**Factsheet: Academy sector accounts 2016 to 2017**

**Summary**

* Following the publication of the academies [sector annual report and accounts (SARA): 2016 to 2017](https://www.gov.uk/government/publications/academies-consolidated-annual-report-and-accounts-2016-to-2017) on November 6th 2018, this factsheet explains what the latest position on trust revenue deficits, the difference between income and expenditure for the sector, and the reduction in net assets compared to the previous year.

**What does the SARA tell us about trust revenue deficits?**

* We trust schools to manage their own budgets and the vast majority are operating with a cumulative surplus, with only a small percentage having a deficit. As published in the SARA, the latest figures show that 94.1% of academy trusts are reporting a cumulative surplus or breaking even, with total surpluses of £2.4 billion, against 5.9% of trusts reporting a cumulative deficit, with a total cumulative deficit figure of £65 million.

**Does the SARA show the academy sector is operating with a £2.3bn shortfall?**

* The SARA shows that for the academic year ending 31 August 2017, the academy sector received £22.5 billion in income (2015/16: £20.5 billion) and spent £24.8 billion (2015/16: £20.0 billion).
* This shortfall of £2.3 billion was driven by an increase in asset impairment charges, which are non-cash changes to the value of land and buildings. Academies do not have to spend money on impairment charges.
* The net cumulative revenue reserves of the sector have seen an increase from £2.1bn to £2.3bn. This is a much truer measure of the sector’s financial health than in-year spend.

**Why have the net assets of the academy sector reduced by c.£1bn in the SARA?**

* The net assets of the sector recognised in the accounts reduced to £42.6 billion as at 31 August 2017 (compared to £43.5 billion at 31 August 2016).
* To ensure continued financial transparency of academies, the Department collected data for the first time this year from every academy on how their land and buildings are owned. The primary driver of the reduction in net assets for the sector was therefore the Department’s decision to de-recognise land and buildings from which academies operate, where DfE judged the relevant academy not to have control of these assets, on the basis of the data collection. This de-recognition led to a reduction in net assets of £8.4 billion.
* These are non-cash changes, and do not mean the value of their assets have decreased.
* Excluding this decision, the sector’s recognised net assets would have increased significantly, reflecting the overall increase in the size of the sector.