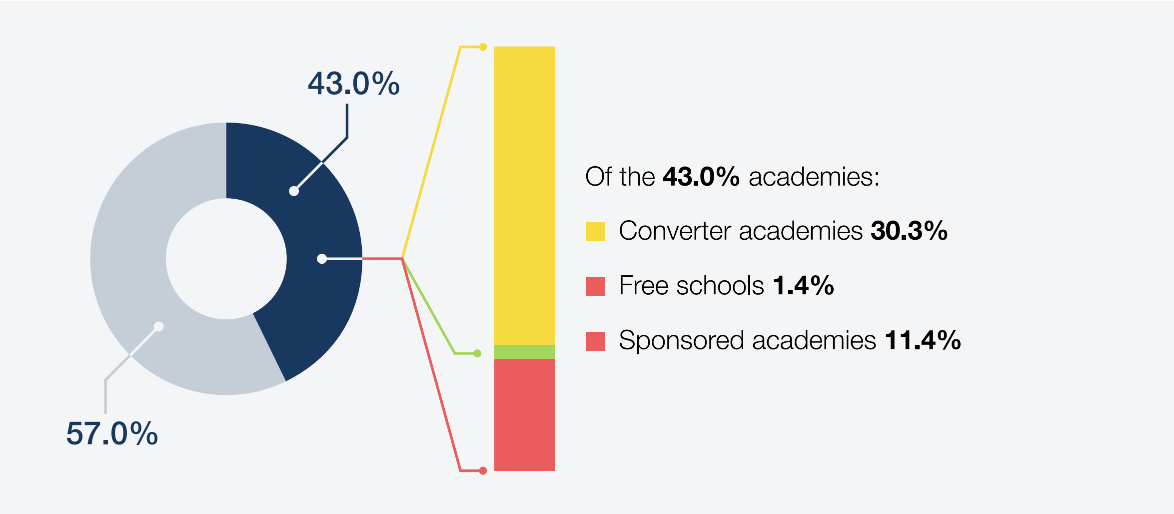
KS1 & KS2

Pupils in sponsored academies made more progress between KS1 and KS2 in writing teacher assessment with a progress score of 0.2 and made less progress in reading (-0.4) and mathematics (-0.2).

KS1 & KS2

Progress made by pupils in converter academies between KS1 and KS2 was the same in reading, writing and mathematics at 0.2.

Figure 20: 43.0% of pupils at the end of KS2, are in academies, of which the majority are in converter academies



The percentage of pupils at the end of key stage 2 who attended local-authority-maintained schools has decreased from 66% in 2018/19 to 57% this year whilst over the same period there has been an increase in the percentage of pupils attending sponsored academies (from 9% to 11%) and converter academies (from 24% to 30%). It should be noted that the conversion of schools from one type to another means that the headline figures capture not only change in performance but also change in school type. While the number of free schools and pupils at them has increased, free schools make up a very small proportion of schools, therefore progress and attainment scores may fluctuate more each year compared to other school types.

Attainment in KS2 academies

Attainment in sponsored academies was below the average for state-funded mainstream schools in all subjects whilst converter academies had a slightly higher proportion of pupils meeting the expected standard across all subjects. This reflects the different historic performance of schools that become sponsored or converter academies.

As tables 15 to 17 below show, the gap between attainment in sponsored academies when compared to all state-funded mainstream schools in 2022/23 is generally narrower than in previous years.

Table 15: KS2 attainment by school type, in 2022/23

KS2 attainment 2023	Reaching the expected standard (RWM combined)	Reaching the higher standard (RWM combined)	Reading	Writing teacher assessment	Mathematics	Grammar, punctuation and spelling
	%	%	%	%	%	%
Sponsored academies	56%	6%	68%	69%	69%	66%
Converter academies	62%	9%	75%	74%	75%	74%
Free schools	64%	11%	77%	76%	76%	77%
Local-authority-maintained schools	61%	8%	74%	72%	75%	74%
All state-funded mainstream schools	**60%**	**8%**	**74%**	**73%**	**74%**	**73%**

Table 16: KS2 attainment by school type, in 2021/22

KS2 attainment 2022	Reaching the expected standard (RWM combined)	Reaching the higher standard (RWM combined)	Reading	Writing teacher assessment	Mathematics	Grammar, punctuation and spelling
	%	%	%	%	%	%
Sponsored academies	54%	5%	69%	67%	67%	66%
Converter academies	61%	8%	77%	72%	67%	75%
Free schools	64%	9%	78%	74%	75%	77%
Local-authority-maintained schools	60%	7%	76%	70%	73%	74%
All state-funded mainstream schools	**60%**	**7%**	**76%**	**70%**	**73%**	**74%**

Table 17: KS2 attainment by school type, in 2018/19

KS2 attainment 2019	Reaching the expected standard (RWM combined)	Reaching the higher standard (RWM combined)	Reading	Writing teacher assessment	Mathematics	Grammar, punctuation and spelling
	%	%	%	%	%	%
Sponsored academies	58%	7%	66%	74%	73%	71%
Converter academies	68%	11%	76%	81%	81%	80%
Free schools	62%	11%	72%	77%	77%	78%
Local-authority-maintained schools	66%	11%	75%	80%	80%	80%
All state-funded mainstream schools	**66%**	**11%**	**74%**	**79%**	**80%**	**79%**

Progress at KS2

At KS2, pupils in converter academies made more progress than the national average in all subjects. Pupils in sponsored academies made less progress in reading and mathematics than pupils with similar prior attainment in other types of schools. However, they made similar progress in writing including slightly higher progress than local-authority-maintained schools.

Table 18: KS2 progress in Reading, Writing and Mathematics by type, of school 2022/23

KS2 progress in Reading, Writing and Mathematics, 2023	Reading		Writing		Mathematics	
	Progress score	Confidence interval	Progress score	Confidence interval	Progress score	Confidence level
Sponsored academies	-0.4	-0.4 to -0.3	0.2	0.2 to 0.3	-0.2	-0.3 to -0.2
Converter academies	0.2	0.2 to 0.2	0.2	0.2 to 0.2	0.2	0.2 to 0.2
Free schools	0.5	0.3 to 0.6	0.4	0.3 to 0.5	0.5	0.4 to 0.7
Local-authority-maintained schools	0.2	0.2 to 0.2	0.1	0.0 to 0.1	0.2	0.2 to 0.2
All state-funded mainstream schools	**0.1**	**0.1 to 0.2**	**0.1**	**0.1 to 0.1**	**0.1**	**0.1 to 0.2**

Notes on tables:

- Source: https://explore-education-statistics.service.gov.uk/find-statistics/key-stage-2-attainment/2022-23
- 2022/23 data are revised; 2018/19 and 2021/22 data are final. [31]
- 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. 2022/23, is the second year that key stage 2 tests and assessments have returned.
- Confidence intervals: To account for the natural uncertainty, 95% confidence intervals around progress scores are provided as a proxy for the range of scores each school's underlying performance can be confidently said to lie within.

31 Final data includes any remaining changes requested by schools, changes resulting from any successful marking reviews, changes resulting from the completion of maladministration investigations and any late or changed teacher assessments. The difference between revised and final data are small as the majority of amendments are reflected in revised data.

Performance in secondary academies

79.1%

of key stage 4 pupils are in academies.

41.7

Average Attainment 8 scores were 41.7 in sponsored academies in 2022/23, compared to 47.2 in all state-funded mainstream schools.

49.8

Average Attainment 8 scores were 49.8 in converter academies in 2022/23, compared to 47.2 in all state-funded mainstream schools.

-0.22

Progress 8 scores were -0.22 in sponsored academies in 2022/23, compared to 0.01 in state-funded mainstream schools.

0.11

Progress 8 scores were 0.11 in converter academies in 2022/23, compared to 0.01 in state-funded mainstream schools.

Definitions

Attainment 8

Attainment 8 measures the average achievement of pupils in up to 8 qualifications, including: English language; English literature (double weighted providing both English language and English literature are taken); mathematics (double weighted); three further qualifications that count in the English Baccalaureate (EBacc); and three further qualifications that can be GCSE qualifications (including EBacc subjects) or any other non-GCSE qualifications on the DfE approved list.

Attainment in English and mathematics at grade 4 or above

This measure looks at the percentage of pupils achieving grade 4 or above in both English and mathematics GCSEs. To count for this measure a pupil would have to achieve a grade 4 or above in either English literature or English language. There is no requirement to sit both.

Other headline measures of attainment can be found in the Key Stage 4 Performance [32] statistical release.

Progress 8

Progress 8 aims to capture the progress a pupil makes from the end of key stage 2 (KS2) to the end of key stage 4 (KS4). It compares pupils' achievement – their Attainment 8 score (see above) – with the national average Attainment 8 score of all pupils who had a similar starting point (or 'prior attainment'). Prior attainment is calculated using assessment results from the end of primary school. Progress 8 is a relative measure, therefore the national average Progress 8 score for mainstream schools is very close to zero.

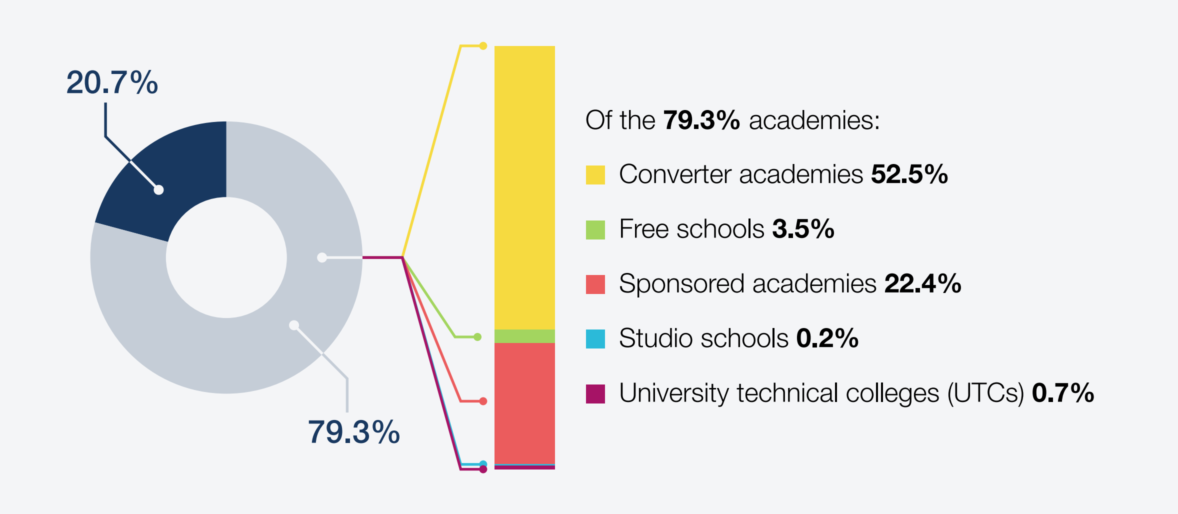
Confidence intervals

Progress 8 should be interpreted alongside the associated confidence intervals. If the confidence intervals cross 0, then progress is not significantly different compared to pupils with similar KS2 prior attainment in mainstream schools.

Progress 8 results are calculated based on a specific cohort of pupils. A school, or type of school, may have been just as effective but have performed differently with a different set of pupils. Similarly, some pupils may be more likely to achieve high or low grades independently of which school they attend. To account for this natural uncertainty, 95% confidence intervals are calculated around each Progress 8 score, providing a proxy for the range of values within which we are statistically confident that the true value of the Progress 8 score lies.

32 https://explore-education-statistics.service.gov.uk/find-statistics/key-stage-4-performance

Figure 21: 79.3% of pupils at KS4 are in academies, of which the majority are in converter academies



From 2018/19 to 2022/23, there was an increase in the percentage of pupils who attended sponsored academies (from 19.5% to 22.4%), converter academies (from 51.1% to 52.5%), and free schools (from 1.7% to 3.5%). It should be noted that the conversion of schools from one type to another means that the headline figures capture not only change in performance but also change in school type.

Attainment at KS4

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. [33] 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 2022/23, 2021/22 and 2018/19. Given the changes to the grade boundaries and methods of assessment for 2021/22, readers need to exercise caution when considering comparisons over time.

Pupils in sponsored academies had attainment below the average amongst all pupils in state-funded mainstream schools whilst pupils in converter academies had higher attainment. This reflects the different historic performance of schools that become sponsored or converter academies. Attainment of pupils in free schools was slightly lower than, but similar to, the attainment of pupils in converter academies and higher than the average in all state-funded mainstream schools.

33 https://www.gov.uk/government/publications/school-and-college-accountability-approach-2020-to-2022

Table 19: Average Attainment 8 scores by academy type

Type of provision	Average attainment 8 2022/23	Average attainment 8 2021/22	Average attainment 8 2018/19
Sponsored academies	41.7	44.2	42
Converter academies	49.8	52.5	50.4
Free schools	48.4	50.5	48.3
Studio schools	35.7	39.6	36.5
UTCs	39.8	41.3	38.2
Local-authority-maintained schools	47.2	49.5	46.7
All state-funded mainstream schools	**47.2**	**49.8**	**47.6**

Table 20: Percentage of pupils achieving grade 4 or above in GCSE English and mathematics, by academy type

Type of provision	Achieving grade 4 or above in GCSE English and mathematics 2022/23	Achieving grade 4 or above in GCSE English and mathematics 2021/22	Achieving grade 4 or above in GCSE English and mathematics 2018/19
Sponsored academies	56.5%	60.7%	55.1%
Converter academies	70.9%	74.6%	71.1%
Free schools	69.1%	73.0%	67.3%
Studio schools	44.7%	53.8%	45.5%
UTCs	57.1%	60.6%	51.7%
Local-authority-maintained schools	66.5%	70.1%	64.6%
All state-funded mainstream schools	**66.5%**	**70.3%**	**65.9%**

Progress at KS4

Average Progress 8 was lower for pupils in sponsored academies compared to the average of all pupils in state-funded mainstream schools; conversely, average Progress 8 scores were higher for pupils in converter academies. Average Progress 8 scores were highest for pupils in free schools.

Table 21: Average progress 8 scores by institution type in 2022/23

	Progress Score	Confidence Interval
Sponsored academies	-0.22	(-0.23 to -0.21)
Converter academies	0.11	(0.10 to 0.11)
Free schools	0.21	(0.19 to 0.23)
Studio schools	-0.72	(-0.81 to -0.64)
UTCs	-0.69	(-0.74 to -0.65)
Local-authority-maintained schools	0.01	(0.00 to 0.02)
All state-funded mainstream schools	**0.01**	**(0.00 to 0.01)**

Notes on tables:

- Source: KS4 attainment data: https://explore-education-statistics.service.gov.uk/find-statistics/key-stage-4-performance
- 2022/23 data are revised [34]; 2018/19 and 2021/22 data are final.

34 Final data reflects any remaining amendments request by institutions as well as any final changes to grades submitted by awarding organisations. The difference between revised and final data are small as the majority of amendments are reflected in revised data.

Performance in academies with 16 to 18 provision

36.6%

of students at 16 to 18 are in academies.

Level 3

Converter academies have higher average points score (APS) per entry than those in sponsored academies, across all Level 3 qualifications in 2023.

Higher

Retention rates have fallen for all schools and colleges. Converter academies continue to have higher retention compared to sponsored academies.

Definitions

Qualifications

- Academic – Academic qualifications include A levels but also other 'level 3' academic qualifications such as International Baccalaureates and Pre-University Education. The figures are based on students who were entered for at least one academic qualification that takes the same amount of time to study as an AS level or above.
- Applied general – Applied general are qualifications that provide broad study of a vocational area. They are designed to lead to higher education, and they include areas such as performing arts, business and health and social care. See technical and vocational qualifications [35] for more details. These figures are based on students who were entered for at least one applied general qualification. For further details, see the 16 to 18 Accountability Technical Guide [36].
- Tech level – Tech levels are level 3 qualifications for students wishing to develop the specialist skills and knowledge for a technical occupation or industry. They lead to recognised occupations, for example in engineering, IT, accounting or professional cookery. For further details, see technical and vocational qualifications [37] and the 16 to 18 Accountability Technical Guide. [38]

Attainment

Average point score (APS) – These figures tell you the average points that students achieved in their academic qualifications. We give a points value to all qualifications so you can compare qualifications of a different size and grading system. We base the number of points on the challenge and size of a qualification. Read more about performance points. [39]

Retention measures

Retention measures – The retention measure shows the percentage of students who are retained to the end of the 'core aim' (or main learning aim) of their study programme at a state-funded mainstream school or college. Students are counted as retained if they are recorded as having "completed the learning activities leading to the learning aim" by their institution.

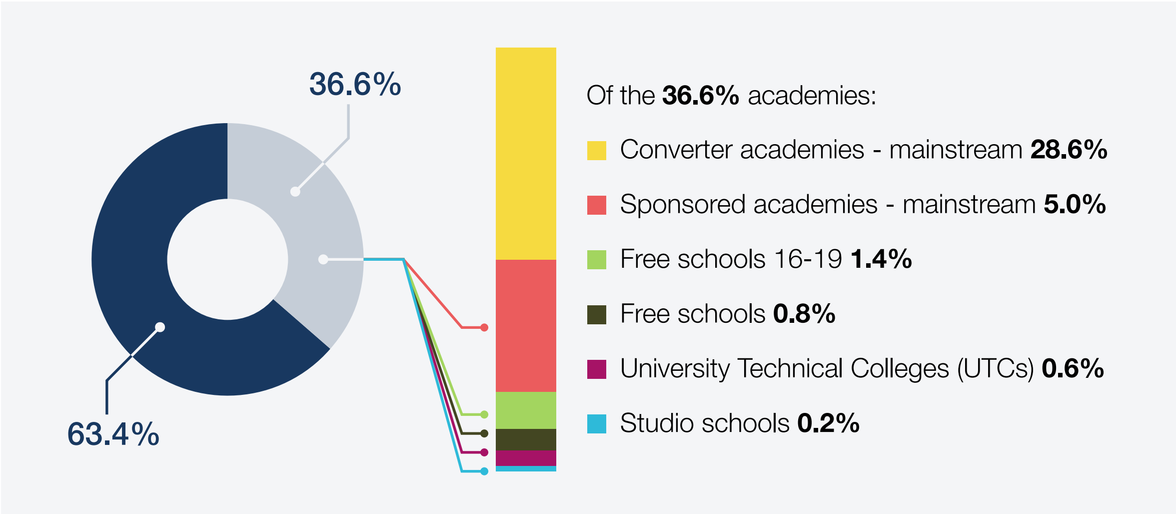
Qualifications entered during 16-18 study in academies

Statistics reported here refer to students in state-funded schools and colleges in England who reached the end of their 16-18 study in 2022/23.

Students typically spend two or three years in the 16-18 phase, and data covers qualifications approved for reporting in 2023 school and college performance tables, set out in the 16 to 18 qualifications, discount codes and point scores [40] guidance.

35 https://www.gov.uk/government/collections/performance-tables-technical-and-vocational-qualifications
36 https://www.gov.uk/government/publications/16-to-19-accountability-headline-measures-technical-guide
37 https://www.gov.uk/government/collections/performance-tables-technical-and-vocational-qualifications
38 https://www.gov.uk/government/publications/16-to-19-accountability-headline-measures-technical-guide
39 https://www.gov.uk/government/publications/performance-points-a-practical-guide-to-key-stage-4-and-5-points
40 https://www.gov.uk/government/publications/16-to-19-qualifications-discount-codes-and-point-scores

Figure 22: 36.6% of students at 16-18 are in academies, of which the majority are in converter academies

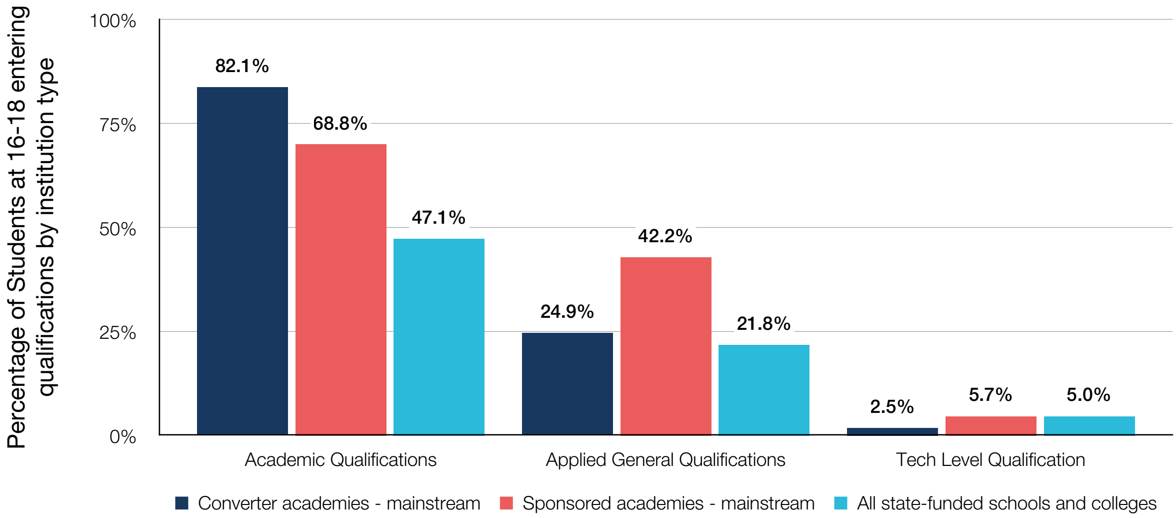


Students in converter academies – who make up the majority of students attending academies – are more likely to enter academic qualifications (82.1%) than students in sponsored academies (68.8%). These proportions are higher than for all state-funded schools and colleges nationally (47.1%), which is pulled down by the very low proportion of students in 'other FE colleges' entering academic qualifications.

A similar proportion of students in converter academies enter applied general qualifications (24.9%) compared to students across all state-funded schools and colleges (21.8%), however, a higher proportion of students in sponsored academies enter applied general qualifications (42.2%).

A lower proportion of students in converter academies enter tech level qualifications (2.5%) compared to students across all state-funded schools and colleges (5.0%). However as with applied general qualifications, a higher proportion of students in sponsored academies enter tech level qualifications (5.7%).

Figure 23: The proportion of students entering different qualifications varies between converter and sponsored academies and the average across all state-funded schools and colleges



A full breakdown of the percentage of students entering each qualification type, across each institution type, is provided below.

Table 22: Number of students at the end of 16-18 study, and the proportion that enter academic, applied general and tech level qualifications in 2022/23, by type of institution

Students at end of 16-18 study entering qualifications, 2023 (revised)	Number of students	Percentage entering academic	Percentage entering applied general	Percentage entering tech level
Local-authority-maintained mainstream schools	41,380	77.1%	27.9%	3.2%
Sponsored academies – mainstream	29,518	68.8%	42.2%	5.7%
Converter academies – mainstream	168,008	82.1%	24.9%	2.5%
Free schools	4,499	85.3%	14.4%	2.9%
Free schools (16-19)	8,122	70.7%	24.5%	3.3%
UTCs	3,622	44.8%	29.4%	33.2%
Studio schools	1,029	32.5%	37.1%	11.8%
All state-funded schools	**263,580**	**76.7%**	**26.6%**	**3.4%**
Sixth form colleges	53,166	64.5%	33.3%	2.7%
Other Further Education (FE) sector colleges	270,664	9.0%	12.4%	6.5%
All FE sector colleges	**323,830**	**18.1%**	**15.8%**	**5.9%**
All state-funded schools and colleges	**553,804**	**47.1%**	**21.8%**	**5.0%**

Notes on tables:

- Source: A level and other 16 to 18 results: https://explore-education-statistics.service.gov.uk/find-statistics/a-level-and-other-16-to-18-results
- 2022/23 data are revised.
- Totals may be less than the sum of separate institution types as students who attend multiple institutions during 16 to 18 study are only included once in aggregations of those institutions. Further, 'All state-funded schools' includes city technology colleges (CTCs) and state-funded special schools. Figures for these institution types are not shown separately in the table.
- Students can enter more than one type of qualification and so percentages do not add up to 100%.

Attainment outcomes at 16 to 18 in academies

This year there was a return to pre-pandemic standards for AS and A levels, with protection built into the grading process to recognise the disruption that students have faced. For Vocational Technical Qualifications that are taken alongside, or instead of, A levels, there was also a return to pre-pandemic standards in 2022/23.

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.[41] 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 2022/23, 2021/22 and 2018/19. 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 headline attainment measures highlighted in this report are based on results 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 2023 will include some results from previous years.

Students in converter academies have a higher average points score (APS) per entry than those in sponsored academies, across all Level 3 qualifications in 2023, the same pattern as 2022 and 2019. This reflects the different historic performance of schools that become sponsored or converter academies.

In 2023, all types of academies have a higher APS per entry in applied general qualifications than the average across all state-funded schools and colleges and all types of academies except studio schools have a higher APS per entry in tech level qualifications.

41 https://www.gov.uk/government/publications/school-and-college-accountability-approach-2020-to-2022

Table 23: APS per entry for academic, applied general and tech level qualifications in 2022/23, by type of institution

16 to 18 APS per entry, 2023 (revised)	Academic	Applied general	Tech level
Local-authority-maintained mainstream schools	34.23	31.01	33.15
Sponsored academies – mainstream	30.29	30.14	33.35
Converter academies – mainstream	35.46	31.04	33.83
Free schools	32.66	29.74	33.32
Free schools 16-19	36.87	33.36	35.14
UTCs	25.36	30.81	31.27
Studio schools	28.07	30.53	27.74
All state-funded schools	**34.73**	**30.93**	**33.17**
Sixth form colleges	34.72	31.52	34.65
Other FE sector colleges	29.34	26.52	26.31
All FE sector colleges	**32.54**	**27.99**	**26.84**
All state-funded schools and colleges	**34.26**	**29.52**	**28.50**

Table 24: APS per entry for academic, applied general and tech level qualifications in 2021/22, by type of institution

16 to 18 APS per entry, 2022 (revised)	Academic	Applied general	Tech level
Local-authority-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**

Table 25: APS per entry for academic, applied general and tech level qualifications in 2018/19, by type of institution

16 to 18 APS per entry, 2019 (revised)	Academic	Applied general	Tech level
Local-authority-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**

Notes on tables 23 to 25:

- Source: A level and other 16 to 18 results: https://explore-education-statistics.service.gov.uk/find-statistics/a-level-and-other-16-to-18-results
- All data is revised. [42]
- ‘All state-funded schools’ includes city technology colleges (CTCs) and state-funded special schools. Figures for these institution types are not shown separately in the table.

42 Revised data reflects the majority of amendments requested by institutions as well as changes to grades submitted by awarding organisations

Retention measures

The retention measure shows the percentage of students who are retained to the end of the 'core aim' (or main learning aim) of their study programme at a state-funded mainstream school or college. Students are counted as retained if they are recorded as having "completed the learning activities leading to the learning aim" by their institution.

Across all schools and colleges, retention rates for all level 3 study programmes have fallen in 2022/23 when compared to 2021/22, ending a trend of increasing retention rates observed since 2018/19. They remain higher, however, than those reported in 2018/19 for all level 3 cohorts. Falling retention rates in 2022/23 may be linked to increases in the number of students entering level 3 qualifications in 2021/22 and 2022/23, having received higher Centre Assessed Grade (CAG) and Teacher Assessed Grades (TAG) GCSE grades earlier at KS4 in 2019/20 and 2020/21. Students unable to complete their level 3 courses will tend to be flagged as being at the end of 16-18 study after 3 years, i.e. if students with CAG GCSE grades are less likely to be retained in level 3 courses, the impact on retention rates will first be observed this year.

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, particularly the tech level cohort.

In summary:

- The drop in retention rates between 2022 and 2023 were observed across all types of academy, apart from Free Schools (but note the caveat about low numbers).
- Converter academies continue to have higher retention rates across all level 3 cohorts compared to sponsored academies.

State-funded schools overall (largely comprising academies) have higher retention rates than 'All FE sector colleges' in academic qualifications. However, this is reversed for applied general and tech level, where retention rates continue to be lower for state-funded schools overall.

Table 26: Percentage retained for academic, applied general and tech level qualifications in 2022/23, by type of institution

	Academic	Applied general	Tech level
	%	%	%
Local-authority-maintained mainstream schools	95.3%	86.6%	87.7%
Sponsored academies – mainstream	94.1%	84.9%	86.5%
Converter academies – mainstream	95.1%	86.7%	87.3%
Free schools	95.5%	91.0%	91.2%
Free schools (16-19)	93.7%	84.3%	91.1%
UTCs	89.8%	87.4%	84.9%
Studio schools	95.2%	86.4%	85.4%
All state-funded schools	**95.0%**	**86.4%**	**86.9%**
Sixth form colleges	91.1%	85.1%	83.9%
Other FE sector colleges	85.8%	89.1%	88.9%
All FE sector colleges	**88.9%**	**88.1%**	**88.7%**
All state-funded schools and colleges	**93.5%**	**87.2%**	**88.3%**

Table 27: Percentage retained for academic, applied general and tech level qualifications in 2021/22, by type of institution

	Academic	Applied general	Tech level
	%	%	%
Local-authority-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 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 schools and colleges	**95.0%**	**91.7%**	**91.1%**

Table 28: Percentage retained for academic, applied general and tech level qualifications in 2018/19, by type of institution

	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%
UTCs	74.0%	85.8%	82.5%
Studio schools	80.3%	87.8%	85.2%
All state-funded 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 schools and colleges	**91.3%**	**86.5%**	**87.9%**

Notes on tables:

- Source: A level and other 16 to 18 results: https://explore-education-statistics.service.gov.uk/find-statistics/a-level-and-other-16-to-18-results
- All data is revised. [43]
- 'All state-funded schools' includes city technology colleges (CTCs) and state-funded special schools. Figures for these institution types are not shown separately in the table.

43 Revised data reflects the majority of amendments requested by institutions as well as changes to grades submitted by awarding organisations.

Attainment in multi-academy trusts

In MAT performance tables data, accountability measures are only produced for MATs that meet the following 'eligibility criteria':

- that have at least three academies with results at KS4
- where those academies have been with the MAT for at least three academic years (defined as having joined that MAT before 14 September 2020 for academic year 2022/23)

This is done so that data at MAT level is included for MATs that are sufficiently well established to have had time to a) have an impact on the performance of schools within the MAT and b) so that aggregate data tells you more than the individual institution data would.

Performance tables data for eligible MATs can be found at the Compare school and college performance website. [44]

The commentary in this section focuses on pupils in academies that meet the eligibility criteria, as this is the accountability measure for MATs; but figures are also provided for those in all other academies in MATs for wider context.

Users need to exercise caution when considering comparisons over time. This is due to the changes in approach to grading between 2022 and 2023. It is expected that performance in 2023 will generally be lower than in 2022. In 2022 outcomes broadly reflected a midpoint between 2019 and 2021, to take account of the impact of the pandemic and in line with Ofqual's approach to grading in 2022.

Due to the different historic performance of schools that become sponsored or converter academies and those which remain local-authority-maintained, simple comparisons between the whole MAT sector and other state-funded schools will not be meaningful and are not made in this publication.

Further, caution should be taken when comparing national MAT statistics across years as the composition of the academies and MATs included continues to vary, as the sector matures.

44 https://www.compare-school-performance.service.gov.uk/

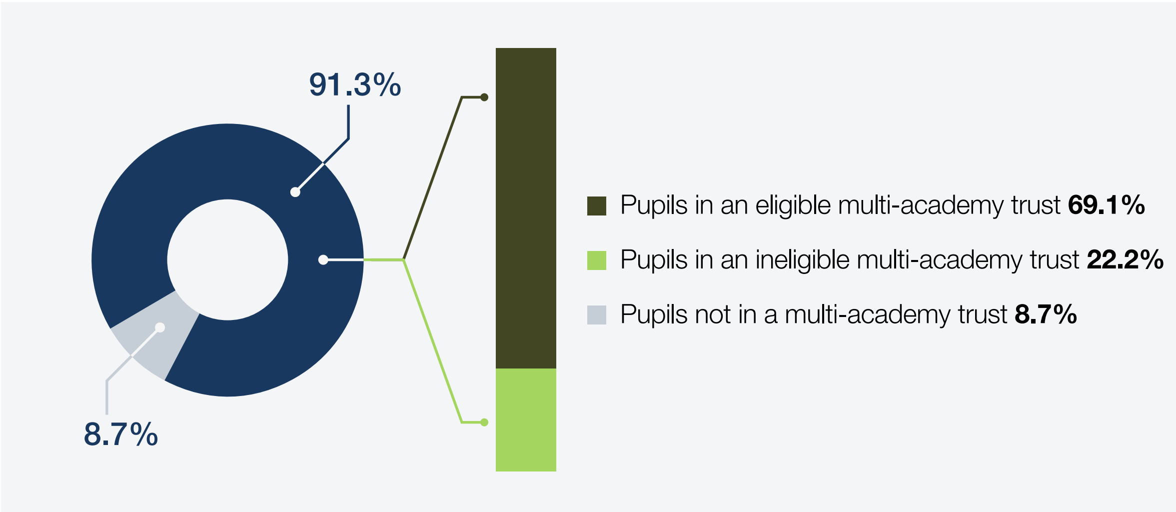
Performance in KS2 MATs

Students in MATs

91.3% of pupils in academies at KS2, were in a MAT.

Around three quarters of pupils in MATs were in trusts eligible for inclusion in performance tables. Around half of ineligible trusts were ineligible due to being 'small' (1-2 institutions).

Figure 24: 91.3% of KS2 pupils, in academies, were in a MAT



Whether a student is in a MAT eligible for inclusion in performance measures varied between students in converter academies (where 72% of students were in eligible MATs) to sponsored academies (where 84% of students were in eligible MATs).

Attainment of students in MATs

The data below shows that for academies meeting the eligibility criteria:

- the percentage of pupils meeting the expected standard in reading, writing and mathematics (combined) was 60% in 2023
- as would be expected given their historic performance prior to becoming academies, attainment was higher in converter academies compared to sponsored academies across all attainment measures
- attainment was higher in free schools compared to converter academies
- the percentage of pupils meeting the expected standard in reading, writing and mathematics (combined) was the same for academies meeting the eligibility criteria and all other academies in MATs, with some slight variations in individual subjects

Table 29: Attainment by academy type by eligibility for the last two years

Percentage of pupils meeting the expected standard in reading, writing and mathematics (combined) 2023	2022/23	2021/22
	%	%
Eligible:	**60**	**59**
Converter academies	62	61
Free schools	67	67
Sponsored academies	56	54
Ineligible	**60**	**59**
All MAT institutions	**60**	**59**

Source: https://explore-education-statistics.service.gov.uk/find-statistics/key-stage-2-attainment/2022-23

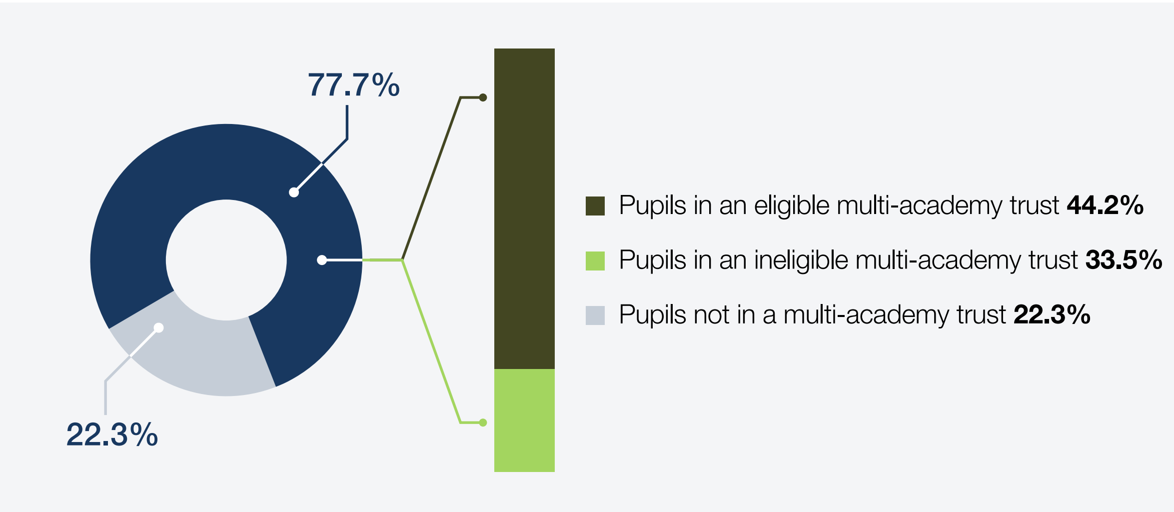
Performance in KS4 MATs

Students in MATs

77.7% of pupils in academies at KS4 were in a MAT.

Just over half of pupils in MATs were in trusts eligible for inclusion in performance tables. The main reason for ineligibility was that 78.5% of ineligible trusts were 'small' (1-2 institutions).

Figure 25: 77.7% of KS4 pupils, in academies, were in a MAT



Whether a student is in a MAT eligible for inclusion in performance measures varied greatly between students in converter academies (where 46% of students were eligible) to sponsored academies (where 74% of students were eligible).

Attainment of students in MATs

The data below shows that for academies meeting the eligibility criteria:

- As would be expected given their historic performance prior to becoming academies, attainment was higher in converter academies compared to sponsored academies across all attainment measures.
- Attainment was higher in free schools compared to converter academies.
- Pupils in academies that were ineligible for the MAT performance tables data tended to have higher attainment than those in eligible academies. This is to be expected because the proportion of converter academies to sponsored academies is greater in ineligible academies than eligible academies.

Table 30: Attainment by academy type by eligibility for the last 2 years

Type of provision	2022/23 Average Attainment 8 score	2021/22 Average Attainment 8 score
Eligible:	**45.5**	**47.8**
Converter academies	48.4	50.8
Free schools	49.3	51.8
Sponsored academies	42.0	44.6
Studio Schools	37.2	42.8
University technical colleges (UTC's)	41.3	42.9
Ineligible	**46.8**	**49.6**
All MAT institutions	**46.0**	**48.7**

Source: https://explore-education-statistics.service.gov.uk/find-statistics/key-stage-4-performance

Performance in 16-18 MATs

Students in MATs

70.1% of students entering academic qualifications in academies were in MATs, and 79.4% of students entering applied general qualifications in academies were in MATs.

For both exam cohorts, around one-third of students in MATs were in trusts eligible for inclusion in performance tables. The main reason for ineligibility was that 84.9% and 82.7% of ineligible trusts were 'small' (1-2 institutions) for the academic and applied general cohorts respectively.

Figure 26: 70.1% of students in academies, that entered academic qualifications, were in a MAT

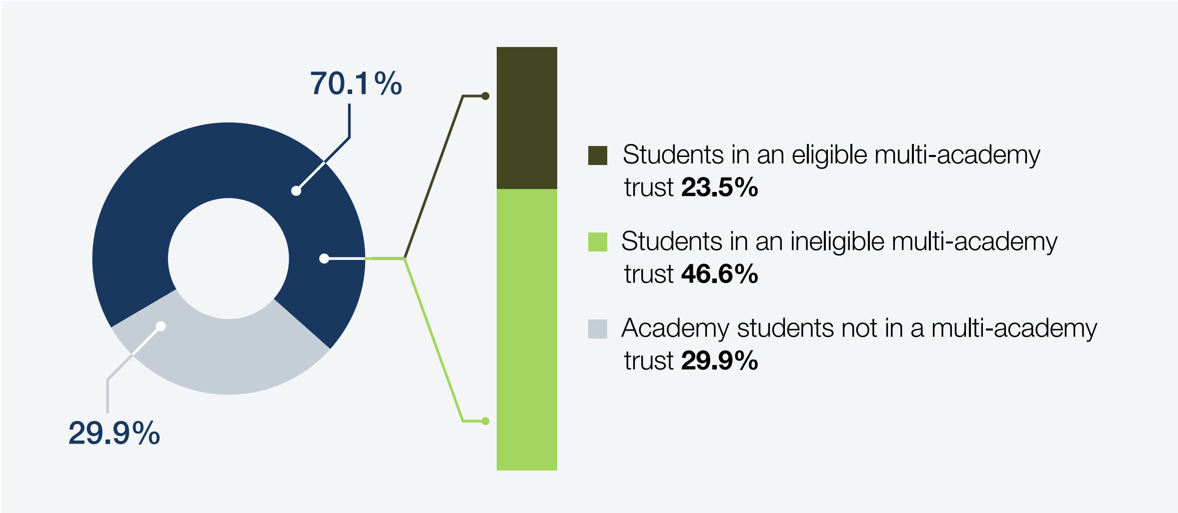
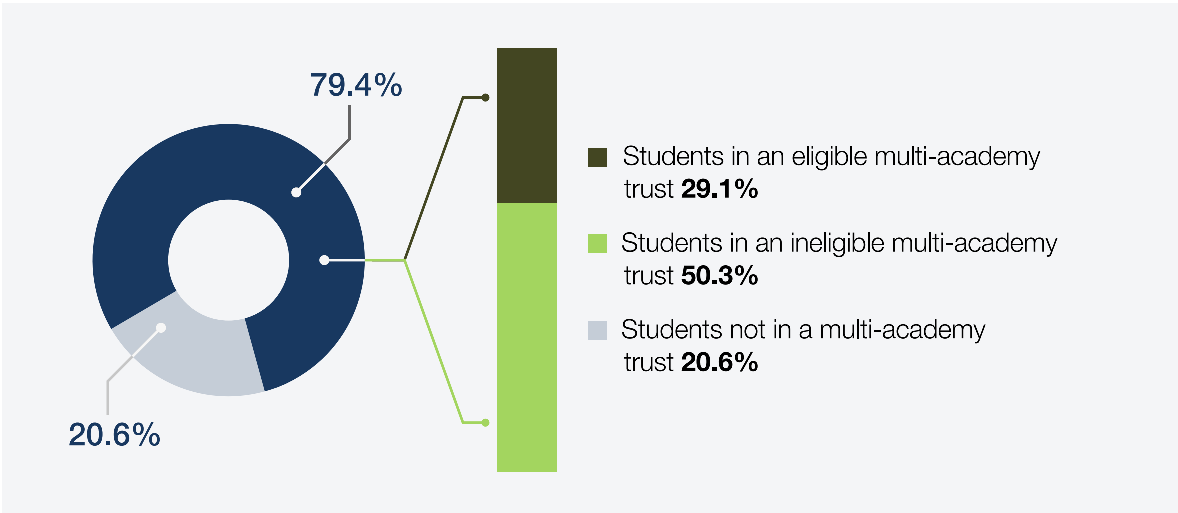


Figure 27: 79.4% of students in academies, that entered applied general qualifications, were in a MAT



Whether a student is in a MAT eligible for inclusion in performance measures varied greatly between students in converter academies (where 26% of students were eligible in both cohorts) to sponsored academies (where 66% of academic students and 61% of applied general were eligible).

Attainment of students in MATs

The data below shows that for academies meeting the eligibility criteria:

- For students in the **academic cohort**, the average point score (APS) was higher in converter academies compared to sponsored academies. This is as would be expected given the difference in their historic performance prior to becoming academies.
- Free schools had the highest attainment. Studio schools and UTCs had the lowest attainment. However, the number of students in studio schools and UTCs are low.
- For students in the **applied general cohort**, converter academies and sponsored academies have around the same average point score.
- Free schools again had the highest attainment. Studio schools continued to have lower attainment, yet UTCs had higher scores comparable with converter academies. Again, the number of students in studio schools and UTCs are low.
- For students in the **academic cohort**, academies not meeting the eligibility criteria tended to have higher average point scores than those in eligible academies. This is to be expected because a greater proportion of academies meeting the eligibility criteria are sponsored academies.
- Students in the **applied general cohort** had similar scores regardless of performance table eligibility. Again, this is to be expected given that for the applied general cohort, the average point score was similar between converter and sponsored academies. This is to be expected given that for the applied general cohort, the average point score was similar between converter and sponsored academies.

Table 31: APS per entry for academic and applied general qualifications in 2023, for academies in MATs, by type of academy

16 to 18 APS per entry, 2023 (revised)	Academic	Applied general
Eligible	**33.63**	**30.94**
Converter academies	34.77	30.99
Free schools	37.01	33.52
Sponsored academies	30.48	30.52
Studio schools	27.02	27.71
University technical colleges (UTCs)	24.82	31.00
Ineligible	**34.08**	**30.89**
All MAT institutions	**33.93**	**30.91**

Table 32: APS per entry for academic and applied general qualifications in 2022, for academies in MATs, by type of academy

16 to 18 APS per entry, 2022 (revised)	Academic	Applied general
Eligible	**37.15**	**33.58**
Converter academies	38.56	33.68
Free schools	40.24	35.42
Sponsored academies	34.04	33.15
Studio schools	28.71	31.78
University technical colleges (UTCs)	28.35	35.01
Ineligible	**37.88**	**33.44**
All MAT institutions	**37.67**	**33.49**

Source: https://explore-education-statistics.service.gov.uk/find-statistics/a-level-and-other-16-to-18-results

Susan Acland-Hood
Accounting Officer
5 March 2025

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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 ESFA.

Each AT is required to disclose details of their trustees within their financial statements, which are published on each AT's website alongside submission to ESFA and are also accessible at Companies House. [45]

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.

Ministerial changes

The following ministerial changes occurred during the year and up to the date the Accounting Officer approved this document.

	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	05 July 2024
The Rt Hon Bridget Phillipson MP	05 July 2024	

Baroness Barran MBE was the Minister for the School and College System and held the position from 17 September 2021 to 5 July 2024. Her responsibilities included academies and multi-academy trusts.

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

Statement of Accounting Officer's responsibilities

As the Principal Accounting Officer (AO) for the Department, I am responsible for 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 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
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process
- make judgements and estimates on a reasonable basis including those judgements involved in consolidating the accounting information provided by ATs
- state whether the applicable accounting standards have been followed, as set out in the Government Financial Reporting Manual, and disclose and explain any material departures in the accounts
- prepare the accounts for the Sector on a going concern basis
- 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

I confirm that the SARA is, as a whole, fair, balanced and understandable. I take personal responsibility for the annual report and accounts, including the judgements required for determining that it is fair, balanced and understandable.

Susan Acland-Hood
Accounting Officer
5 March 2025

Governance statement

The governance statement sets out the sector's governance, risk management and the assurances I have received, as Principal Accounting Officer, and our compliance with HMT's Corporate governance in central government departments: code of good practice as far as is applicable.

Secretary of State (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. One of the key duties of the PR is to promote compliance with charity law[46] and the government has a duty to report on how the SoS carries out these duties.

As agreed in the memorandum of understanding[47] between the Charity Commission and the Department, this duty is discharged in this report for academy trusts. The memorandum of understanding also sets out how the entities work together, both in co-ordinating regulatory operations and formulating policy.

Each AT's charitable objects are set out in their Articles of Association and financial statements. All ATs hold a funding agreement, which is a legally binding contract between an AT and the SoS. It 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 ESFA take 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 2022 and 31 July 2023, two cases were referred to the Charity Commission for investigation (one case referred between 1 August 2021 and 31 July 2022). No cases were referred to the Charity Commission in August 2023.

46 https://www.gov.uk/government/publications/regulation-of-schools-and-academies-with-exempt-charity-status
47 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/640051/Charity_Commision_-_Department_for_Education_-_MOU.pdf

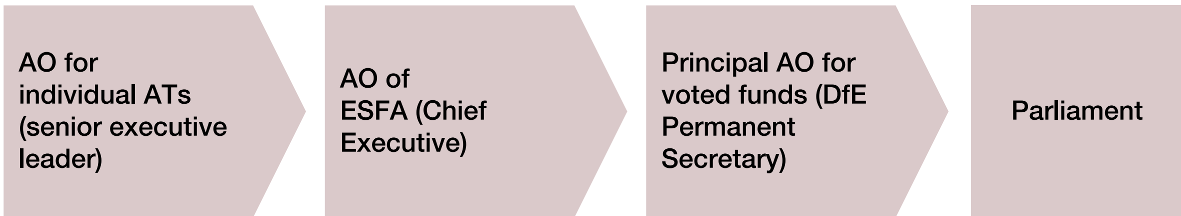
Scope of responsibility

As the Permanent Secretary and Principal Accounting Officer 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 Accounting Officer System Statement[48]. ATs have statutory responsibilities under company and charity law, and are ultimately accountable – through me, and ESFA's Accounting Officer (AO), to Parliament.

ESFA, an executive agency of the DfE, exists to ensure every pound spent on education and skills has the greatest possible impact on ensuring all students can realise their potential. During the 2024-25 academic year the EFSA will close, with its functions transferring into the Department for Education. The functions referenced below will continue to be carried out by the Department – we continue to use ESFA to reflect the accountability framework in place during the 2022/23 academic year.

Figure 28: System of accountability



Within this system, my officials have designed and implemented a robust governance framework. I have delegated specific responsibilities to both the Chief Executive (CE) of ESFA and to ATs. These responsibilities are articulated within the Academies Trust Handbook (ATH). [49]

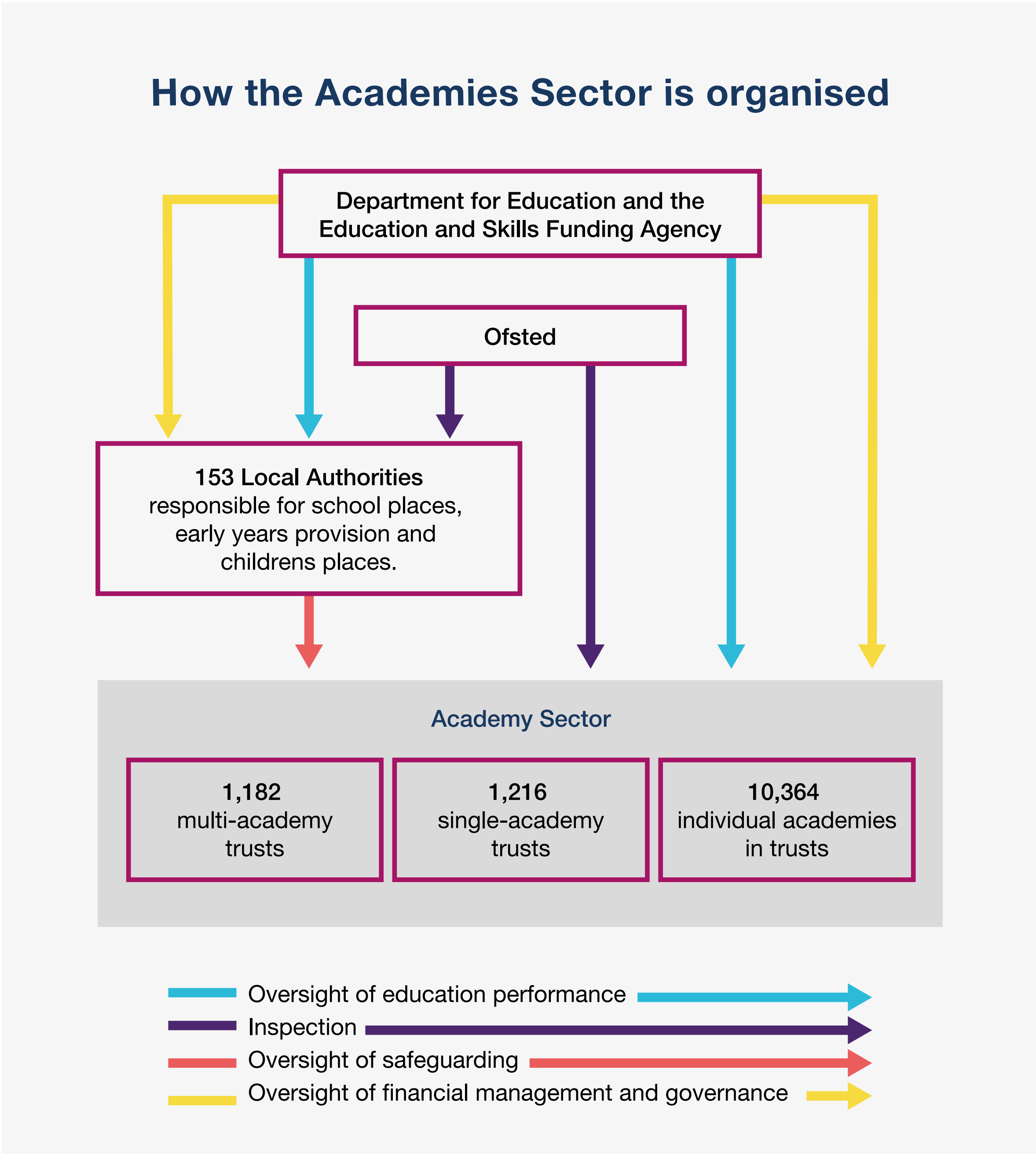
I confirm that I have reviewed the effectiveness of internal control arrangements across the sector, through my review of ESFA's work in overseeing financial management, governance and assurance activities. The assurance findings are published in Academy trusts: themes arising from ESFA's assurance work - GOV.UK[50]

48 https://www.gov.uk/government/publications/dfe-and-tps-accounting-officer-system-statement
49 https://www.gov.uk/guidance/academies-financial-handbook/academy-trust-handbook-2021.
50 https://www.gov.uk/government/publications/academy-trusts-themes-arising-from-esfas-assurance-work

How the academy sector is organised

Various organisations play a role in delivering and ensuring accountability across the academy sector. Figure 29 provides a simplified overview of the main delivery and oversight bodies.

Figure 29: Oversight environment as at 31 August 2023



Academy trust accountability

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. Primary responsibility for the oversight of ATs rests with the ATs themselves.

The ATH covers the financial accountability requirements for ATs. It sets out the areas of HMT's Managing Public Money [51] that directly apply to ATs. The ATH is updated annually to cover improvements to governance and financial management arrangements, reflecting the monitoring and feedback applied to the sector.

As a government body, each AT must have its own AO whose responsibilities are set out in the ATH. The Department provides additional guidance for governance [52] and financial management and internal scrutiny [53].

The role of the AT AO is to be accountable to Parliament, through me and the ESFA AO, for the resources under the trust's control. The AT AO is 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)

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 Academies Accounts Direction [54] (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 financial position.

The auditor is also required to give a conclusion, addressed jointly to the AT and ESFA where matters of irregularity have come to their attention and include this conclusion within the audited financial statements, in accordance with the AAD. This conclusion is informed by the AO's statement of regularity, propriety, and compliance.

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, as required by the Companies Act 2006.

There were expected to be 2,468 financial statements from ATs for the period ending 31 August 2023. At publication, 2,461 (99.7%) had been received, with 7 outstanding. The outstanding financial statements relate to either ATs that have closed or are open but subject to some form of intervention action with ESFA.

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51 https://www.gov.uk/government/publications/managing-public-money
52 https://www.gov.uk/guidance/-governance-in-academy-trusts
53 https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides
54 https://assets.publishing.service.gov.uk/media/6448d9ec814c66000c8d0657/Academies_accounts_direction_2022_to_2023.pdf

AT external audit

Independent auditors' opinions on 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. A summary of audit opinions is presented below.

Table 33: Summary of auditors' opinions

	2022/23		2021/22	
	Number	%	Number	%
Unqualified	2,203	89.3%	2,380	92.5%
Unqualified – emphasis of matter other	48	1.9%	6	0.2%
Unqualified – financial statements produced on non-going concern basis (trust closing)	167	6.7%	135	5.3%
Unqualified – material uncertainty to continue as a going concern (financial issues)	32	1.3%	39	1.5%
Qualified	11	0.4%	6	0.2%
Disclaimer of opinion	-	0.0%	-	0.0%
Adverse	-	0.0%	-	0.0%
Financial statements not received	7	0.4%	7	0.3%
Total	**2,468**	**100%**	**2,573**	**100.0%**

In 2022/23, 99.2% of ATs received an unqualified audit opinion. This meant that their financial statements are free from material misstatement.

An unqualified audit opinion with an emphasis of matter paragraph draws users' attention to a matter that is important to their understanding of the financial statements, the audit, the auditor's responsibilities or the auditor's report.

The number of ATs that are unqualified but where a material uncertainty relating to going concern due to financial weakness is reported has decreased to 1.3% from the previous year (2021/22: 1.5%). The number of ATs producing financial statements on a non-going concern basis due to the trust closing has increased by 1.5% from the previous year. This is attributable to the continuing trend of ATs closing following transfer to other MATs.

The audit opinions that were 'qualified' remained low at 0.4%, an increase from 0.2% 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

Work performed as part of the SARA consolidation process has ensured a consistent application of policy to address these qualifications at AT level.

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 192 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.

Table 34: Summary of auditors' opinions on regularity

	2022/23		2021/22	
	Number	%	Number	%
No regularity exception noted	2,269	91.9%	2,357	91.7%
Regularity exception noted	192	7.8%	209	8.1%
Financial statements not received	7	0.3%	7	0.2%
Total	**2,468**	**100.0%**	**2,573**	**100.0%**

Independent reporting accountants concluded that there were no regularity exceptions in trust financial statements for 92% of trusts.

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 reasons for most of the regularity exceptions were the same as the previous year and related to internal reporting and control arrangements.

SARA consolidation process and internal controls

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

The production of 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). [55]
- Relying on the external auditors appointed by each AT's trustees who report on whether the AT's 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) [56] to the Department 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 Royal Institute of Chartered Surveyors (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 SARA. Further details of valuation of land and buildings in the sector are outlined in note 2.
- Management review of the AAR submissions from individual ATs is completed including several outlier tests and checks to ensure the information is accurate and fit for purpose.
- Consideration by management and DfE's Audit and Risk Committee (ARC) of SARA and its production process, as well as review of the audit report of the SARA produced by the National Audit Office (NAO).

Each AT's financial statement includes a Governance Statement for the year ended 31 August 2023. 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.

Management consider that the processes set out below provide significant assurance as to the accuracy of the LGPS balances included in this account.

- To obtain a valuation as at the effective accounting date, all academies are required to use one of the four actuarial experts used in the LGPS to obtain an actuarial valuation of the share of relevant LGPS assets and liabilities. This valuation is included in each AT's audited financial statements and is verified by the AT's independent auditors.
- All four actuaries are obliged to follow internal quality assurance procedures and established professional methodologies. They are regulated by the Institute and Faculty of Actuaries (IFoA) and the Financial Reporting Council (FRC). The IFoA regulates the actuarial profession, while the FRC provides independent oversight. Each pension scheme sets out the basis for the calculation of its pension liability and how it allocates scheme assets, consequently these methodologies can be checked for consistency.

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55 https://www.gov.uk/guidance/academies-accounts-direction#academies-accounts-direction-2022-to-2023
56 https://www.gov.uk/guidance/academies-accounts-return

- In producing the SARA, DfE aggregates the underlying data reported in audited trust financial statements to produce a consolidated figure. DfE engages the Government Actuary's Department (GAD) to test the accuracy and reasonableness of the values and disclosures relating to LGPS in the SARA.

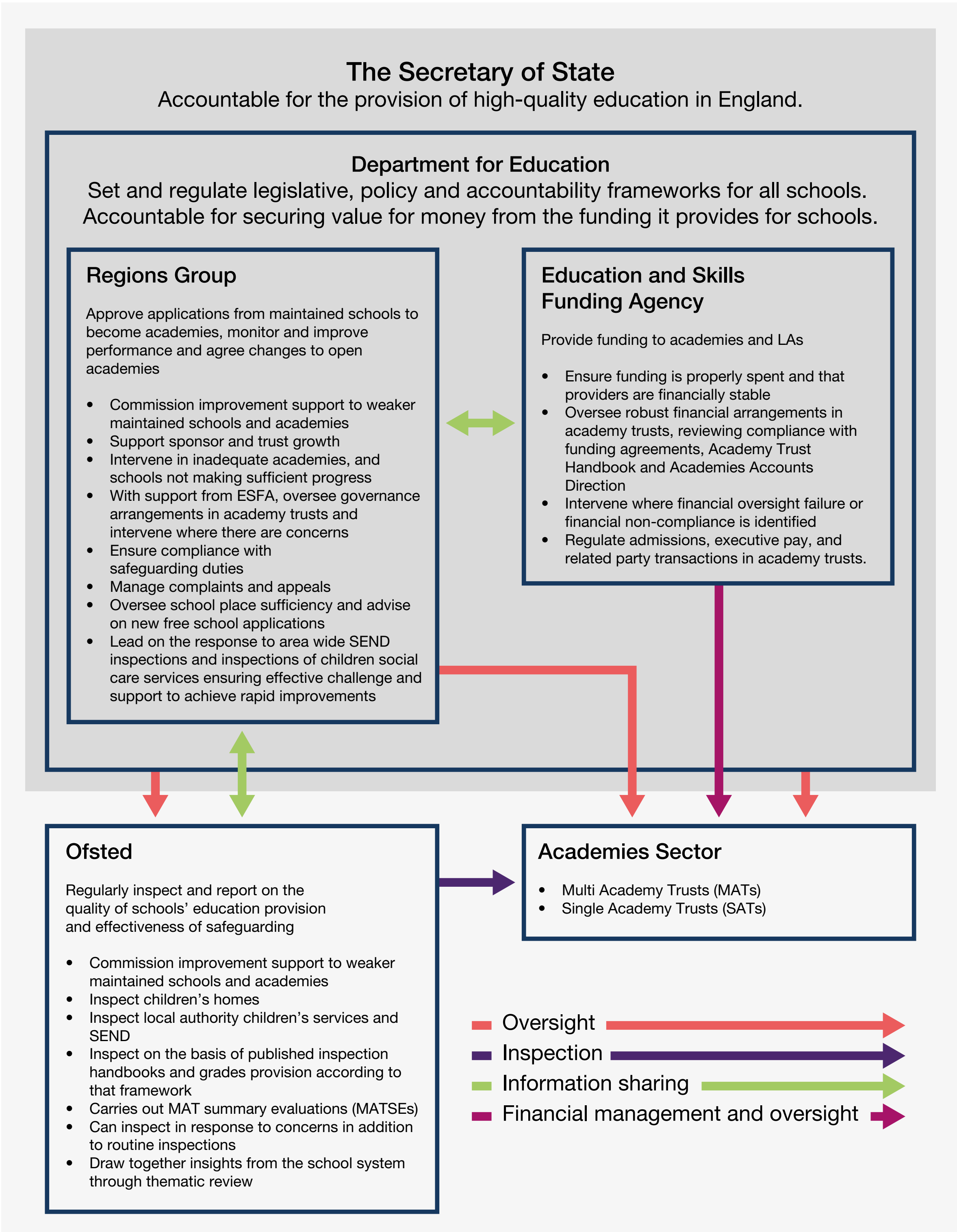
  GAD has confirmed that the approaches adopted by individual actuaries are reasonable, the valuation of assets and liabilities has followed standard actuarial practice, and this practice is consistent with past practice and wider industry practice to perform an accounting exercise under the relevant accounting standards. GAD's work includes a calculation of the estimated aggregate net balance sheet position as at 31 August 2023, based on its expectation of the changes to key assumptions and market asset returns over the year. GAD's independent estimate broadly aligns with the actual end year positions submitted by the Academy Trusts.
- DfE officials further review the audit opinions of AT's financial statements and consider if any qualifications require additional review (see page 82). The audit qualifications related to LGPS in the period are linked to the decision taken by ATs to either to cap or not cap scheme assets. In the SARA consolidation a consistent policy of capping at nil was adopted. This resulted in a non-material adjustment to the liability (see note 14.5.2). Management have assurance that the judgements made by individual ATs do not have a material impact on the aggregated value included in the SARA, and a consistent accounting policy has been applied at sector level.
- The established practice in valuing pension scheme assets and liabilities is that they are determined at the triennial actuarial funding valuation and rolled forward appropriately to the accounting effective date. The most recent finalised actuarial valuation (at the point of advisers preparing disclosures) had an effective date of 31 March 2022 and this has been used as the starting point for the 2023 calculations. Work conducted for the 2021/22 SARA indicated that the triennial valuation had limited impact upon the asset and liability position, although it will have impacted contribution rates for academy trusts going forward. As such management do not consider the practice of roll-forward to be indicative of a significant risk of misstatement.
- LGPS is not sectionalised – the assets for each employer are not explicitly held separately. The scale of the academy footprint within the LGPS is relatively small compared to Local Authorities, with academies only representing around 6% of total LGPS. The valuation of fund assets would need to be significantly miscalculated consistently across all 78 LGPS schemes for there to be a material impact on the SARA pension valuation. Management has examined the nature of assets within the LGPS schemes – the majority of assets are those which can be tied to market valuations, such as government bonds. The small proportion of assets invested in non-market products that are more complex to value, for instance real estate, would need to be significantly misstated for there to be a consequential material change in the SARA LGPS net liability position once those assets are apportioned between employers within each fund.

It is management's consideration that the evidence and processes in place provides assurance that the estimate of the overall LGPS pension balances attributable to the sector as at 31 August is reasonable and robust. We consider that further work designed to solely address the Comptroller and Auditor General's (C&AG) limitation of scope qualification would incur a disproportionate cost and effort, given the low likelihood that this additional work would result in an adjustment to the estimate disclosed in the accounts. The additional effort would largely be borne by academy trusts and their auditors, and LGPS funds and their auditors, which would have an unacceptable impact on those organisations' ability to deliver their important work. We are working with the NAO to discuss options to resolve the qualification in future SARA accounts.

The Department's statutory and regulatory control framework

Figure 30 shows the different roles the Department and its delivery and oversight bodies perform to deliver the regulatory oversight and commissioning roles for the sector.

Figure 30: Delivery roles for the year ended 31 August 2023



Departmental level assurance

As the lead official and Principle Accounting Officer (PAO) for the Department, I am responsible for the effectiveness of the systems of internal control and am accountable for the stewardship of its funds. I delegate responsibility for this stewardship and, to support the effectiveness of this delegation, I have put in place an operating model backed by effective governance processes and budget allocation arrangements, risk identification and management systems and counter fraud controls.

A detailed overview of the Departments governance framework can be found in the Accounting Officer System Statement (AOSS) [57] and Annual Report and Accounts. [58]

As AO, I receive assurance both internally and externally from the Government Internal Audit Agency and National Audit Office (NAO) through their assurance programmes and value for money studies. Other sources of assurance, include but are not limited to local authority Chief Finance Officers, individual academy trust Accounting Officers, Ofsted, and the accounting officers of our Agencies and Non-Departmental Public Bodies, and further information can be found in the funding arrangement sections of this document.

This enables me to confirm to Parliament, via the Department's annual report and accounts, that robust systems and governance are in place.

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. ESFA's Corporate Assurance and Restructuring Directorate provides assurance to ESFA and specifically its Accounting Officer over funds disbursed to ATs. It reports to ESFA's Accounting Officer through an annual statement of assurance.

ESFA

ESFA, an executive agency of the DfE, strives to ensure every pound spent on education and skills has the greatest possible impact on ensuring all students can realise their potential.

Figure 30 provides an overview of its key responsibilities.

I have delegated specific responsibilities to the Chief Executive of ESFA, including the effective administration of funding to ATs and providing assurance.

ESFA's oversight of ATs is based on the financial control framework set out in the ATH. It publishes the AAD to help ATs prepare their annual financial statements and to support auditors with the effective audit of AT financial statements.

ESFA actively engages with the sector to raise standards of financial management and governance. In 2022/23, 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. ESFA has also continued to collaborate with sector representatives, through steering and working groups, to develop, streamline and improve the financial accountability framework to ensure it remains fit for purpose and is more straight forward and easy to follow.

57 https://assets.publishing.service.gov.uk/media/66c7636107733cc4df618227/Accounting_Officer_System_Statement_for_the_Department_for_Education_and_Teachers__Pension_Scheme_August_2024.pdf

58 https://assets.publishing.service.gov.uk/media/66a78149a3c2a28abb50d885/DfE_consolidated_annual_report_and_accounts_2023_to_2024_-_print-ready_version.pdf

While the primary responsibility for the oversight of ATs rests with trustees themselves, ESFA carried out an annual risk-based programme of assurance to review compliance with funding agreements, ATH and the Academies Accounts Direction.

The work includes analysis of AT financial statements, risk-based focused reviews and validation of financial management and governance self-assessment forms by new ATs. ESFA was able to provide substantial assurance from this work that there were no specific matters giving rise to a material impact on SARA.

Where financial non-compliance, financial oversight failure or governance concerns are identified, ESFA will look to support the academy trust to improve. In certain circumstances, ESFA may intervene, in a way that is proportionate to the risk and preserves education provision. They do this working closely with Regions Group.

ESFA may issue a trust with a Notice to Improve (NtI), in conjunction with Regions Group, which sets out what the trust must do to address the Department's concerns. Failure to comply with the NtI is a breach of the funding agreement and could result in termination of that agreement.

Further details are available within ESFA's 2023-24 annual report and accounts [59] (pages 17-18) and in part 6 of the ATH on the regulator and intervention. [60]

NtIs issued

For the year ended 31 July 2023:

- six NtIs (representing 0.3% of the total sector by number of ATs) were issued, with no further notices issued during August 2023. 9 NtIs (representing 0.5% of the total sector by number of ATs) were issued in the year to 31 July 2022, with no further notices issued during August 2022.
- 14 NtIs were closed, with no further notice closed during August 2023. 16 NtIs were closed in the year to 31 July 2022, with one further notice closed during August 2022.

59 https://www.gov.uk/government/publications/education-and-skills-funding-agency-esfa-annual-report-and-accounts-2022-to-2023

60 https://www.gov.uk/guidance/academy-trust-handbook/part-6-the-regulator-and-intervention

Suspected fraud, irregularity or theft

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

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

The number of allegations of suspected fraud, irregularity or theft made through various channels, including whistleblowing is as follows:

Table 35: Number of allegations of suspected fraud, irregularity or theft for the last two years

	2022/23	2021/22
	Number	Number
Allegations reported:		
Between August and July	39	34
*August	4	1
Full Investigation activity undertaken:		
Between August and July	7	2
*August	-	1
Advice cases:		
Between August and July	21	18
*August	4	0

In accordance with the ATH 2023 (s6.10), ATs were required to notify 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. ESFA received 43 notifications from ATs in the year ended 31 July 2023 (compared to 55 in 2021/22). Two further notifications were received during August 2023 (six in August 2022).

The number of notifications received from ATs was as follows:

Table 36: Number of AT fraud notifications received

	2022/23	2021/22
	Number	Number
Between August and July	43	55
*August	2	6

The value of suspected fraud, irregularity or theft against ATs that was confirmed by ESFA is as follows:

Table 37: Value of suspected fraud, irregularity or theft confirmed

	2022/23 £	2021/22 £
Suspected fraud, irregularity of theft against ATs:		
Between August and July	1,781,413	786,507
*August	14,500	8,247
Amounts recovered by ESFA:		
Between August and July	1,108,141	612,716
*August	612,716	18,441

As a comparison, the value of fraud reported to the Department by local authorities relating to local-authority-controlled schools was £2.3 million for the 2022-23 local authority financial year (£0.7 million for the 2021-22 local authority financial year).

Local authority 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 local authority reported fraud figure may include values that have occurred in a previous reporting period as this depends on when the local authority identified the fraud.

Regions Group

The Department's Regions Group was created in 2022, aligned to the nine regions used across the rest of government. The nine Regional Directors (RDs) are responsible for commissioning academies and academy trusts in the system. Supported by teams across the Department, including ESFA, Regional Directors approve academy conversions, transfers and applications for funding.

The Commissioning High Quality Trusts [61] guidance sets out how RDs perform their functions.

Regional Director escalation approach for educational performance concerns in academies

Regional Directors and ESFA work together to agree a robust and joined up approach to addressing underperformance where non-financial, safeguarding or governance non-compliance in academy trusts is identified.

Regional Directors act as regulators on behalf of the Secretary of State to intervene in underperforming schools and academies and transfer them to approved trusts using powers contained in the Education and Inspections Act 2006, the Academies Act 2010 and academy funding agreements. The Academies Act 2010 was amended in 2016 to place a legal duty on the Secretary of State to issue an Academy Order to all maintained schools judged 'Inadequate' by Ofsted.

Regional Directors 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 RDs decide on the most appropriate course of action.

61 https://www.gov.uk/government/publications/commissioning-high-quality-trusts

The Department publishes copies of notices[62] that it sends to ATs about poor performance, weaknesses in safeguarding, governance and/or financial management (listed below).

Regions Group also uphold safeguarding regulation, working alongside Ofsted, and manage complaints and appeals.

Table 38: Regional Director notices issued between 1 August 2022 and 31 July 2023

	Termination warning notices		Termination notices	
	2022/23	2021/22[63]	2022/23	2021/22
Sponsored academies	48	22	-	1
Converter academies	73	26	-	-
Free schools	5	5	-	-
Total	126	56	**-**	**1**

In August 2023 three (August 2022: nine) termination warning notices were also issued, one to sponsored academies (August 2022: five) and two to converter academies (August 2022: four).

Where improvements are not achieved rapidly at an academy, or a trust is not providing good enough support, the RD can act. In line with the funding agreement and legislation, the RD 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.

RDs lead the relationship with sponsoring trusts that operate in their region, and with agreed national sponsoring trusts. RDs 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 RD 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, Regions Group and ESFA have the power to terminate funding agreements and transfer the academy into a new AT.
- Sponsor or AT closure – in the rare event that an AT closes, academies in the closing AT must be transferred to a new AT as part of the closure. Academies within a closing AT must be transferred even if they themselves are not otherwise eligible for intervention.

Details of academy transfers[64] include 275 academies that moved ATs in 2022-23 (2021-22: 176). Of these 275 academies, 38 transfers were a result of intervention, 33 were a result of trust closures, and the remaining 204 transfers were initiated by the outgoing AT.

62 https://www.gov.uk/government/collections/letters-to-academies-about-poor-performance
63 Prior year data has been restated.
64 https://explore-education-statistics.service.gov.uk/find-statistics/academy-transfers-and-funding

RD escalation approach for educational performance concerns in local-authority-maintained schools

RDs will intervene in local-authority-maintained schools on the grounds of educational underperformance only where Ofsted has judged them to be inadequate, or where they have received two or more consecutive Ofsted judgements of less than 'Good', referred to as 'schools not making necessary improvements.

In the 2022/23 academic year, the Secretary of State has a duty to issue an academy order to any maintained school judged as Inadequate by Ofsted, to enable it to become an academy and receive additional support from a sponsor. RDs, acting on behalf of the Secretary of State, will take responsibility for ensuring that the maintained school becomes a sponsored academy, including identifying the most suitable academy trust. The Secretary of State also has a discretionary power to intervene in maintained schools that are not making necessary improvements. Where the RD decides to issue an academy order, the RD (acting on behalf of the Secretary of State) will take responsibility for ensuring that the maintained school becomes a sponsored academy as swiftly as possible.

For the year ending 31 July 2023, a total of 163 schools were issued with an academy order (compared to 63 in 2021/22). The increase in the number of academy orders issued in 2022/23 is largely due to the increased intervention in schools not making necessary improvements.

RDs also have intervention powers in maintained schools in relation to financial management and/or governance concerns or where the safety of staff or pupils is threatened. RDs may use their powers on these grounds regardless of the school's Ofsted rating.

Opening new free schools

RDs 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.

RDs decide whether to enter into funding agreements to open free schools on behalf of the Secretary of State (SOS). In 2022/23 49 funding agreements were agreed.

Where proposals are received for the establishment of a new local authority led presumption free school within their region, the RD will make the decision about which proposer is most likely to deliver a high performing school. In 2022/23 proposers were approved for 19 presumption schools.

External sources of assurance

National Audit Office

The National Audit Office is the UK's independent public spending watchdog, who support parliament in holding government to account and help improve public services. They are independent of government and the civil service and are overseen by the Public Accounts Commission, a parliamentary committee of MPs.

Drawing on NAO's work, the separate Public Accounts Committee holds evidence sessions, with government officials, focused on public spending and scrutinising the implementation of government policy. Audited bodies are required to respond to recommendations made by the committee. They must respond to NAO's recommendations, which are published as a searchable Recommendations tracker.[65]

NAO published the following reports relating to the sector:

Value for money reports

Education recovery in schools in England[66], published February 2023.

Department for Education: sustainability overview[67], published June 2023.

Condition of school buildings[68], published June 2023.

Preparations to extend early years entitlements for working parents in England[69], published April 2024.

Improving educational outcomes for disadvantaged children[70], published July 2024.

Support for children and young people with special educational needs[71], published October 2024.

Departmental overview

Department for Education 2023-24[72], published November 2024.

Ongoing reviews

As well as the reports identified above, the following reviews are in progress:

Ensuring sufficient teachers in secondary and further education[73], scheduled publication Spring 2025.

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65 https://www.nao.org.uk/recommendations-tracker/
66 https://www.nao.org.uk/reports/education-recovery-in-schools-in-england/
67 https://www.nao.org.uk/reports/dfe-sustainability-overview/
68 https://www.nao.org.uk/reports/condition-of-school-buildings/
69 https://www.nao.org.uk/reports/preparations-to-extend-early-years-entitlement-for-working-parents-in-england/
70 https://www.nao.org.uk/reports/improving-educational-outcomes-for-disadvantaged-children
71 https://www.nao.org.uk/work-in-progress/support-for-children-and-young-people-with-special-educational-needs/
72 https://www.nao.org.uk/overviews/department-for-education-2023-24/
73 https://www.nao.org.uk/work-in-progress/ensuring-sufficient-teachers-in-secondary-and-further-education/

Public Accounts Committee

The Public Accounts Committee [74] examines the value for money of government projects, programmes, and service delivery. Drawing on the work of 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 committee works through undertaking a series of inquiries on a range of subjects, the final published reports are supported by evidence taken in writing or orally in evidence hearings. Departments are responsible for responding to the recommendations made in a report in a Treasury Minute.

Below we present the Public Accounts Committee hearings I attended on behalf of the Department that directly relate to the sector, both during and after the reporting year, with links to the government's Treasury Minute responses if finalised:

Education Recovery in Schools [75]

- Hearing – 9 March 2023.
- Report published – 7 June 2023.
- Government response published – 5 August 2023.

The condition of school buildings [76]

- Hearings – 13 July 2023 and 11 September 2023.
- Second report published – 19 November 2023.
- Government response published – 8 March 2024.

Preparations to extend childcare entitlements for working parents in England [77]

- Hearing – 8 May 2024 report published.
- No report will be published following the prorogation of Parliament due to the general election being called. The chair of the PAC wrote to the Permanent Secretary in May 2024 with the committee's recommendations following the hearing.
- Government response published – the Permanent Secretary responded to the PAC Chair's letter in May 2024.

Conclusion

I have considered the evidence provided regarding the production of the Governance Statement, and the independent advice and assurance provided. I conclude that the Department has satisfactory governance and risk management systems in place with effective plans to ensure continuous improvement.

74 https://committees.parliament.uk/committee/127/public-accounts-committee/
75 https://committees.parliament.uk/work/7229/education-recovery-in-schools/publications/
76 https://committees.parliament.uk/work/7727/the-condition-of-school-buildings/
77 https://committees.parliament.uk/event/21306/formal-meeting-oral-evidence-session/

Remuneration and staff report

Information in this section is reported to meet the requirements of the 2022-23 FReM and relates to the academic year ending 31 August 2023. This information has been collated from the audited AAR, which is an annual return submitted by individual ATs to ESFA.

As set out in the introduction, several 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 2022/23 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 2022, it recommended a 5% increase to all pay and allowance ranges and advisory points, with higher increases to some parts of the main pay range. This was followed by a recommended 6.5% increase from September 2023 to deliver a minimum starting salary of £30,000 by September 2023 outside London, with slight variations to the London pay ranges.

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. Further, we have not provided an analysis of staff movements or turnover, as this is driven by local decisions within a trust and disclosed within their accounts. 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 Standards (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 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 3,556 trustees paid as staff (2021/22: 4,105) and no non-staff paid trustees (2021/22: none).

Most 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 pension contributions

Salary range	2022/23	2021/22
	Number of trustees	Number of trustees
£1 – £60,000	1,265	1,680
£60,001 – £70,000	289	345
£70,001 – £80,000	193	238
£80,001 – £90,000	196	208
£90,001 – £100,000	181	215
£100,001 – £110,000	163	192
£110,001 – £120,000	178	200
£120,001 – £130,000	216	250
£130,001 – £140,000	225	212
£140,001 – £150,000	170	187
£150,001+	480	378
Total	**3,556**	**4,105**
Of which		
Trustees paid as staff	3,556	4,105
Trustees paid as non-staff	-	-

Pension entitlements

ATs operate a range of pension schemes for their employees, dependent upon their role. The two main pension schemes are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

The actuarial valuation of the TPS was carried out as of 31 March 2016 and was published by the Department in March 2019. The employer contribution rate for 2022/23 remained at 23.68%.

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.

			2022/23
Exit package cost band	**Compulsory redundancies**	**Other departures agreed**	**Total**
	Number	**Number**	**Number**
<£10,000	707	1,443	2,150
£10,001 - £25,000	359	737	1,096
£25,001 - £50,000	132	276	408
£50,001 - £100,000	20	42	62
£100,001 - £150,000	2	-	2
£150,001 - £200,000	-	-	-
£200,001 - £250,000	-	1	1
£250,001+	-	-	-
Total number of exit packages	**1,220**	**2,499**	**3,719**
Total cost (£m)	**14**	**31**	**45**

Exit package cost band	Compulsory redundancies	Other departures agreed	Total
			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	217	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**

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

	2022/23	2022/23	2022/23	2021/22	2021/22	2021/22
	Accounting Officer	Other trustee	Total	Accounting Officer	Other trustees	Total
	Number	Number	Number	Number	Number	Number
Serving at the end of the year	2		2	-	-	-
Left during the year	6	5	11	5	-	5
Total number of cases	**8**	**5**	**13**	**5**	**-**	**5**

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

			2022/23	2021/22
	Permanently employed staff	Temporary staff	Total	Total
	£m	£m	£m	£m
Wages and salaries	19,605	-	19,605	17,737
Temporary staff costs	-	1,599	1,599	1,329
Social security costs	1,956	57	2,013	1,822
Pension costs	4,473	141	4,614	5,836
Severance payments	49	-	49	48
Sub-total	**26,083**	**1,797**	**27,880**	**26,772**
Less recoveries in respect of outward secondments	(3)	-	(3)	(2)
Total	**26,080**	**1,797**	**27,877**	**26,770**

The table above shows an increase of 4% in total staff costs, the reasons for the increase are outlined on page 22.

Average number of persons employed

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

			2022/23
	Permanently employed staff	Temporary staff	Total
	Number	Number	Number
Teachers	253,074	17,097	270,171
Management	33,708	745	34,453
Admin and support	260,600	22,042	282,642
Total	**547,382**	**39,884**	**587,266**

	Permanently employed staff	Temporary staff	Total
			2021/22
	Number	Number	Number
Teachers	247,489	16,671	264,160
Management	33,847	658	34,505
Admin and support	246,684	19,921	266,605
Total	**528,020**	**37,250**	**565,270**

Staff numbers have increased by 3.9% which compares to the increase in pupil numbers of 3.3%.

Staff report part B: unaudited

Staff by gender

The charts below cover permanent staff as at 31 August 2023, based on headcount.

Figure 31: Split of male and female employees by trustees and other

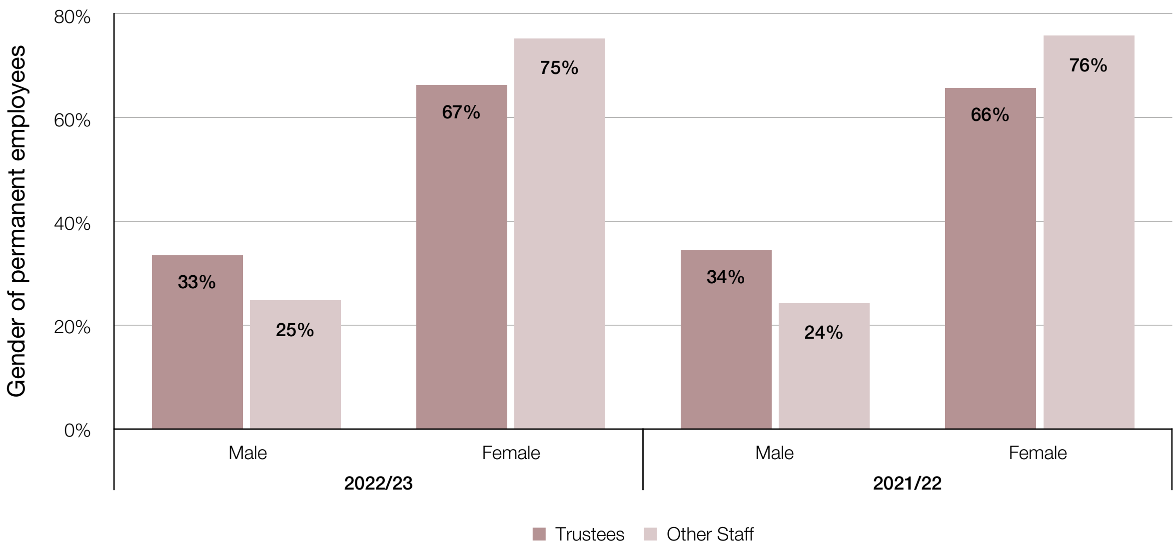


Table 39 : Split of male and female employees by trustees and other

			2022/23			2021/22
	Male	Female	Total	Male	Female	Total
	Number	Number	Number	Number	Number	Number
Trustees	525	1,054	1,579	684	1,305	1,989
Other Staff	135,410	410,393	545,803	127,510	398,521	526,031
Total	**135,935**	**411,447**	**547,382**	**128,194**	**399,826**	**528,020**

Details of the average number of staff employed are included in the table on page 99.

Sickness absence

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

	2022/23	2021/22	2020/21	2019/20	2018/19
Total number of days lost	5,038,887	5,762,228	4,272,007	3,527,753	3,414,590
Average days per FTE	9.2	10.9	8.3	7.2	7.2

The average number of days lost due to sickness are starting to fall following an increase during the Covid-19 pandemic.

Emoluments paid

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

Table 40: Number of ATs paying at least one individual above £100,000

	2022/23	2022/23	2021/22	2021/22
	Number	%	Number	%
Emoluments of £150,000 or more	775	30.8%	594	22.9%
Emoluments of between £100,000 - £150,000	1,876	74.6%	1,831	70.5%

The numbers in Table 40 are based on whether an AT reported any individuals being paid either between £100,000 and £150,000 or greater than £150,000. Consequently, if an AT has an individual in each emolument band, it will be recorded more than once in the figures above. This means that the totals in Table 40 will not necessarily total 100%.

AT pay includes those responsible for leading individual schools, 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.

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 following pay rises. (as noted in the Remuneration and Staff Report on page 95).

The emolument bands include employer on-costs of National Insurance and pension contributions. When these employer on-costs are factored in, a pay increase such as 5% for 2022/23 can result in a high percentage increase in AT numbers in each band.

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[78] and reporting requirements are set out in the Academy Trust Handbook[79] (ATH).

We continue to engage the sector on executive pay, including that reported in the 2022/23 returns. In October 2024 the Department resumed the policy of publishing the names of Trusts with whom engagement has been held in relation to executive pay. Please see here for details.[80]

Consultancy

The sector's consultancy expenditure was as follows:

	2022/23	2021/22	2020/21	2019/20	2018/19
	£m	£m	£m	£m	£m
Educational	343	280	209	193	193
Non-educational	69	62	43	35	37
Total	**412**	**342**	**252**	**228**	**230**

Off-payroll arrangements

During the year 39 ATs (2021/22: 38 ATs) had off-payroll arrangements, of these three (2021/22: nil) had such arrangements with trustees. The arrangements with trustees were for interim CEOs.

Other disclosures

As the sector does not employ civil servants no disclosure of the government functional standards is appropriate.

As a parentless consolidation details of compliance with relevant laws and legislation, for instance anti-bribery and corruption requirements will be found within the individual academy trust accounts. Further details of the guidance around these matters can be found in the Academy Trust Handbook.

78 https://www.gov.uk/government/publications/setting-executive-salaries-guidance-for-academy-trusts
79 https://www.gov.uk/guidance/academy-trust-handbook
80 https://www.gov.uk/government/publications/engagement-with-academy-trusts-about-executive-pay/list-of-academy-trusts-we-engaged-with-about-executive-pay-in-november-2023

Parliamentary accountability and audit report

Grant tracker: audited

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

The below 'grant trackers' reconcile the grants paid out by the Department (over the 2022-23 and 2023-24 financial years to 31 March), with the amount recognised as grant income in the financial statements of the ATs for the 2022/23 academic year to 31 August 2023.

There are three elements to this:

- the revenue grant tracker that looks at the predominantly formula-based funding for schools taking decisions on academy sponsor matches and significant changes to academies
- 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, SARA will only recognise the element of administration cost for that grant. Examples include the 16-19 bursary (see note 5.4).

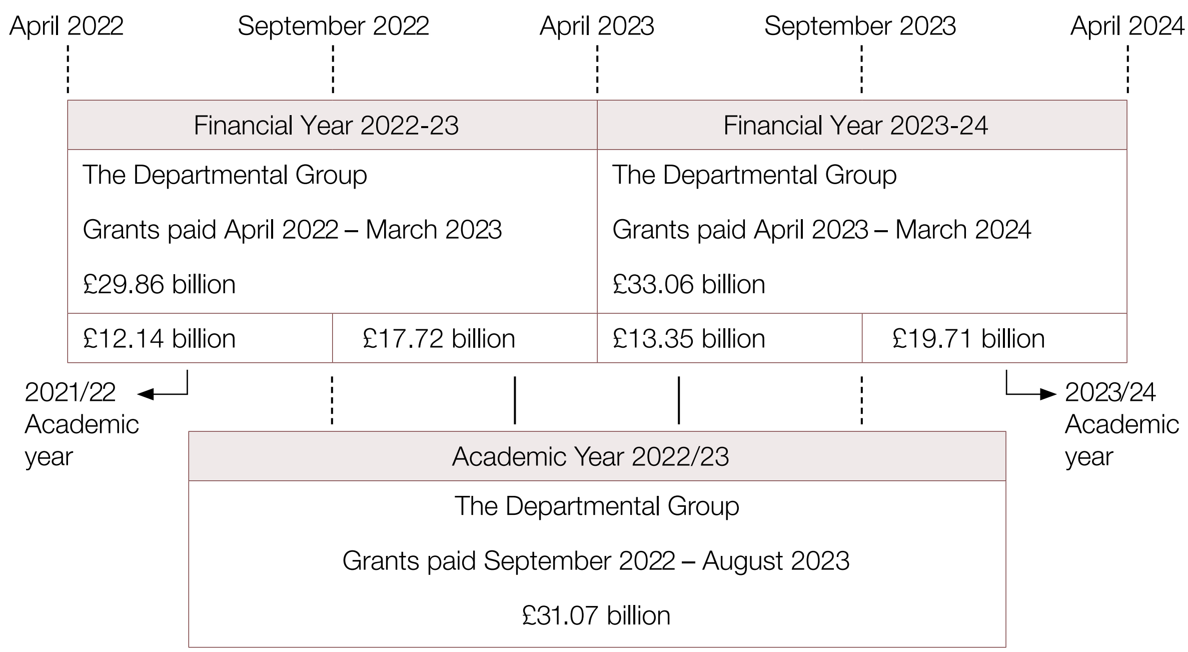
Revenue grant tracker

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 aged 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 32: Revenue grant tracker

Revenue Grant Tracker – Academic Year ended 31st August 2023



Academic Year 2022/23 Revenue Grant Reconciliation	
Grants paid from the Departmental Group to academies	£31.07 billion
Grant income from the Departmental Group reported in the Sector Accounts	£31.17 billion
Variance	-£0.10 billion
Explained variance	-£0.02 billion
Residual (unexplained) variance	-£0.08 billion

Revenue grants paid out by the Department closely align to the amounts recognised by ATs. The primary reason for the variance is that Trusts can either accrue or defer funding until the grant conditions are met.

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 33: Capital grant tracker

Capital Grant Reconciliation – Academic Year ended 31st August 2023

Academic year 2022/23 Capital Grant Reconciliation	
Grants paid from the Departmental Group to academies	£2.44 billion
Grant income from the Departmental Group reported in the Sector Accounts	£2.21 billion
Variance	£0.23 billion
Explained variance	-£0.36 billion
Residual (unexplained) variance	-£0.13 billion

The primary reason for the difference between capital grants paid out by the Department and those recognised by ATs is the funding for the construction of school sites (AuC) which the Department recognises as expenditure as incurred, but ATs normally recognise the full value of the asset when it becomes operational.

Public sector losses and special payments: audited

Losses statement

	2022/23	2021/22
Total number of cases	**195**	**172**
Total value of cases	**£m**	**£m**
Cash losses	0.2	0.1
Administration write-offs	0.4	0.1
Total value	**0.6**	**0.2**

Special payments

	2022/23	2021/22
Total number of cases	**1,683**	**1,783**
Total value of special payments	**£m**	**£m**
Ex-gratia	-	-
Compensation	0.2	0.1
Severance	17.0	17.9
Other	0.3	0.4
Total value	**17.5**	**18.4**

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

The highest payment of severance by a trust was £536,000 relating to 37 individual cases (2021/22: £534,000 relating to 43 cases), the lowest payment made by a trust was £1,000 relating to one case (2021/22: £1,000 relating to one case).

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

Gifts

	2022/23	2021/22
Total number of cases	1,417	1,084
Total number of ATs paying gifts	22	19
	£m	**£m**
Total value of gifts	**0.05**	**0.04**

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

Data management

The number of data breaches reported to the Information Commissioner's Office following personal data breaches are outlined in the table below.

Table 41: Number of data breaches over the last five years

	2022/23	2021/22	2020/21	2019/20	2018/19
Number of incidents	278	184	154	145	177
Number of ATs	130	123	112	112	135

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

Accounting Officer's declaration

As Accounting Officer, I confirm that there is no relevant audit information of which the SARA auditors are unaware. I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the SARA auditors are aware of that information.

Susan Acland-Hood
Accounting Officer
5 March 2025

The Audit Report of the Comptroller and Auditor General to the Secretary of State for Education and the Houses of Parliament

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 2023. The financial statements comprise the Sector's:

- Consolidated Statement of Financial Position as at 31 August 2023;
- Consolidated Statement of Comprehensive Net Income, 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 consolidated financial statements is applicable law and UK adopted international accounting standards.

In my opinion, except for the possible effect of the matter described in the *Basis for qualified opinion on financial statements* section of my report, the financial statements:

- give a true and fair view of the state of the Sector's affairs as at 31 August 2023 and its net income 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 qualified opinion on financial statements

At 31 August 2023, the Sector has recognised a net pension liability of £1,197 million, being the present value of the pension liabilities of £22,405 million, less the fair value of the pension assets of £21,209 million in the Local Government Pension Schemes, as disclosed in note 14.4. I was unable to obtain sufficient appropriate evidence regarding the valuation of the Sector's net pension liability as at 31 August 2023. The procedures that would be required to obtain assurance over these balances at the Sector level in respect of c.2,500 academy trusts would have significant cost and capacity implications for the academies and local government pension scheme entities which management have deemed to be impractical in the circumstances. This limitation also applies to the net pension liability of £3,356 million as at 31 August 2022.

I was unable to satisfy myself by alternative means concerning the valuation of the net pension liability at 31 August 2023 by using other audit procedures. Consequently, I was unable to determine whether any adjustment to this amount recorded in the financial statements was necessary.

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 and Department for Education 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 the information included in the Annual Report but does not include the financial statements nor 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.

As described in the *Basis for qualified opinion on financial statements* section of my report, I was unable to satisfy myself concerning the net pension liability of £1,197 million at 31 August 2023, which is included in the balance sheet. I have concluded that where the other information refers to the net pension liability balance or related balances such as the actuarial gains on defined benefit scheme, it may be materially misstated for the same reason.

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, except for the possible effects of the matters described in the *Basis for qualified opinion on financial statements* section of my report, 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; and
- 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

Except for the possible effect of the matter described in the *Basis for qualified opinion on financial statements* section of my certificate, in 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. Arising solely from the limitation on the scope of my work relating to the net pension liability, referred to above:

- I have not received all the information and explanations that I require for my audit; and
- I was unable to determine whether adequate accounting records have been kept by the Department for Education

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

- returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by the Accounts Direction issued by HM Treasury 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 the Accounts Direction issued by HM Treasury.

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 Department for Education 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 the Accounts Direction Issued by HM Treasury;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with the Accounts Direction issued by HM Treasury; 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 the Sector's compliance with the Accounts Direction issued by HM Treasury, 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 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, bias in management estimates and judgements. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

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, Managing Public Money and the Academies Act 2010.

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 and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance; 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 communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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
5 March 2025

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

Report of the Comptroller and Auditor General to the Secretary of State For Education and the Houses of Parliament

Background

1. The Academies Sector Annual Report and Accounts (SARA) produced by the Department for Education (DfE) provides an overview of the consolidated financial performance and operational activities of academies for the year ended 31 August.
2. The Academy Trusts prepare their financial statements in accordance with the Accounts Direction issued by Education and Skills Funding Agency (ESFA). ESFA also issues a framework and guide for external auditors and reporting accountants of Academy Trusts. The framework supports external auditors with their obligations to issue an audit opinion as to whether the financial statements present a true and fair view, and reporting accountants with their report on regularity.
3. The SARA is prepared in accordance with the accounting principles and disclosure requirements of HM Treasury's Government Financial Reporting Manual ("the FReM") with some derogations permitted as set out in Annex I of the accounts.
4. The SARA is a parentless consolidation of the c.2,500 academy trusts. For the purposes of my audit, I judge that there are no significant components as defined in auditing standards.

Pensions assets and liabilities

5. The Local Government Pension Scheme (LGPS) is open to non-teaching staff in Academy Trusts and is a funded multi-employer defined benefit scheme. As a result, the scheme administrators can allocate a share of fund assets and liabilities to each of the employing organisations who participate in the scheme. The LGPS is a single national scheme that is administered at a local level by fund units that in many, but not all cases, approximate Local Authorities. Whilst the scheme is national, benefits are accrued at the local fund level. Academy trusts do not manage the pension fund assets and liabilities.
6. Academy Trusts account for pensions schemes in accordance with FRS 102 which is materially compliant with IAS 19 Employee Benefits, the FReM accounting requirement applicable to the SARA.
7. As at 31 August 2023, the SARA recognised a consolidated net pension deficit balance of £1,197 million (31 August 2022, £3,356 million), which is made up of scheme assets of £21,209 million (31 August 2022, £19,264 million) and pension liabilities of £22,405 million (31 August 2022, £22,620 million).

Risk assessment of pension balances

8. I assessed that there is a significant risk of material misstatement in respect of the consolidated scheme asset and pension liability balances because the balances are highly material and there is a high level of judgement required in calculating them. A small change in assumptions and estimates can have a material impact on these balances. In addition, these balances are based on the aggregation of data from c.2,500 academy trusts.
9. For the scheme assets (£21,209 million), there is a reasonably high level of volatility with 78 pension scheme funds subject to market and non-market movements, assumptions and volatility, as demonstrated by the £1,945 million increase between 31 August 2022 and 31 August 2023.
10. The pension liabilities of £22,405 million are also based on judgements such as actuarial assumptions and discount rates. There was a £215 million decrease from the prior year, whilst between 2020/21 to 2021/22, pension liabilities decreased by £13,509 million.

Limitation of Scope in respect of the SARA's net pension liability

11. Each Academy Trust has membership of one or more pension fund. Each pension fund provides certain information to the admitted body (each school or trust) which is used by the admitted body to estimate its share of the present value of Fund liabilities and its share of the fair value of Fund assets in its accounts.
12. The Academy Accounts Direction requires Academy Trusts to obtain a report from the scheme actuary providing an actuarial valuation of their pension assets and liabilities as at 31 August. These are reported in the Academy Trust accounts which are subject to audit by Academy Trust auditors.
13. In producing the SARA, DfE aggregates the underlying data reported in audited trust financial statements to produce a consolidated figure. DfE engages the Government Actuary's Department to test the reasonableness of the values and disclosures relating to LGPS in the SARA. The work carried out by DfE to provide the Accounting Officer with assurance over the accuracy of the aggregated estimated balances is set out in more detail in the Governance Statement.
14. I have identified a significant risk of material misstatement at the level of the SARA because the aggregated balances are highly material and subject to significant levels of judgement and estimation, as noted above. My risk assessment may differ from the risk assessment made by auditors of individual Academy Trusts, which will be tailored to the circumstances of that Trust. This means the work required for the Academy Trust audits may be different from what is needed for the SARA. To gain assurance over this significant risk, I have determined I would need to either direct individual Academy Trust auditors to perform group audit procedures on each Academy Trust's LGPS actuarial valuation on my behalf or directly carry out additional work at each LGPS fund.
15. For the 2022-23 SARA account, it has not been feasible to direct Academy Trust auditors to perform work through group audit procedures. This would have introduced unrealistic cost and capacity constraints on the sector and delayed audits of Academy Trust accounts.
16. I have considered procedures at the LGPS fund level but because the pension fund audits are performed as at 31 March and not as at 31 August, which is the SARA year end, the required audit procedures would result in significant cost and capacity issues for the local government audit sector.
17. Therefore, I have been unable to obtain sufficient evidence, at the SARA level, over the valuation of the net pension deficit at 31 August 2023 and 31 August 2022 and have limited the scope of my opinion accordingly.
18. My decision to limit the scope of my opinion reflects that the work I am required to perform to obtain sufficient assurance, as defined under auditing standards, was not feasible for the 2022/23 SARA audit. Looking forward, I am working with DfE to consider the feasibility of obtaining the necessary assurances for the 2023/24 SARA audit.

Gareth Davies
Comptroller and Auditor General
5 March 2025

National Audit Office
157-197 Buckingham Palace Road
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Financial Statements

Consolidated Statement of Comprehensive Net Income

for the year ended 31 August 2023

	Note	2022/23 £m	2021/22 £m
Income	5	(39,104)	(36,048)
Total income		**(39,104)**	**(36,048)**
Staff costs	6	27,877	26,770
Other operating expenditure	7	11,420	11,136
Total operating expenditure		**39,297**	**37,906**
Net operating expenditure		**193**	**1,858**
Net finance cost on defined benefit scheme	14	132	304
Net (gain) on conversion of non-local authority academies	4	(37)	(1)
Net (gain) on conversion of local authority academies	4	(1,276)	(1,053)
Net (income)/expenditure for the year		**(988)**	**1,108**
Other comprehensive (income)/expenditure			
Items which will not be reclassified subsequently net operating expenditure			
net gain on revaluation of property, plant, and equipment	2	(990)	(2,555)
actuarial (gain) on defined benefit pension scheme	14	(2,633)	(17,107)
Items which may be reclassified subsequently to net operating expenditure:			
other recognised losses		1	6
Total other comprehensive (income)		**(3,622)**	**(19,656)**
Comprehensive net (income) for the year		**(4,610)**	**(18,548)**

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

The notes on page 122 to page 174 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 August 2023

	Note	2023 £m	2022 £m
Non-current assets			
Property, plant and equipment	2	68,402	65,949
Intangible assets		4	3
Investments	9	238	177
Trade and other receivables	10	22	23
Total non-current assets		**68,666**	**66,152**
Current assets			
Inventories		11	10
Trade and other receivables	10	2,070	1,846
Cash and cash equivalents	11	6,855	6,674
Total current assets		**8,936**	**8,530**
Total assets		**77,602**	**74,682**
Current liabilities			
Payables	12	(3,496)	(3,281)
IFRS16 Right of use liability	13.2	(21)	-
Total current liabilities		**(3,517)**	**(3,281)**
Total assets less current liabilities		**74,085**	**71,401**
Non-current liabilities			
Payables	12	(158)	(165)
Provisions		(6)	(7)
IFRS16 Right of use liability	13.2	(142)	-
Retirement benefit obligations	14	(1,197)	(3,356)
Total non-current liabilities		**(1,503)**	**(3,528)**
Total assets less total liabilities		**72,582**	**67,873**
Taxpayers' equity			
Charitable Funds		56,971	53,252
Revaluation Reserve		15,611	14,621
		72,582	**67,873**

Susan Acland-Hood
Accounting Officer
5 March 2025

The notes on page 122 to page 174 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 August 2023

	Note	2022/23 £m	2021/22 £m
Cashflows from operating activities			
Net operating expenditure		(193)	(1,858)
Depreciation and amortisation	2,7	1,937	1,668
Impairment	2	1,182	1,626
Impairment reversal	2	(1,051)	(1,777)
Increase in trade and other receivables	10	(223)	(194)
Increase in trade and other payables	12	208	514
Non-cash pension movements	14	1,820	3,590
Employer pension contributions	14	(1,432)	(1,242)
Property, plant and equipment donations	2	(463)	(334)
Other non-cash transactions		354	1,020
Net finance cost on defined benefit scheme	14	(132)	(304)
Net cash inflow from operating activities		**2,007**	**2,709**
Cashflows from investing activities			
Purchase of property, plant and equipment	2	(2,046)	(1,848)
Proceeds of disposal of property, plant and equipment		223	(57)
Other movements		(62)	(55)
Net cash outflow from investing activities		**(1,885)**	**(1,960)**
Cash flows from financing activities			
Cash acquired on conversion of academies	4	83	52
Other movements		(24)	(69)
Net cash inflow / (outflow) from financing activities		**59**	**(17)**
Net increase in cash and cash equivalents in the year	11	**181**	**732**
Cash and cash equivalents at the beginning of the year	11	**6,674**	**5,942**
Cash and cash equivalents at the end of the year	11	**6,855**	**6,674**

The notes on page 122 to page 174 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 August 2023

	Note	Revaluation Reserve £m	Charitable Funds £m	Taxpayers' Equity £m
Balance as at 1 September 2021		**12,066**	**37,259**	**49,325**
Net income (expenditure) 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 gain on defined pension scheme	14	-	17,107	17,107
Fair value loss on investments		-	(6)	(6)
Total other comprehensive income		**2,555**	**17,101**	**19,656**
Total comprehensive income for the year		**2,555**	**15,993**	**18,548**
Balance as at 31 August 2022		**14,621**	**53,252**	**67,873**
Transition Adjustments on Adopting IFRS16		-	99	99
Revised balance at 1 September 2022		**14,621**	**53,351**	**67,972**
Net income (expenditure) for the year		-	988	988
Other comprehensive income				
Net gain on revaluation of property, plant and equipment	2	990	-	990
Actuarial gain on defined benefit pension scheme	14	-	2,633	2,633
Fair value loss on investments		-	(1)	(1)
Total other comprehensive income		**990**	**2,632**	**3,622**
Total comprehensive income for the year		**990**	**3,620**	**4,610**
Balance as at 31 August 2023		**15,611**	**56,971**	**72,582**

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

The notes on page 122 to page 174 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 2022-23 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 sector for the purpose of giving a true and fair view has been selected. The specific policies adopted for 2022/23 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; FRS 102 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 to comply with the FReM.

The SARA is a parentless consolidation, with no controlling entity included in the account. Consequently, there is no disclosure of the domicile of the parent company, although the SARA only includes academy schools operating within England.

1.2 Going concern

The accounts are produced on a going concern basis. The 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 very unlikely to lead to a going concern risk to the sector. In addition, the Department has the power to transfer struggling academies to stronger ATs to maintain provision.

For the year ended 31 August 2023 the Sector returned comprehensive net income of £4.6 billion. Consequently, the Department does not judge going concern weaknesses at individual academies to impact the going concern assumption held at the sector level.

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.

1.3 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 indicating estimation uncertainty is included in the relevant note.

To provide increased clarity and brevity, the Department has chosen to aggregate most sub-totals of less than £100 million into categories such as ‘Other expenditure’, except where certain totals below this threshold are deemed to be significant by their nature.

The operational currency for the SARA is pounds sterling and the accounts are presented in the £ million.

1.4 Adoption of FReM amendments

There have been no significant amendments to the FReM for 2022-23 other than the adoption of IFRS 16 Leases (IFRS 16).

IFRS 16 was adopted in the current year, including any mandated policies. Further details are included at note 2 and note 13.

1.5 Early adoption

SARA has not early adopted any accounting standards in 2022/23.

1.6 IFRSs in issue but not yet effective

To comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment.

1.6.1 IFRS 17 Insurance Contracts

Effective for central government bodies for annual periods beginning on or after 1 April 2025. The FReM 2025-26 will present adaptations and interpretations to the standard for public sector adoption.

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).

At the time of accounts preparation, the final version for the standard applicable to SARA is still to be decided. We will scope the impact of adopting the new standard in SARA 2023/24.

1.6.2 IFRS 18 Presentation and Disclosure in Financial Statements

This standard was issued on 9 April 2024 with an effective date for the private sector of reporting periods beginning on or after 1 January 2027. The standard has not yet been adopted by FReM, so there is as yet no effective date for central government bodies.

The objective of the standard is to set out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

Until the standard is adopted into FReM, with adaptations and interpretations for the public sector context decided, it is not possible for SARA to assess the impact on our reporting.

1.6.3 IFRS 19 Subsidiaries without Public Accountability: Disclosures

This standard was issued on 9 May 2024 with an effective date for the private sector of reporting periods beginning on or after 1 January 2027. The standard has not yet been adopted by FReM, so there is as yet no effective date for central government bodies.

This standard, as issued, addresses how subsidiaries of IFRS-applying entities present their own IFRS-compliant financial statements. SARA is not a subsidiary of a parent company, so SARA does not expect this standard to have any significant impact on its reporting. However, until the standard is adopted into FReM with public sector context adaptations and interpretations, the position cannot be fully determined.

2. Property, plant and equipment

2.1 Summary

The land and buildings balance reported within these accounts covers around 10,000 academies, occupied under a range of legal agreements. Due to the adaptations required to bring a site into use as a school, and the fact that schools are not available on the open market, a specialist valuation methodology is required (note 2.8.1).

This note is structured to initially consider the accounting policies and significant judgements made to reach a recognition conclusion for sites. It then moves on to do the same for the valuation of sites. Whilst IFRS 16 is considered through both sections, a summary of key changes brought by IFRS 16 is considered at the conclusion of the note.

The recognition conclusion for the majority of the academy estate is unchanged by accounting for sites under IFRS 16 when compared to IAS 17:

- Most academy sites continue to be either recognised through freehold ownership, or on terms equivalent to a freehold (11,799 sites, £62 billion value at 31 August 2022, the prior year closing balance sheet date).
- Sites that were previously unrecognised under IAS 17 continue not to be recognised because the site is occupied via an agreement which is not considered to be a lease. These predominantly relate to sites provided by a faith/charitable organisation under a mere licence (3,459 sites at 31 August 2022).

The net increase in asset valuation of £275 million resulting from the adoption of IFRS 16 largely reflects:

- the recognition of previously unrecognised separable assets which ATs predominantly use to supplement their existing administration or educational facilities. Examples of this include HQ buildings, staff accommodation or access to shared sports facilities. These are classed as non-specialised land and building assets.
- the recognition of a small number of school sites occupied under lease terms which did not meet the criteria for recognition under IAS 17.
- the derecognition of some assets under construction where IFRS 16 has changed our view of when recognition should occur.
- the derecognition of a small number of school sites previously recognised under development agreements where IFRS 16 has changed our view of when recognition should occur.

In line with the requirements of the FReM, IFRS 16 was adopted for SARA from 1 September 2022, with cumulative effects of initially applying IFRS 16 recognised at the date of initial application.This means that IFRS 16 has not been applied retrospectively to each prior period and so prior year balances year remain unchanged. All impacts on prior year reported balances have been accounted for as movement in Charitable Funds as at 1 September 2022.

The Department considers that the primary distinction between assets held by the sector is the use they are put to, as opposed to the legal basis they are obtained on. Consequently, the assets shown combine those owned on freehold basis and right of use assets. At the bottom of the table an analysis between freehold assets and those leased (right of use) assets is provided.

The Department has commissioned professional valuations from Montagu Evans LLP. All valuations are conducted to reflect conditions at 31 August 2023 with the exception of assets recognised on adoption of IFRS 16 which were valued at 1 September 2022.

2.2 2023 carrying values

	Specialised land and buildings	Non-specialised land and buildings	Leasehold improvements	IT equipment	Plant and machinery	Furniture and fittings	Motor vehicles	AuC	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation									
At 1 September 2022	62,484	-	1,274	2,055	278	2,266	61	1,302	69,720
Cost/Valuation recognised on adoption of IFRS 16	750	27	-	-	-	-	21	(378)	420
Cost/Valuation de-recognised on adoption of IFRS 16	(145)	-	-	-	-	-	-	-	(145)
Revised opening balance at 1 September 2022	**63,089**	**27**	**1,274**	**2,055**	**278**	**2,266**	**82**	**924**	**69,995**
Additions	49	2	241	262	51	320	9	1,112	2,046
Acquired on conversion:									
local authority	1,240	-	-	1	-	3	-	18	1,262
non-local authority	37	-	-	1	-	1	-	-	39
Donations	451	-	3	2	-	5	-	2	463
Disposals	(546)	-	(6)	(89)	(3)	(50)	(2)	(3)	(699)
Revaluations	(56)	-	(5)	-	-	-	-	-	(61)
Impairment charge	(468)	(3)	(1)	-	-	-	-	-	(472)
Reclassifications	791	-	59	1	4	14	-	(868)	1
Transferred from/(to) Departmental Group	-	-	-	-	-	-	-	9	9
At 31 August 2023	**64,587**	**26**	**1,565**	**2,233**	**330**	**2,559**	**89**	**1,194**	**72,583**
Depreciation									
At 1 September 2022	(124)	-	(303)	(1,607)	(163)	(1,526)	(48)	-	(3,771)
Charged in year	(1,338)	(3)	(82)	(251)	(30)	(218)	(14)	-	(1,936)
Disposals	2	-	2	85	(1)	45	2	-	135
Revaluations	1,392	-	-	-	-	-	-	-	1,392
Reclassifications	(2)	-	-	(1)	2	-	-	-	(1)
At 31 August 2023	**(70)**	**(3)**	**(383)**	**(1,774)**	**(192)**	**(1,699)**	**(60)**	**-**	**(4,181)**
Carrying value as at 31 August 2023	**64,517**	**23**	**1,182**	**459**	**138**	**860**	**29**	**1,194**	**68,402**
Of the total									
Owned	64,171	-	1,182	459	138	860	16	1,194	68,020
Leased	346	23	-	-	-	-	13	-	382
Total	**64,517**	**23**	**1,182**	**459**	**138**	**860**	**29**	**1,194**	**68,402**

2023 volumes

	Land and buildings	Equipment	Motor Vehicles	Total
	Number	Number	Number	Number
Leases for which IFRS 16 is adopted in full:				
At 1 September 2022	470	-	1,231	1,701
At 31 August 2023	518	-	1,231	1,749
Leases for which the short-term exemption was applied:				
At 31 August 2023	33	-	547	580
Leases for which the low value exemption was applied:				
At 31 August 2023	-	9,856	-	9,856
Total number of leases at 31 August 2023	**551**	**9,856**	**1,778**	**12,185**

2.3 reconciliation of property, plant and equipment (PPE) note to revaluation reserve and SoCNI

	Credited to revaluation reserve (SoCTE)	Charged to SoCNI (note 7)	Net Movement shown in PPE (note 2.2)
	£m	£m	£m
Net gain/(loss) from impairment and impairment reversal	(341)	(131)	(472)
Net gain from revaluation	1,331	-	1.331
Total gain/(loss)	**990**	**(131)**	**859**

2.4 2022 carrying values

	Land and buildings	Leasehold improvements	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:								
local authority	1,000	3	2	4	4	-	140	1,153
non-local authority	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**

2.5 2022 reconciliation of property, plant and equipment (PPE) note to revaluation reserve and SoCNI

	Credited to revaluation reserve (SoCTE)	Charged to SoCNI (note 7)	Net Movement shown in PPE (note 2.4)
	£m	£m	£m
Net gain/(loss) from impairment and impairment reversal	(580)	151	(429)
Net gain from revaluation	3,134	-	3,134
Total gain/(loss)	**2,555**	**151**	**2,705**

2.6 Accounting policy: Recognition of land and buildings

These accounts recognise land and buildings as owned in the following circumstances:

- when the land is owned as a freehold by the AT or the SoS
- virtual freehold – where we treat the site as if it were owned by the AT. There are two scenarios where this can occur:
  - where the original lease term is more than 70 years, and the rental cost is at a nominal or peppercorn rent;
  - or 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.
- In accordance with FReM, IFRS 16 was adopted from 1 September 2022. This required the recognition of leases which met the following criteria:
  - the agreement involves the right to control the use of an identified asset;
  - the AT has the right to obtain substantially all of the economic benefit from the asset through the period of use;
  - the AT has the right to direct the use of the asset;
  - the term of the agreement is more than 1 year at the commencement of the agreement; and
  - the term has a specified duration.

Further detail of the impact of IFRS 16 adoption is set out at note 2.10 below.

2.6.1 Key accounting judgements and estimates affecting recognition

Individual ATs are required to consider compliance with Charities SORP in recognition of their own land and buildings. SARA is prepared according to IFRS as adapted and interpreted in the FReM. To ensure a consistent accounting policy is applied any judgements formed may differ between the local AT ARAs and SARA. The accounting adjustments relating to these judgements 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 associated ongoing costs of these assets. The judgements listed below are those recognition judgements that have a material impact on the land and buildings valuation.

Specialised/non-specialised assets

The SARA estate is predominantly comprised of school buildings held as freehold or virtual freehold. These are specialised assets in line with the FReM. As these assets are rarely purchased or sold with the purposes of continuing in their existing use, a specialised valuation model is required and is discussed at note 2.8.1.

The sector also occupies ancillary buildings such as headquarters buildings and caretakers' houses. These assets are classified as non-specialised operational assets where they represent separately identifiable assets. Consideration of what separable means in this context is included in note 2.8.2. The distinction between these assets and a typical school building is that the site could be sold largely unaltered for its existing use and therefore a valuation can be obtained from market rates.

Virtual freeholds

Land and building assets are occupied through several routes, including freehold, leasehold and short-term rentals. Where the ATs lease their land and building assets from a local authority, most 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.

This has largely remained unchanged upon adoption of IFRS 16, other than to clarify that leases with a term greater than 70 years will be recognised as a virtual freehold. This is in line with our professional valuers' advice.

Private finance initiative (PFI)

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

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

This has remained unchanged upon adoption of IFRS 16.

Accounting treatment for additions recognised by academy trusts (local additions)

ATs report capital additions within their financial return (local additions). To enable a consistent accounting policy to be applied on consolidation, the following treatment has been adopted from 2021/22.

An addition is only recognised if it can be demonstrated to have enhanced the service potential of a site by:

- an increase in the total number of students that can be educated at a site (the capacity of the school)
- an extension in the expected period we can use the buildings for (the useful economic life of the school)

Where a capital addition reported by a trust does not meet these criteria, it is treated as repairs and maintenance as it does not meet the specific definition of service potential that the depreciated replacement cost (DRC) model is based upon (see note 2.8.3).

The adoption of this technical accounting judgement for the purposes of creating a consistent valuation for SARA should not be taken to suggest the spend was not needed at the site, either to update or restore educational facilities, but only that it does not meet either of the criteria above.

Where an addition was directly funded by DfE, and was already recognised in SARA, the duplicated addition is removed. This tends to occur due to timing differences between the site being completed and the AT being in possession.

Mere licences/supplemental agreements

School sites can be provided by charities, normally faith bodies, under a form of contract known as a 'mere licence'. Upon conversion to academy status an additional supplementary agreement between the DfE and the sponsoring body can be drawn up, outlining the requirements for use of the land and buildings.

These agreements have the following characteristics:

- they have no specified term but can be ended by the sponsor with no more than two years notice; and
- they contain no provision for payment and
- they expressly state they do not result in a tenancy arrangement

As such, management did not consider these to be leases prior to adopting IFRS 16 and continue to hold that view after adopting IFRS 16.

Open-ended or undocumented agreements

Where there is either

- no agreement (customary occupations) or
- the agreement does not specify a term (for instance a tenancy at will)

These are not recognised unless the site can be demonstrated to have been used as an education establishment continuously for a hundred years or longer. In this situation management's judgement is that the site has in effect been donated to the sector and it is treated as a freehold site.

This treatment has not changed with IFRS 16.

2.7 Accounting policy: Other property, plant, and equipment

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 assets are held at historic cost and are not revalued.

2.7.1 Key accounting judgements and estimates affecting recognition of non-land and building assets.

Low value asset lease exemption

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.

On adoption of IFRS 16 the FReM requires departments to make use of the exemption available in the standard to retain an expense treatment 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 Department has assessed that assets leased by ATs that are not land and buildings are deemed to be low value, except for motor vehicles. Further details of these leases are provided at note 2.10.7.

2.8 Accounting policy: Valuation of land and buildings for school estate

2.8.1 Valuation policy: Specialised

When land and buildings are freehold, virtual freehold or leased via a peppercorn, they are valued on a DRC basis using a modern equivalent asset (MEA) as at the 31 August.[81] This is how assets are held at current value in existing use. This approach is used, in line with IFRS 13 Fair Value Measurement (IFRS 13), 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 MEA is performed by professional surveyors. The Department has used Montagu Evans LLP as their professional surveyors from 2017/18 to present. Valuations are carried out in accordance with the RICS' Appraisal and Valuation Manual and the Department's Building Bulletin 103 and Building Bulletin 104.

Independent professional valuations are conducted when:

- a new academy is opened
- where a local-authority-maintained school converts to an academy
- an asset under construction is completed and becomes operational
- an AT reports a significant addition or disposal
- we determine that only part of the site should be recognised
- where a new lease is entered into or is significantly modified, and the lease liability is not considered to be an appropriate estimate of the value
- where none of the above apply, sites are valued at least once every five years in accordance with IAS 16 Property, plant and equipment (IAS 16) and IFRS 13

81 Montagu Evans LLP value all assets at the reporting date, being 31 August 2023. The exception being those assets recognised on the adoption of IFRS 16, which were valued as at 1 September 2022.

In accordance with the FReM the Department revalues land and building assets held for their service potential at least every five years. Between quinquennial valuations, the Department uses indices to update the value.

Due to the specialised nature of the assets being valued there are no fully comparable indices that can be used for this purpose. Until 2020/21:

- buildings were indexed using the Office for National Statistics (ONS) 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

These indices broadly tracked the price changes identified by our professional valuer. 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 LSL Acadata indices significantly diverged from the movement our professional valuers had identified. This meant the Department did not apply any indexation to land in that year. In 2022/23, both indices show divergence from the movements our professional valuer has identified. The Department has reviewed a range of indices and taken the advice of our professional valuer and is applying the following indices.

- Buildings – an 8% increase to brought-forward building values has been applied. This lies within the range of 6% to 10% increase that would be adopted if we had used the ONS index or our valuer's estimate respectively.
- Land – we have used the LSL Acadata movement with a further downward adjustment of 10%. The movement is then adjusted to ensure it lies within a range of (10%) to (13.75%) which is within the range our valuer has applied in the estate. This will give an average decrease of 12.92% in the current year.

The Department has not fully adopted the movement suggested by our valuers because their final valuation takes into effect a wider range of factors that drive the valuation than just the estimate of price inflation these indices track.

As the movement is uniform, the impact of the indices moving by 1% is as follows:

- buildings – a 1% movement in the indices would result in a +/- £386 million change in value before depreciation
- land – a 1% movement in the indices would result in a +/- £238 million change in value

In 2021/22 the Department updated the school output specification which resulted in changes to the valuation methodology. This is set out in note 2.8.3.

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 requirements of the school output specification 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 note 2.8.3.

2.8.2 Valuation policy: Non-specialised

Non-specialised assets are valued in line with the following criteria:

- where a trust enters into a lease and pays a commercial rent, as per the FReM the cost model under IFRS 16 will be used as a proxy to calculate the initial value that is held within the accounts
- a lease liability will be calculated from the commercial rent, discounted using the HMT discount rate applicable to ascertain the fair value of the asset
- if a non-specialised asset is obtained on a peppercorn rent a professional valuation will be obtained with reference to the market rent for a similar property
- if the term of these assets exceeds five years, a professional valuation will be obtained with reference to market rents on a quinquennial basis

Non-specialised assets are not indexed. Based on the advice of our professional experts, management has concluded that such assets are likely to decrease in value as the term of the lease nears completion, and as such these assets are not indexed between valuations. The last professional valuation will trigger before the last five years of the term and depreciation will accurately map the decline in value of the asset.

2.8.3 Critical accounting judgements and estimates affecting valuation

The valuation model (specialised assets)

The value of specialised land and buildings assets shown in the accounts represents the service potential for the asset which is derived using a valuation model. As set out above, the model's function is to address the requirements of IFRS 13, by creating a 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 forecast 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
- from 2021/22 the school output specification also specified additional requirements in future builds to support the Department's contribution to the net zero target. 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.

These factors drive the MEA cost element of the asset, as disclosed in note 2.8.1. 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 or 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 or industrial land). The feasibility of locating an equivalent asset away from the current site will be dependent on the stage of the school, which is linked to the size of the catchment area and the potential ability to relocate the school whilst serving the same population. Whilst no 'floor' price is applied, the use of a matrix of land values, based on historical market activity for both residential and commercial land within approximately 300 local authority areas results in the smoothing of land values meaning excessively low or high values do not occur.
- All attributable building costs relating to construction are determined based on construction cost data from school building programmes, updated by further data obtained from the Building Cost Information Service, a service provided by the RICS 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
  - the extent to which the geographic location of a school could be changed. Secondary schools are more likely to relocate due to their larger catchment area
- 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 estimated initial design lives of these buildings at the time of construction.
- To reflect government commitments to net zero, from 2021/22 an additional discount factor was applied to reflect that the existing estate would potentially need to be renovated earlier than its physical condition would require. This adjustment affects 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.
- Our valuers can 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. Where the evidence indicates the condition is worse than expected, a higher discount factor is applied. Where the condition is better or net zero enhancements have been made, the discount factor will be lowered.
- From 2022/23, valuers apply an additional discount factor to right of use assets which relate to specialised assets. It adjusts the value to reflect the shorter lease term. This is referred to as a decapitalisation/ recapitalisation method as set out in RICS guidance and is based on expected market yields.

The valuation methodology is complicated and relies upon assumptions on key inputs. For the first 991 quinquennial valuations we commissioned this year (i.e. assets which had been valued previously) we conducted an exercise to compare the impact of changing key inputs which could reasonably vary in the short-term as follows:

Input	Average in batch (not weighted)	Input change	Impact on Value	Impact on Value	Input change	Impact on Value	Impact on Value
			£ million	%		£ million	%
Building cost assumptions	£2,979/m^2	+15%	660	10.2	(15%)	(659)	(10.2)
Residual life of asset	24.8 yrs.	plus 1-year excl. 2023	154	2.4%	minus 1-year excl 2023	(153)	(2.4)
Land	1,998,760/ ha	+15%	310	4.8	(15%)	309	(2.4)
Pupil Roll	415 pupils	+15%	582	9.0	(15%)	620	(9.6)
Pupil Capacity	456 pupils	+15%	20,	0.3	(15%)	(27)	(0.4)

As outlined in the qualitative assessment of the model above, the valuation is most sensitive to pupil roll and building cost assumptions. This is to be expected as pupil roll directly drives the size (and therefore cost) of the MEA asset, as well as the land required to site the MEA.

There are two inputs to the model that are not subject to sensitivity analysis as these are objective facts, and are less influenced by our valuer's judgement:

- Geographic location. Whilst this drives the value when comparing a school in Leeds or Sheffield, the model is designed to give an average price for land within a smaller geographic area. As such moving a school in Leeds wouldn't necessarily change its value.
- Type of provision. Whilst this drives a number of the other inputs, a school could not change from primary to secondary provision (or vice versa) without significant reconstruction of the existing site and associated changes to pupil roll.

The impact of changes is not symmetric due to a number of features of the valuation model:

- The model uses the lower of the MEA or gross internal area of a site, effectively creating a cap on the increase in valuation movements.
- The model factors in that there can be economies of scale in building larger sites and therefore some adjustments are applied to build costs as a school grows larger.

The primary reason for revaluation movements are changes in market conditions rather than reflecting a change in the condition of the estate. Market conditions in the year acted to reduce land prices, but to increase building costs primarily due to cost inflation in construction materials and costs.

As at 31 August 2023 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.

The impairment charge reported in the year of £1.2 billion recognised against land and buildings was offset by £1.0 billion in upwards movement. The overall result of valuations in the year was a net revaluation gain of £1.0 billion.

Adoption of net zero targets

The school output specification, which requires compliance with non-statutory requirements set out in Building Bulletins 103 and 104, was amended in 2021/22 to ensure that all centrally delivered new build projects meet net zero carbon in operation at handover. This increases the cost of school construction projects. The Department considered that these changes were prospective in nature and did not require restatement of the accounts under IAS 8. This remains the Department's position.

Further, it is the judgement of management that due to the complexity of applying this requirement to the existing school estate, the most prudent application is to recognise the impact on the carrying value of a property only when it has been professionally valued. As of 31 August 2023, 3,661 sites have been valued using the revised methodology or 35% of all sites. We expect that all recognised elements of the existing estate will be valued by 2025/26.

Management consider that significant uncertainty exists over the value of the uplift to be applied to individual schools following consultation 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 school output specification expectation to the existing estate.

The true impact on the value of the estate will be influenced by, among other factors:

- to what extent sites have been developed since construction, to what extent those developments have contributed towards energy efficiency and to what extent those developments will have also increased the useful economic life of the site
- the cost and technology available between now and 2050 to retrofit the existing estate
- the funding available in the mid-term to deliver changes needed to meet this commitment

Management formed this judgement, as opposed to the alternative of applying an uplift across the estate 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.

This was based on the initial analysis conducted for the 2021/22 SARA and nothing has contradicted this during analysis for the 2022/23 SARA.

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

- Whether a site comprises buildings constructed at the same time, or across periods of construction that would attract differing useful economic lives (UELs), 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 considers:

- raising the MEA valuation, without amending the associated discount factor which derives the DRC would result in an uplift in the valuation, without the increasing depreciation that would be anticipated by applying the valuation model in full
- significant uncertainty exists as to the 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 and 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 or renovated
  - the cost and technology available to retrofit the existing estate
  - the funding available in the mid-term to deliver this change

Taken together, all 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.

Management continues to consider these points to be applicable to 2022/23 and no adjustment has been made to the portion of the estate not yet revalued.

Valuation of converter schools

Upon conversion of an academy from a local-authority-maintained school, the carrying value of academy land and buildings is calculated in accordance with our valuation policies. These values do not reflect a revaluation adjustment as the valuation was before the assets' initial recognition in these accounts.

Donated assets

The material donations represent school sites donated to ATs following conversion. These can arise due to completion of capital projects by DfE or local authorities, as outlined in AuC additions below, or where an agreement to occupy a site is finalised after an academy converts and is operational.

All donations are valued in line with our valuation methodology.

Valuation of AuC additions

Prior to the adoption of IFRS 16, SARA recognised AuC under the following policy:

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 relevant attributable internal costs of 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 reclassified to include within the Land and Buildings asset class. 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.

Following the adoption of IFRS 16, this policy has been amended as follows:

AuC will only be recognised when an AuC project is being made upon land which meets the criteria for recognition as an owned or leased asset as set out in the accounting policy for recognising owned/leased assets.

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.

The impact of this revised policy has been to derecognise £378 million of AuC projects as of 1 September 2022. These predominantly relate to cases where the construction is occurring on sites leased/ owned by DfE or a local authority, and where no agreement to occupy the site has been entered into with the Trust.

Completion of AuC projects

A full DRC valuation is undertaken upon the completion of the full AuC project.

In the case where DfE is the landlord, we expect that a capital donation will be recognised once the school becomes operational as DfE practice is to grant 125-year leases on peppercorn terms.

In the case where DfE is not the landlord, a site will be recognised as a capital donation once an agreement is in place between the landlord and the Trust which meets the recognition criteria.

The distinction is made as DfE has greater oversight of the final property boundary/ownership of a project and can therefore reliably value a site where DfE is the landlord.

School sites with a rental payment

Where a school site is rented, the initial value of the site is set equal to the lease liability. As school sites are not normally rented, management consider that this may not reflect an accurate value for the site and obtain a valuation in line with the procedures above. Any adjustment to value is treated in line with other revaluation adjustments.

The valuation of separable non-specialised assets

As noted above, SARA now recognises a number of land and building assets which were previously excluded. These tend to be auxiliary land and buildings to the main school site and typically are used to support the main school function (caretaker houses or administration blocks) or supplement existing facilities for instance access to community leisure facilities.

Since these assets can either be adjoining to the main school site, or form part of the larger grounds of a school site, management use the following criteria to establish if the asset is separable:

- it has a separate lease arrangement or land registry title
- it has a separate access/ exit route that does not require entry to the main school grounds
- it may also have a separate boundary (fence, etc) from school

If an asset meets these criteria, it is valued based on its existing value in use, linked to observable market conditions for a similar asset and adjusted to reflect the remaining term.

If the new asset does not meet the separable criteria outlined above, it is included within the valuation of the main school site. The treatment of this on transition to IFRS 16 is set out at note 2.10.

Historic cost of assets

The FReM requires that assets where the accounting policy is to revalue those assets also give an indication of the historic cost of the asset. Given the highly specialised nature of the valuation for school sites and the extended period that the assets have entered into use the Department considers it impracticable to do this.

2.9 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 UELs.

Assets' useful economic lives are in the following ranges:

- freehold or virtual freehold buildings – up to 60 years
- leasehold buildings and improvements (also known as RoU assets)– 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

Critical accounting judgements and estimates affecting depreciation

Freehold land, virtual freehold land and AuC are not depreciated but are assessed for impairment.

For RoU assets which include land, the land and any relevant building values are recognised as a single asset and depreciated over the term of the lease. This is due to the land being returned to the landlord at the end of the term with no residual value to the sector.

2.10 Impact of adopting IFRS 16

With effect from 1 September 2022, SARA adopted IFRS 16 as required by the FReM. This means the estate is now comprised of sites recognised under IAS 16 and IFRS 16.

As noted above (note 2.8), the estate is a mix of specialised and non-specialised assets. To demonstrate ownership of the land and buildings under IAS 16 and IAS 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 collection completed on 31 August 2022 provides the basis for our assessment of leases which were recognised on adoption of IFRS 16 and therefore comprise the opening adjustments of £99 million, with the subsequent collection as at 31 August 2023 providing data on any changes to the estate required.

The impact of IFRS 16 adoption is shown on the following tables:

Valuation movement following adoption of IFRS 16 at 1 September 2022

	Land and buildings	Equipment	Motor Vehicles	Total
	£ million	£ million	£ million	£ million
Virtual freehold asset recognised	407	-	-	407
Right of use asset recognised	370	-	21	391
Development agreements derecognised	(145)			(145)
AUC de-recognised	(378)	-	-	(378)
Financing liability recognised	(155)	-	(21)	(176)
Net impact on reserves	(99)	-	-	(99)
Exemption values	**-**	**-**		
Annual rentals for exempted short-term/ low value leases	**7**	**80**	**2**	**89**

Number of leases introduced on the adoption of IFRS 16

	Land and buildings	Equipment	Motor Vehicles	Total
	Number	Number	Number	Number
No exemption applied	470	-	1,231	1,701
Short-term exemption applied	47	-	547	594
Low value exemption applied	-	9,856	-	9,856
Total number of leases	**517**	**9,856**	**1,778**	**12,151**

2.10.1 Management judgements on implementation of IFRS 16

FReM adopts IFRS 16 with some adaptations and interpretations to reflect the public sector reporting environment. To ensure compliance with the FReM, the Department made the following judgments:

2.10.2 Accounting treatment for partially recognised sites

Due to the nature of the school estate, and the impact of applying accounting standards on recognition as set out at note 2.6, previously some sites were only partially recognised. Examples of this include where an administration office was leased on a different term/lease arrangement from the main school site, or where the school was provided by a faith body under a mere licence and the playing fields were provided by a local authority under a 125-year lease.

Where the asset recognised under IFRS 16 did not meet the separable criteria, and the existing school site was already recognised, any change arising on valuation has been treated as a revaluation movement, due to the difficulty in accurately attributing service potential provided by individual buildings/ parcels of land on a site.

2.10.3 Definition of a peppercorn rent

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.

We have determined that where a peppercorn arrangement is in place for a school site with a term of 70 years or more, we treat these as virtual freeholds. Although they take the legal form of a lease, in substance SARA recognises these as a donation of a virtual freehold.

Where a peppercorn lease has been recognised in the account, as there is no liability to recognise, the RoU asset is treated as a donated asset.

2.10.4 Commercial leases

Given the wide range of assets held by the sector, and the difficulty in assessing a market rent, management conducted an additional check of leases with a rental payment of more than £6,000 per annum, or a total lease liability of more than £1 million to ensure the accuracy of the lease liability calculation. This review covered 215 leases, with a value on recognition of £155 million.

2.10.5 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 not finance liability is recognised, instead rentals are expensed as incurred. SARA has applied this exemption as outlined.

2.10.6 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.

2.10.7 Motor vehicles

The sector has some leases for motor vehicles. The standard specifically removes any such lease from the scope of exemption. These leases are now recognised on the SoFP.

Whilst these vehicles might be used for service potential, they are not considered to be specialised. Therefore, the lease liability will be calculated based on information provided by the sector and treated as a RoU asset.

Due to vehicles decreasing in value they will not be indexed. This is in line with existing accounting treatment for motor vehicle assets and the guidance from HMT.

Other practical expedients 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

2.10.8 Discount rate

FReM contains an interpretation applying to the discount rate applied to a lease's cash flows to calculate the RoU 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.

SARA has taken advantage of this interpretation and will apply the discount rate provided by HMT (0.95%) to calculate transition values on adoption. This reflects that Trusts are not normally able to borrow, therefore not having their own incremental cost of borrowing, and the wide range of assets leased means that we are unable to readily determine a rate implicit in the lease.

3. Related party transactions

Related parties for the sector include both DfE itself 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 from page 103. The relationship between management of DfE and the sector has been disclosed in DfE's 2023-24 ARA. [82]

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
- trustees (or trustees' family members) providing services to their trust

Details of RPTs are disclosed in ATs' financial statements.

3.1 Payments to related parties

	2022/23		2021/22	
	Related party transactions	Payments to related parties	Related party transactions	Payments to related parties
	Number	£m	Number	£m
£1 to £50,000	1,277	13	1,354	13
£50,001 to £100,000	114	8	119	8
£100,001 to £200,000	52	7	60	8
££200,001 to £250,000	10	2	8	2
£250,000+	45	39	37	31
Total	**1,498**	**69**	**1,578**	**62**

3.2 Receipts from related parties

	2022/23		2021/22	
	Related party transactions	Receipts from related parties	Related party transactions	Receipts from related parties
	Number	£m	Number	£m
£1 to £50,000	585	6	572	6
£50,001 to £100,000	71	5	72	5
£100,001 to £200,000	70	10	65	10
£200,001 to £250,000	12	3	20	5
£250,000+	61	68	63	56
Total	**799**	**92**	**792**	**82**

82 https://www.gov.uk/government/publications/department-for-education-consolidated-annual-report-and-accounts-2023-to-2024

4. Transfer on conversion

	2022/23			2021/22		
	Local authority	Non-Local authority	Total	Local authority	Non-Local authority	Total
	£m	£m	£m	£m	£m	£m
Non-current assets						
Property, plant and equipment	1,262	39	1,301	1,153	47	1,200
	1,262	**39**	**1,301**	**1,153**	**47**	**1,200**
Current assets						
Receivables	25	4	29	38	-	38
Cash and cash equivalents	64	19	83	36	16	52
	89	**23**	**112**	**74**	**16**	**90**
Current liabilities						
Payables	(4)	(20)	(24)	(4)	(3)	(7)
	(4)	**(20)**	**(24)**	**(4)**	**(3)**	**(7)**
Non-current liabilities						
Payables	-	(1)	(1)	(1)	-	(1)
Pension scheme deficit	(71)	(4)	(75)	(169)	(59)	(228)
	(71)	**(5)**	**(76)**	**(170)**	**(59)**	**(229)**
Net assets transferred on conversion – total	**1,276**	**37**	**1,313**	**1,053**	**1**	**1,054**

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 public sector are not revalued to fair value but are transferred at the local authority's carrying value, adjusted to align with the consolidation accounting policies. Carrying value is after adjustments arising to align accounting policies (such as for land and buildings).

The net assets or liabilities acquired within the sector through the business combinations, for nil consideration, are recognised either in operating income or in other comprehensive income. Net assets and liabilities brought into the sector from other government bodies (predominantly ex-local-authority-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 a local-authority-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 new academy. 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.

5. Income

5.1 Summary

	2022/23	2021/22
	£m	£m
Income from contracts		
Income from activities for generating funds from contracts	325	324
Miscellaneous income from contracts	779	531
Catering income	419	375
	1,523	**1,230**
Revenue grant income		
DfE Group grants:		
GAG, 16 to 19 and other revenue grants	27,253	25,474
Other DfE Group revenue grants	2,176	1,398
Pupil premium grant	1,497	1,366
Universal Free School Meals	243	227
Local authority grants:		
High needs funding	1,845	1,530
Other revenue grants	875	777
Other revenue grants	138	139
	34,027	**30,911**
Capital grant income		
DfE Group capital grants	2,215	2,021
Local authority capital grants	216	194
Other capital grants	42	37
	2,473	**2,252**
Other income		
Capital donations	539	1,151
Revenue donations	222	206
Rental income	169	209
Investment income	52	6
Income from activities for generating funds	21	22
Miscellaneous income	78	61
	1,081	1,655
Total	**39,104**	**36,048**

5.2 Accounting policies

The Sector is principally funded through grant income from DfE and other government bodies. Grant income falls under the scope of IAS 20 Accounting for Government Grants (IAS 20). The policy for recognition of revenue grants is set out at note 5.3 and for capital grants at note 5.4.

The sector recognises grants based on the academic year and can accrue or defer grants accordingly. The grant trackers on page 103 provides a reconciliation of funds reported by DfE to the sector by financial year and the income recognised here.

The sector generates additional income, principally through the provision of school meals, rental of facilities out of school hours and other contractual arrangements. These are recognised under IFRS 15 Revenue from Contracts with Customers (IFRS 15). The policy for recognition of this income is set out at note 5.5.

Finally, the sector receives capital and revenue donations. In the absence of a specific accounting standard, IAS 8 is followed and the accounting policy for this income is set out at note 5.5.2.

5.3 Revenue grant income (IAS 20)

Revenue grant income recognised in the sector is predominantly provided by DfE either directly via ESFA or indirectly via local authorities. Allocations are announced in the Spring Term, ahead of the start of the academic year. Details of how the grant allocations are calculated including the rules for any top-up or recovery of grants can be found here.[83]

The allocations are derived based on the following criteria:

- **Pupil number led:** these grants are based on the number of pupils registered at a school per the Autumn term school census.
- **Pupil characteristic led:** these grants are linked to specific pupils at a school and potentially move with that student.
- **Non-pupil led:** these elements are provided to Trusts which meet specific criteria, for instance number of schools in a Trust.
- **Specific grants:** these are grants provided with specific criteria, including those awarded by non-DfE central government bodies.

Revenue grant income is recognised only when there is reasonable assurance that:

- the entity will comply with any conditions attached to the grant; and
- the grant will be received

The grant is recognised as income on a systematic basis over the period necessary to match with the related costs, for which they are intended to compensate. In practice, this means for the larger grants the income is recognised throughout the academic year.

Where income is received in advance of entitlement of receipt, its recognition is deferred and included in payables as deferred income. Conversely, particularly for pupil number led grants, income can be accrued and recognised in receivables where there are changes in the pupil role.

83 Some of the links on grants refer to the guidance as being withdrawn. These were the relevant terms for 2022-23 and have simply been withdrawn as the new guidance for subsequent years is now published. https://www.gov.uk/government/publications/academies-general-annual-grant-allocation-guides-2022-to-2023

Generally, grants paid out by DfE can normally be applied against the total cost linked to the specific educational outcome being funded, therefore they can be allocated against applicable staff and premises costs across the academic year.

As the whole education sector transitions to the National Funding Formula (NFF), a significant proportion of the sector's revenue grants will be distributed as part of the NFF. To reflect this, all revenue grants which are being incorporated into the NFF have been grouped into a single line alongside the General Annual Grant (GAG).

5.3.1 DfE Group Grants

GAG

This is the largest element of funding provided to the sector at 86.9% of grant funding (2021/22: 87.2%). The NFF is used to calculate each Trust's allocation. NFF combines several individual grants into a single grant allocation. Grant income included here is calculated based on a combination of pupil-number led, pupil-characteristic led, and non-pupil led factors. Data on the 2022/23 allocations [84] has been published.

16-19 funding

This is allocated at a flat rate per pupil based on the average planned hours for the programme of study. It does not include apprenticeship funding. Where restrictions on the funding apply, these are usually linked to specific courses such as English or mathematics, the grant income is matched against specific costs associated with that course. Further details on the 2022/23 allocations [85] have been published.

Pupil premium

This grant is intended to improve the educational outcomes for disadvantaged pupils and is allocated based on the number of pupils in a school who meet the qualifying criteria. Details of the 2022/23 allocations [86] have been published.

Universal infant free school meals (UIFSM) [87]

Trusts are required to provide a free lunch to all pupils in reception through to year two, including those who would otherwise not be entitled to free school meals.

5.3.2 Local authority grants

High Needs/SEND funding [88]

This is provided to Trusts based on the number of students meeting the relevant criteria for having High Needs/Special Educational Needs. Funding is initially distributed to local authorities by DfE and then reallocated to the sector.

84 https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2022-to-2023
85 https://www.gov.uk/guidance/16-to-19-funding-information-for-2022-to-2023
86 https://www.gov.uk/government/publications/pupil-premium-allocations-and-conditions-of-grant-2022-to-2023
87 https://www.gov.uk/government/publications/universal-infant-free-school-meals-uifsm-2022-to-2023
88 https://www.gov.uk/government/publications/high-needs-funding-arrangements-2022-to-2023/high-needs-funding-2022-to-2023-operational-guidance

5.4 Capital grant income (IAS 20)

Academies receive capital grants from the DfE, ESFA and local authorities to help either maintain and improve their buildings and facilities or to build new schools.

The restrictions on recognising this income are normally based on incurring capital costs, including the purchase of equipment or enhancement to a site. Given the nature of capital programmes, these are more likely to be spread across academic years and the income recognised as the works occur. The funding terms allow for deferral of allocations beyond an academic year to enable this to occur.

5.4.1 DfE capital programmes (DCP)

These are centrally administered programmes intended to provide new school facilities or substantially refurbish or replace existing school facilities.

For 2022/23 there were three programmes in effect:

- Free School Programme (FSP) [89], relates to provision of new school facilities
- Priority School Building Programme (PSBP) [90], related to rebuild/refurbish projects
- School Rebuilding Programme (SRP) [91], this was announced in 2020 and was a successor programme to the PSBP

As outlined in note 2, IFRS 16 affected the recognition of assets under construction, and therefore the recognition of the DCP income within the account. Capital income will now only be recognised if:

- a basis for occupation of the school site is recorded in line with the revised recognition criteria following the adoption of IFRS 16
- as applicable costs occur on the construction project

As the Department is the ultimate sponsor of academies, this has been treated as analogous to a grant made between a Department and its Non-departmental Public Body (NDPB)s and therefore recognised as grant income under IAS 20.

89 https://www.gov.uk/government/publications/new-school-proposals
90 https://www.gov.uk/government/collections/priority-school-building-programme-psbp
91 https://www.gov.uk/government/publications/school-rebuilding-programme/school-rebuilding-programme

5.5 Revenue from contracts (IFRS 15)

Revenue for services provided includes revenue generated from contracts with organisations or individuals for the provision of services or facilities.

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. Most non-grant income recognised by the sector is supplied at the point of delivery, with no significant performance obligations extending beyond the academic year.

The sector receives the following significant income from contract streams and accounts for them as follows:

5.5.1 Catering income

Academies charge for school lunches and for items sold via food outlets in schools. The identified performance obligation is the provision of food and catering services. Where payment is made while goods are purchased, revenue is recognised immediately. Where payment is made in advance, such as at the start of term, revenue is recognised across the term as the performance obligation is met. Payment for the goods and satisfaction of the performance objective predominantly fall within the same financial year, resulting in no deferral of revenue at year-end.

5.5.2 Other non-governmental revenue

Other non-governmental revenue consists of trading income from the provision of boarding facilities, academy trips and teacher training activities. Other income is recognised in the period it is receivable and to the extent the Trust has provided the goods or services.

Income is stated net of recoverable VAT where applicable.

5.6 Other income (IAS 8) and rental income (IFRS16)

As Trusts are charitable companies, they can receive contributions which are accounted for as donations. This income is outside of the scope of IFRS 15 and is accounted for using the most relevant accounting framework.

5.6.1 Donated fixed assets

Donated property, plant and equipment assets are recognised at the fair value of the asset at the date the donation is made. The largest element of this balance arises from the granting/finalising of the basis to occupy a site after a school becomes operational. For further information on the recognition of academy sites see note 2.

Given the scale of the sector, it is not possible to provide detailed information on restrictions for the use of these assets. The majority of donated assets are provided with the requirement that they are to be used for educational purposes and in accordance with the provider's charitable objectives.

5.6.2 Rental income

Academies generate income from the short-term rental of their facilities outside of school hours. These rentals are predominantly renewed on a term-by-term/ academic year basis and do not give rise to material longer term leases see note 2 for further details.

5.6.3 Donations

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

6. Staff costs

	2022/23	2021/22
	£m	£m
Salaries	19,605	17,737
Temporary staff costs	1,599	1,329
Social security	2,013	1,822
Pension costs	4,614	5,836
Severance payments	49	48
	27,880	**26,772**
Less recoveries in respect of outward secondments	(3)	(2)
Total	**27,877**	**26,770**

Staff numbers and further disclosures relating to staff costs are included in the Remuneration and staff report on page 95.

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 ESFA and HMT.

7. Other operating expenditure

7.1 Operating expenditure

	2022/23	2021/22
	£m	£m
Educational supplies	974	852
Building maintenance and repair costs	1,558	2,136
Premises costs including rates and services charges	933	859
Catering costs	877	767
Consultancy and other professional fees	644	558
IT and telecommunications costs	544	503
Utilities	814	507
Exam fees	320	262
PFI related charges	278	248
Staff related costs	275	235
Remuneration of academy auditors:		
audit fees	42	38
non-audit fees	4	4
Other expenditure	1,742	1,656
Non-cash items		
Depreciation & amortisation	1,937	1,668
Impairment	1,182	1,626
Impairment reversal	(1,051)	(1,777)
Loss on disposal	339	988
Other non-cash expenditure	8	6
Total	**11,420**	**11,136**

7.2 Audit fees

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

NAO charges a fee of £575,000 (2021/22: £505,000) for the audit of SARA and a further £12,500 (2021/22: £12,500) for the audit of SARA's Whole of Government Accounts return. This is not reported in the values above as SARA does not bear central costs itself. Instead, it is reported in the Department's ARA for the relevant financial year.

8. Financial instruments

8.1 Financial assets by category

			2023	2022
	Financial assets held at amortised cost	Designated at fair value through profit or loss	Total	Total
	£m	£m	£m	£m
Investments	30	208	238	177
Trade and other receivables	1,746	-	1,746	1,522
Cash	6,855	-	6,855	6,674
Total	**8,631**	**208**	**8,839**	**8,373**

8.2 Financial liabilities by category

	2023	2022
	£m	£m
Held at amortised cost		
Loans	155	160
Trade and other payables, excluding accruals	1,487	1,845
Total	**1,642**	**2,005**

All financial liabilities are carried at amortised cost.

8.3 Accounting policy: Financial instruments

SARA applies IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments (IFRS 9). 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 sector does not hold derivative financial instruments.

The subsequent measurement of financial assets depends on their classification into IFRS 9's three categories: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income. SARA does not have any financial assets categorised as fair value through other comprehensive income.

Amortised cost

Financial assets classified as amortised cost include:

- investments comprise cash deposits with a maturity that must exceed a year
- trade and other receivables which have fixed or determinable payments that are not quoted on an active market and do not carry any interest
- cash and cash equivalents comprise cash in hand and short-term deposits with a maturity of less than a year

The above asset types are subsequently recognised at amortised cost. Appropriate impairment allowances for estimated irrecoverable amounts are recognised in the SoCNI based on expected losses for a particular asset, or group of assets. The impairment allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

The carrying value of the above financial assets are considered a reasonable approximation of the fair value.

Fair value through profit or loss

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). SARA therefore does not recognise loss allowance for stage 1 or stage 2 impairments against balances due from the Department or ESFA.

The sector holds £319 million (2021/22: £620 million) of non-government financial assets measured at amortised cost. This is made up of many 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 limited information available about the credit risk of these counterparties.

Consequently, the Department 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 determines that it is not possible to reliably estimate the ECL of the sector for stage 1 and stage 2 impairments.

Over 30% of the £336 million non-government balances would need to be fully non-collectable to trigger a significant movement (movement >£100 million). This is highly unlikely to happen. 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.

8.3.2 Financial liabilities

All 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; and 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.
- Loan liabilities, the sector can 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.

8.4 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

			2023	2022
	Amortised cost	**FVTPL**	**Total**	**Total**
	£m	**£m**	**£m**	**£m**
Balance as at 1 September	30	147	177	93
Additions	5	308	313	102
Disposals	-	(55)	(55)	(43)
Other classifications and fair value adjustments	(5)	(192)	(197)	25
Balance as at 31 August	**30**	**208**	**238**	**177**

ATs are permitted to hold investments; these investments above are a combination of cash deposits held for more than a year, listed shares, managed funds and investment properties.

10. Receivables

10.1 Amounts falling due within one year

	2023	2022
	£m	£m
Trade receivables	165	144
VAT receivables	346	347
Accrued capital grants	464	424
Prepayments and other accrued income	975	842
Other receivables	120	89
Total	**2,070**	**1,846**

10.2 Amounts falling due after one year

	2023	2022
	£m	£m
Receivables due after more than one year	22	23
Total	**22**	**23**

11. Cash and cash equivalents

	2023	2022
	£m	£m
Balance at 1 September	6,674	5,942
Acquired on conversion	83	52
Net change excluding conversions	98	680
Balance as at 31 August	**6,855**	**6,674**
The following balances are held as cash at bank and in hand		
Cash in bank and in hand	6,855	6,674
Balance as at 31 August	**6,855**	**6,674**

Included in the above is £38 million in relation to amounts held for third parties (2022: £88 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

	2023	2022
	£m	£m
Accruals and other deferred income	1,538	1,441
Trade payables	885	834
Tax and social security payables	470	419
Loans	33	31
Other payables	570	556
Total	**3,496**	**3,281**

12.2 Amounts falling due after one year

	2023	2022
	£m	£m
Loans	122	129
Other payables	36	36
Total	**158**	**165**

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:

	2023	2022
	£m	£m
Property, plant and equipment	521	532
Non-cancellable contracts	45	32
Total	**566**	**564**

13.2 Commitments under leases

The change in presentation between the commitments tables for the last two years at 13.2.1 and 13.2.2 reflect changes following the implementation of IFRS 16.

13.2.1 2023

	Land and Buildings	Other	Total
	£m	£m	£m
Leases for which IFRS16 applies in full			
Not later than one year	13	8	21
Later than one year and not later than five years	37	5	42
Later than five years	100	-	100
Total present value of obligations	**150**	**13**	**163**
Analysed as:			
Payables: amounts falling due within one year	13	8	21
Payables: amounts falling due after one year	137	5	142
Total	**150**	**13**	**163**

The values above no longer include PFI service costs which were previously presented as part of the operating lease commitments note. Due to the implementation of IFRS 16 management believes that these obligations should be presented separately. They are included in 13.3 below.

Lease payments not recognised as a liability

The sector has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Land and Buildings	Other	Total
	£m	£m	£m
Leases to which short-term exemption is applied			
Not later than one year	30	18	48
Later than one year and not later than five years	-	-	
Later than five years	-	-	-
Subtotal	**30**	**18**	**48**
Leases to which low value exemption is applied			
Not later than one year	-	64	64
Later than one year and not later than five years	-	125	125
Later than five years	-	25	25
Subtotal	**-**	**214**	**214**
Total	**30**	**232**	**262**

13.2.2 2022

Total future minimum lease payments under operating leases are given in the table below.

	Land and Buildings	Other	Total
	£m	£m	£m
Land and Buildings			
Not later than one year	18	108	126
Later than one year and not later than five years	45	122	167
Later than five years	95	12	107
Total	**158**	**242**	**400**

The values above no longer include PFI service costs which were previously presented as part of the operating lease commitments note. Due to the implementation of IFRS 16 management believes that these obligations should be presented separately. They are included in 13.3 below.

Due to the scale of the sector, it is not possible to provide a detailed overview of the leasing activity of the sector.

In summary, when an AT leases an asset from another entity, it is linked to the following activities:

- enhancing educational provision for a Trust/ academy for instance by renting additional sports facilities
- support functions for the operation of Trusts including administrative offices
- support facilities including school mini-buses and office equipment

Whereas, when an AT leases an asset to another entity, it is linked to the following activities:

- provision of nursery facilities
- on-site staff accommodation such as caretaker houses
- out of school-hours use of sites, for instance rental of school halls

13.3 Obligations in respect of service concession arrangements on PFI contracts

These obligations are primarily recharges owed to local authorities who are the legal parties to the relevant PFI deals. These payments do not form a part of a lease payment for rent.

The PFI service costs were previously presented as part of the operating lease commitments note. Due to the implementation of IFRS 16 management believes that these obligations should be presented separately. This does not change management's assessment of the substance of the transaction which is that these are lease agreements between an AT and a local authority with the local authority holding the PFI contract and being the legal party in the PFI transaction.

	2023	2022
	£m	£m
Obligations relating to PFI service costs		
Not later than one year	278	248
Later than one year and not later than five years	1,047	943
Later than five years	1,585	1,622
Total	**2,910**	**2,813**

13.4 Accounting policy: Leases

IFRS 16 Leases was implemented 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 the right-of-use assets and finance liabilities for all leases apart from those covered by specific exemptions.

The definition of a lease has been updated under FReM's adoption of IFRS 16, there is more emphasis on being able to control the use of an asset identified in a contract and the definition of a contract has been extended to include non-actionable intra-government agreements – including peppercorn leases.

13.4.1 Implementation and assumptions

The Department has applied IFRS 16 using the modified retrospective approach. The cumulative effect of adopting the standard is included as an adjustment to equity at the beginning of the reporting period at implementation (1 September 2022).

The option to reassess whether a contract is, or contains, a lease at the date of initial application has not been used, management has used the practical expedient detailed in IFRS 16(C3).1.

FReM has expanded the definition of a lease to include arrangements with nil consideration, here called peppercorn leases. Peppercorn leases are defined by HMT as lease payments significantly below market value or at nil consideration. These assets are fair valued on initial recognition. On transition any differences between the discounted lease liability (for below market rate leases but not for peppercorn leases which have no financing) and the right-of-use asset were included through cumulative catch up. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded as donation income in the SoCNI.

The Department has elected not to recognise RoU assets and lease liabilities for the following leases:

- intangible assets
- non-lease components of contracts where applicable
- low value assets
- leases with a lease term of 12 months or less.

13.4.2 Policy applicable from 1 September 2022

At inception of a contract, the Department assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time. This includes assets for which the consideration is nil. To assess whether a contract conveys the right to control the use of an identified asset, the Department assesses whether:

- the agreement involves the use of an identified asset;
- the AT has the right to obtain substantially all of the economic benefit from the asset through the period of use;
- the AT has the right to direct the use of the asset;
- the term of the agreement is more than 1 year at the commencement of the agreement; and
- the term has a specified duration.

The policy is applied to contracts entered into, or changed, on or after 1 September 2022.

SARA have collected information from the ATs to assess their intentions relating to the exercise of break or extension options. It is particularly rare for there to be break clauses on main school sites as the vast majority of these are occupied via 125-year peppercorn lease agreements.

SARA assesses that in the absence of specific information to the contrary the specialised nature of the provision of school buildings means that the penalty involved in exercising a break clause would be significant and that our assumption should be that the break clause will not be utilised.

SARA assesses that the specialised nature of the provision of school buildings means that it is reasonably certain, in the absence of specific information to the contrary, that the Trust would exercise their option to extend the lease.

SARA reassesses this if the AT report a specific change to their intent or there are significant events or changes in circumstances that were not anticipated.

As FRS 102 does not place an obligation on ATs to apply the recognition criteria used by IFRS 16, DfE collates the appropriate data and has developed suitable accounting treatment within SARA to comply with IFRS 16 for plant and equipment other than land and buildings, which are currently treated as operating leases.

13.4.3 As a lessee

Right-of-use-assets (RoU)

Full details of the accounting treatment of RoU assets in the SARA is provided at note 2 of the accounts.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HMT. The HMT discount rates were 0.95% for leases entered into prior to 31 December 2022 and 3.51% in calendar year 2023. Therefore, the rate applicable to existing leases as at 1 September 2022 was 0.95%.

The lease payment is measured at amortised cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date

When the lease liability is re-measured, a corresponding adjustment is made to the RoU asset or recorded in the SoCNI if the carrying amount of the right of use asset is £nil.

13.4.4 As a lessor

When academies act as a lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, academies make an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

When academies are the intermediate lessor, the SARA accounts for the interest in the head lease and the sublease separately. If a head lease is a short-term lease to which the SARA applies the exemption above, then the sublease classifies as an operating lease. If the headlease is a long-term lease, then the sub lease follows the head lease.

Academies recognise lease receipts under operating leases as income on a straight-line basis over the length of the lease terms.

The accounting policies applicable to the SARA where the academies are acting as lessor are unchanged by IFRS 16 except for reviews of intermediate lessor arrangements, where a sub lease is held. The changes for IFRS 16 were not material for lessor arrangements.

14. Pension scheme disclosures

The sector participates in pension schemes for its employees.

14.1 Teachers' Pension Scheme (England and Wales)

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

Membership is automatic for full-time teachers and part-time teachers in academies on appointment or change of contract, although teachers may opt out. 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 these 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 this year were £2,900 million (2021/22: £2,630 million).

The formal actuarial valuation report [92] and supporting documentation has been published. The valuation using 31 March 2020 data has been published on the TPS website [93] and the new employer contribution rate of 28.68% is applicable from April 2024.

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

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

14.2 Local Government Pension Scheme (LGPS)

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

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

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 individual 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 are based on the results of the 31 March 2019 valuation whilst the values at 31 August 2023 are based on the results of the 31 March 2022 valuation. The actual asset value for each AT's share of an LGPS is determined only at the point of each funding valuation.

Employer contribution rates are determined by a qualified actuary and on the basis of triennial valuations. Employers' contributions for this year increased to £1.4 billion (2021/22: £1.2 billion) due to growth in the sector generally along with pay increases and some changes to the employer contribution rates. Each employer has its own contribution rate, which is recalculated at each valuation date, although secondary contribution rates can be changed in the intervening periods. The agreed contribution rates for future years ranges from 3.0% to 38.1% across the sector.

At the 31 March 2022 funding valuations, the funding level across the LGPS's funds in England and Wales as a whole was 107% with 61 LGPS funds being reported as more than fully funded. This funding position was an improvement from the 98% level from the 31 March 2019 funding valuations. Across these LGPS units as a whole the average employer contribution rate, as a percentage of payroll, payable for the period 2023 to 2026 (21.2%) was similar to the rate for 2020 to 2023 (22.9%).

The 2022 valuation was the first since the Covid-19 pandemic which impacted the post-retirement mortality assumptions. Different funds use different assumptions but the average post-retirement mortality across all funds showed a slight reduction for males and a slight increase for females. Both assumptions are lower than may have been expected without the experience of the pandemic.

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

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.

Each LGPS sets its own policies for setting future employer contribution rates and for the distribution of net assets/ liabilities in the event the scheme is wound up. When schools convert to academy status they will move from the Local Authority to the Trust, or between Trusts, potentially affecting that contribution rate. Consequently, it is not possible to disclose details here, although further information on the LGPS can be found on the relevant scheme's website.

14.4.1 Summary of movements in the LGPS net deficit

	2023	2022
	£m	£m
At 1 September	3,356	17,878
Net liabilities assumed on conversion	75	228
Current service cost	1,665	3,221
Employee contributions	-	-
Employer contributions	(1,432)	(1,242)
Benefits paid	-	-
Past service cost	8	15
Net finance cost	132	304
Settlements	15	26
Curtailments	-	24
Pension scheme administration costs	11	9
Actuarial loss/(gain)	(2,633)	(17,107)
At 31 August	**1,197**	**3,356**

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 2022/23, there has been a marginal shift in the nominal discount rate which is shown through the actuarial gain of £2.6 billion. 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 Consumer Price Index (CPI) inflation rate; the weighted average net discount rate for the sector was 2.2% per annum for this year (2021/22: 1.2% per annum). In 2022/23, the net discount rate has increased by 1.0% increasing level of discounting of the liabilities. The swing in the discount rate in 2021/22 was higher (2.3%) which led to a more significant actuarial gain in that period than the 2022/23 academic year.

The sensitivity analysis in the 2021/22 SARA showed that a move of +/- 0.1% in the discount rate would lead to a +/- £575 million movement in the liability. Therefore, the swing of +1.0% would lead to a movement of approximately £5.8 billion. The actual movement is slightly less than this due to the sensitivity being an approximation rather than an exact figure.

In this year, the actuarial gain in financial assumptions for the liabilities is the key driver behind the decrease in the net pension liability. The increase in net discount rate to 2.2% (2021/22: 1.2%) 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 this year's 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 this year 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.

Employer contributions reflect the 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 older members when reforming public sector pension schemes in 2015 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. The rules of the LGPS changed on 1 October 2023 due to the McCloud remedy with each fund reviewing the pensions in payment and offering increases to those pensions where applicable. Due to the complex nature of the new rules, it is expected that this process will take some time.

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

	2023	2022
	£m	£m
Experience (loss)/gain	1,810	(1,126)
Change in financial assumptions – assets	45	18
Change in financial assumptions – liabilities	(4,101)	(15,458)
Demographic assumptions	(463)	(541)
Pension surplus deemed irrecoverable	76	-
Actuarial loss/(gain)	**(2,633)**	**(17,107)**

FRS 102, which is followed by the 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.

The pension surplus deemed irrecoverable is the decrease to the actuarial gain required to reduce the aggregated position from ATs' returns for those trusts who have submitted a surplus, or net asset, position. Full details on the treatment of surplus positions can be found in note 14.5.2.

14.4.3 Movements in the present value of LGPS gross liability

	2023	2022
	£m	£m
At 1 September	22,620	36,129
assets assumed on conversion:		
local authority	264	463
non-local authority	54	-
Current service cost	1,665	3,221
Interest cost	978	621
Employee contributions	396	339
Past service cost	8	15
Actuarial (gain)	(3,265)	(17,960)
Benefits paid	(350)	(289)
Pension scheme administration costs	-	1
Losses on curtailments	-	24
Effect of non-routine settlements	35	56
At 31 August	**22,405**	**22,620**

14.4.4 Movements in the fair value of the LGPS scheme assets

	2023	2022
	£m	£m
At 1 September	19,264	18,251
Liabilities assumed on conversion:		
local authority	193	235
non-local authority	50	-
Employer contributions	1,432	1,242
Employee contributions	396	339
Actuarial loss/(gain)	(632)	(853)
Benefits paid	(350)	(289)
Interest income	846	317
Assets transferred on scheme settlements	-	-
Pension scheme administration costs	(10)	(8)
Effect of non-routine settlements	20	30
At 31 August	**21,209**	**19,264**

14.4.5 Scheme assets

	2023	2022
	%	%
Equities	62	63
Corporate bonds	11	10
Property	9	10
Gilts	7	7
Cash and other liquid assets	3	3
Other	8	7
Total	**100**	**100**

14.4.6 Analysis of non-interest costs charges to SoCNI

	2022/23	2021/22
	£m	£m
Current service cost	1,665	3,221
Past service cost	8	15
Loss on curtailments	-	24
Loss on transfer of assets on scheme settlements	15	26
Pension administration costs	10	9
Net cost	**1,698**	**3,295**

14.4.7 Analysis of interest costs charges to SoCNI

	2022/23	2021/22
	£m	£m
Interest income	(846)	(317)
Interest on scheme liabilities	978	621
Net cost	**132**	**304**

14.4.8 Analysis of amounts in other comprehensive expenditure

	2022/23	2021/22
	£m	£m
Total actuarial gain	(2,633)	(17,107)
Net gain	**(2,633)**	**(17,107)**

14.4.9 Major financial assumptions

	2022/23	2021/22
	%	%
Rate of Inflation	1.5 - 10.1	0.4 - 9.9
Rate of increase in salaries	2.0 - 5.3	1.8 - 4.6
Discount rate	2.5 - 5.4	1.7 - 4.9
Rate of increase of pensions in payment	2.0 - 6.0	1.5 - 4.3

	2022/23	2021/22
Average future life expectancies	**Years**	**Years**
Current pensioners: males	17 - 25	20 - 27
Current pensioners: females	19 - 26	22 - 27
Future pensioners retiring in 20 years: males	18 - 27	21 - 25
Future pensioners retiring in 20 years: females	20 - 28	23 - 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 (including interest rate and currency risk)**
   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.

2. **Credit risk**
   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.

3. **Operational risk**
   The risk that there is a loss due to fraud or mismanagement of funds. Mitigated through investments being subject to stewardship and regular monitoring.

4. **Liquidity risk**
   This represents the risk that the LGPS will not have sufficient liquid assets to meet its financial obligations as they fall due.

   We consider that the investment risks within SARA are similar to those for each LGPS ATs are members of. On this basis, we do not believe at the consolidation level that there is any undue concentration of asset or investment risk.

   This year 82% of assets were in equity, corporate bonds and property (2021/22: 83%). 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 Sensitivity analysis

Assumption	Illustrative change in assumption %	Illustrative change in assumption £m
Discount rate	+/-0.1%	+/-500
CPI inflation (and associated pension increases and salary growth)	+/-0.1%	+/-500
Salary growth	+/-0.1%	+/-100
Life expectancy	+/-1 year	+/-650

There is a range of actuarial assumptions which are acceptable under IAS 19 Employee Benefits (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 August 2023. 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 2023, 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 estimated lower and upper bound of the fluctuation between 31 August 2022 and 31 August 2023 and what the scheme liabilities would be for the LGPS if it were valued using these alternative discount rates. However, as there is not a single method to derive the discount rate, these should not be considered the absolute maximum and minimum.

Assumptions	Discount rate used 31 August 2023 %	Liability at 31 August 2023using discount rate (illustrative) £m	Lower bound discount rate %	Liability when using lower bound discount rate £m	Upper bound discount rate %	Liability when using upper bound discount rate £m
LGPS	5.20%	22,242	4.20%	27,301	6.30%	16,678

It is anticipated that future year’s accounts will move again significantly due to changes in discount rates.

14.5 Accounting policy: pensions

The sector has adopted FRS 102, which is materially compliant with 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. 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.

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 14.4.

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 FRS 102, which is materially compliant with IAS 19.

14.5.2 Pension valuation for the LGPS

In recent years, there has been an increase to the discount rate used to discount the liabilities in the LGPS which has significantly reduced the liability figure disclosed in SoFP. Conversely, the performance of the invested assets has generally been strong meaning that many ATs have moved into a position whereby their asset figures are comparable or even exceed the liability figures.

The accounting treatment of these surplus (or net asset positions) in the LGPS funds has been the subject of debate across the public sector with different organisations treating them in different ways.

Under IAS 19, the reporting entity should measure the net defined benefit asset at the lower of the surplus in the defined benefit plan and the "asset ceiling". The asset ceiling is defined as "the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan." In practice, an asset ceiling calculation is performed by an actuary, but many affected public sector bodies have simply disclosed a nil net asset position having assessed that future economic benefits are unlikely to flow to the entity. There is evidence that within the sector, some trusts are disclosing the net asset position in full, and others are applying an asset ceiling. Each option may be acceptable under FRS 102.

As a consolidated set of accounts, SARA requires the treatment of these surplus positions to be consistent across the sector. SARA applies the asset ceiling at nil net asset for any trusts who have disclosed a surplus position and retains any net liability figures disclosed by other trusts. This is considered to be the most reasonable position given the complicated nature of the relationship between the thousands of individual employers in the sector and the 78 English LGPS Funds. The effect of the adjustment in the year has increased the net liability by £76 million by decreasing the actuarial gain; this can be seen in note 14.4.2.

15. Contingent liabilities

15.1 IAS 37 contingent liabilities

15.1.1 Quantifiable

The sector held no material contingent liabilities as at 31 August 2023.

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 2023.

16. Events after the reporting period

ATs continued to be incorporated and to open new academy schools throughout the period from 31 August 2023 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 ESFA

On the 11 September 2024, it was announced that the ESFA is set to close on the 31 March 2025. Its key functions will be integrated into the core Department by the end of March 2025. The move will happen over two stages and aims to give education providers a single point of contact for financial management and support.

The schools financial support and oversight functions transferred on 1 October 2024 and were brought together with the Regions Group.

Funding and assurance functions will be centralised on 31 March 2025 when the ESFA will close. Any changes to the Department's governance processes will be reflected in the relevant SARA for the academic years in which the change took effect.

16.2 Skills England

The launch of Skills England as a new Arms Length Body (ALB) was announced on 22 July 2024. Any impact to the governance or funding of the sector's post 16 provision will be reflected in the 2023/24 SARA and future years.

16.3 Teachers' Pension Scheme Valuation

A full actuarial valuation of the TPS is undertaken every four years to assess the Scheme's liabilities in respect of future benefits due and to determine an appropriate contribution rate payable by employers. In April 2024 the Department published the outcome of the most recent valuation of the Scheme. The valuation was carried out using scheme data as at 31 March 2020 and confirmed that the TPS employer contribution rate would increase to 28.68% of member salaries from April 2024.

16.4 Legal cases in relation to pension scheme

Two legal cases completed their review process in the High Court. The impact of any changes to either legislation or scheme rules will impact the SARA from 2023/24 onwards.

The cases were:

- McCloud-Sargeant in relation to age discrimination, with scheme rules changing from 1 October 2023 because of the McCloud remedy.
- Guaranteed Minimum Pension / Lloyds about the equalization of guaranteed minimum pensions on transfer.

This will primarily affect pension schemes balances included in the account. The data showing on the impact on each scheme can be found in their accounts. The impact on contribution rates cannot be estimated at this time and will be factored into future pension scheme tri-ennial valuations.

16.5 Ministerial changes

The General Election that was held on 4 July 2024 led to the creation of a new government, following which there were further ministerial changes. These changes are outlined below.

	Date appointed	Date left
The Rt Hon Gillian Keegan MP	25 October 2022	05 July 2024
The Rt Hon Bridget Phillipson MP	05 July 2024	

Baroness Barran MBE was the Minister for the School and College System and held the position from 17 September 2021 to 5 July 2024.

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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