Academies Benchmark Report

2022

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Introduction:
2022 Academies Benchmark Report

Pam Tuckett
Chair - Kreston Academies Group

Partner and Head of Academies
Bishop Fleming LLP

It is with great pleasure that we present our 10th Academies Benchmark Report. This year the report includes over 300 Trusts representing over 1,500 schools.

What a year it has been! We have seen more of the same, but also some new twists and turns that the sector has once again dealt with brilliantly. We have seen more school closures and staff being put on the front line in the fight against Covid-19 by being involved in food deliveries and testing. Many pupils have been educated at home through a much-improved remote offering by Trusts, supported by significant investment in technology by both Trusts and the DfE.

Once again, we are seeing record breaking in-year surpluses for MATs, whilst secondaries are showing a small increase and Primaries have fallen to 2019 levels. But this top level statistic hides the complex mix of variables giving rise to the surpluses. This result is likely to be a by-product of Covid-19 factors rather than an intentional result. The good news is that fewer Trusts are now in a cumulative deficit position and only 19% had an in-year deficit (2020: 25%).

It is impossible to say what the long-term impact of Covid-19 will be on education. Not only is there an enormous task ahead to get pupils where they need to be, but the impact on the mental health of both pupils and staff cannot yet be assessed with any certainty.

The financial challenge for the sector will be around budgeting for the additional spend when income streams are continually uncertain and there is no evidence to support the amount of additional funding that will be needed.

The sector is very different now compared to 10 years ago. Then there were only 801 Academy Trusts, most of which were a SAT. How the sector has changed – we now have 9,636 Academy schools in 2,586 Trusts. The policy of growing the number of schools in a MAT is evident with an increase of only 2 MATs in 2021 and a reduction in SATs. And of course, more than 50% of pupils are now educated in an Academy.

The sector is maturing quickly, with stronger governance combined with a desire to lead the way in designing education fit for the future. Risk management has stepped up a gear, partly due to a refocus on internal audit but also due to new and emerging risks such as sustainability, climate change and cyber fraud.

The sector is embracing the need to respond to wider business issues and to demonstrate that Academy Trusts are part of the solution to the crises that we are facing as a society.

Key Highlights:
2022 Academies Benchmark Report

Our 10th annual survey of over 300 Trusts representing over 1,500 schools has reported record surpluses, buoyed by substantial Covid-19 financial support, resulting in even stronger Trust financial health than before.

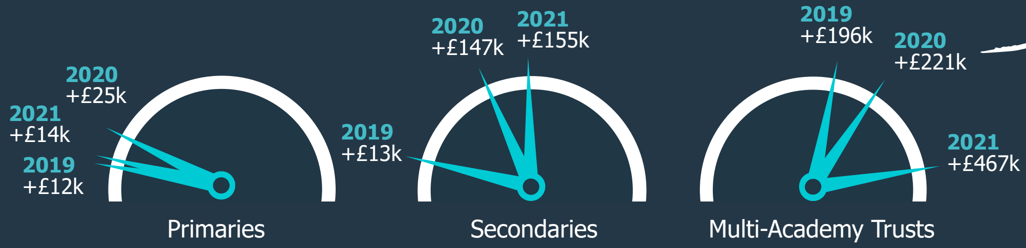
But what lies ahead?...With Covid-19 here to stay, what about increased staffing costs, scarcity of teaching talent, and soaring energy costs to name just a few of the issues on the horizon? Here are the highlights...

The impact of the Covid-19

The sector continues to be on the front line in the fight against Covid-19, but uncertainties about testing, the impact on exam timetables, staff absences and budgeting accuracy are likely to remain for some time.

Record financial performance

The impact that the lockdowns have had on Academy Trust finances is clear to see. Gains resulting from another year of temporary school closures, exam fees, reduced supply costs, utilities and facilities management have far outweighed any loss of trading income, resulting in a second record year of surpluses for secondaries and MATs.



Trust deficits

8.2%
2019

5.4%
2020

3.8%
2021

Trusts showing a cumulative deficit position have dropped for the third consecutive year.

+ Fewer in-year deficits
+ Free reserves are up
+ Cash balances are up
+ More MATs GAG pooling

65%
of Trusts expect to grow in 2022/23 by at least 1-3 schools and nearly 8% by over 4 schools.

Centralisation of Trusts

97%
of Trusts are now part or fully centralised.

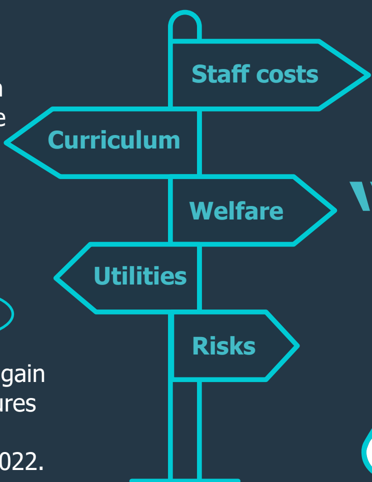
Trusts are forecasting a three-year in year surplus budget for the first time in our data, although these surpluses are expected to reduce significantly by 2023.

But...

There may be trouble ahead...

Trusts may be in good financial health, but this will be vital as they navigate the uncertainties of the next few years, and dealing with the longer-term impacts of Covid-19 from an educational and resourcing perspective.

Covid-19, exams, staffing shortages, pupil absences and any further disruption to the education timetable will hamper budgeting.



Energy savings realised again in 2021 from school closures could be replaced with soaring energy costs in 2022.

80%
Trusts spend approximately 80% of their income on staff. As an increasingly scarce resource, together with supply costs means costs are expected to rise.

"The pandemic has magnified the issue of staff welfare exponentially... With many reports of staff burnout. Trust Boards have a responsibility to make sure that these matters are addressed."

Risk management was, and still is, critical to the future of the sector.

Reflections & Future Trends

As we venture into 2022, we realise that we have been living with Covid-19 for nearly 2 years.

It hardly seems possible that many of us have been working from home for so long; prior to Covid-19 we would have thought this an impossible task. We know of many Trusts where the finance team continues to work full time from home as this has proven to be an effective way of running the finance function.

The sector has had its fair share of challenges arising from the pandemic and whilst we had all hoped that 2022 would see a return to more normal education, sadly this does not yet seem to be the case.

The sector continues to be on the frontline in the fight against Covid-19. What is not clear is how long this will be expected and what the future holds for Covid-19 testing, exams, staff absence and other critical matters. Budgeting remains a complex area with too many unknowns to be able to budget accurately. As Ofsted reported in their 20/21 Annual Report, nearly all children in England have suffered as a result of lockdowns. We do not yet know what it will cost to get children to where they need to be.

If resources are tight, there will be difficult decisions regarding what to spend reserves on. Deciding on the most important areas to tackle first (high needs, disadvantaged pupils, physical and mental health etc.) will no doubt be driven by the inspection framework. Perhaps now is the time to revisit this?

Fortunately, as the world entered the era of Covid-19, a maturing academy sector was well placed to deal with the multiple issues arising due to stronger governance in MATs. Risk management was, and still is, critical to the future of the sector. It was opportune that the AFH 2020 renamed the audit committee as the audit and risk committee, strengthened the narrative around the role of internal audit to include non-financial risks and emphasised the role of risk management. With hindsight, this was a very timely change and those Trusts which embraced it were better placed to address the risks arising from Covid-19.

But what next for the sector?

We expect costs to increase over the next few years as the sector addresses the numerous issues it faces. There are already reports of rapidly rising operational costs which, combined with staff shortages, make it extremely difficult to tackle the huge challenges ahead.

Budgeting will be even more difficult than in previous years due to continued uncertainty over both revenue and capital income streams, late announcements of additional funding, rising costs and the impact of the increased use of both supply costs and external contractors to fill the vacancies.

Trusts will be looking to make savings, so we are likely to see more centralisation of both back-office functions and school improvement in MATs. We know that centralisation not only makes the functions more effective, but there are efficiency gains too. The question for SATs is how long can they continue to operate as a single school without these efficiency savings.

We fully expect more MATs to start to pool their income (GAG pooling) and reserves. To date there has been no further push back on this approach from the Education Committee following their ten-year plan for schools and college funding in 2019 which challenged the concept of GAG pooling, but this may still raise its head once the NFF has been fully implemented.

Trusts will need to make better use of the apprenticeship scheme in order to promote a diverse and inclusive workforce and to support recruitment and retention. There is a misconception that apprenticeships are just for young people. But this is not the case, so Trusts that have not yet fully explored this scheme would be advised to do so.

We are likely to see more Trusts widening their activities, either by updating their objects or by using trading subsidiaries as they strive to raise additional funds to support their core funding. Examples we are seeing are provision of housing for staff, sale of educational materials, delivery of IT support and other back-office functions to schools outside the Trust, sale of land and property and solar panels. Care must be taken to ensure that all regularity and charity rules are complied with.

Trusts are beginning to lead the way and are no longer waiting for the DfE to give them direction.

We are seeing Trusts become more innovative and forward thinking, embracing wider business issues to help deliver their charitable objects. Trusts are taking control of the direction of education and are now thinking far more outside the box, facilitated to a large extent by the speed of the IT upgrade over the last 2 years.

Covid-19 is no longer the only topic being discussed by boards across the country. Trusts are becoming more aware of what is happening in the world around them including equality, diversity and inclusion, wellbeing, levelling up, environmental social and governance reporting (ESG) and, of course, most recently net zero. As they deliver education and prepare pupils for the world of work, Trusts are grappling with what is changing in the world of business and society so that they can prepare their pupils for the future, rather than the past, and move on from old methods and doing what they have always done.

The sector would do well to look to the Higher Education sector where many of these wider issues are already being addressed. Why reinvent the wheel when other education establishments have already created frameworks that can be adapted? We anticipate that there will be a code of governance for the sector, like that already in existence for the charity sector, perhaps with two versions, for small and large Trusts. This may well incorporate reporting on both ESG and net zero in line with the latest guidance from the International Sustainability Standards Board, which is likely to be embraced by the government.

Trusts should be looking to lead on these wider issues alongside government, given that the sector represents around 12% of public spending in the UK. It is being encouraged to do this by the government through published documents such as the Industrial Decarbonisation Strategy and the more recent Procurement Policy Note 05 2021. We should expect further moves in this direction soon.

The most recent topic of conversation is sustainability and climate change. The DfE published its sustainability and climate change strategy on 5th November 2021 during COP26, which put climate change at the heart of education. The DfE's vision is "The United Kingdom is the world-leading education sector in sustainability and climate change by 2030". To achieve this a huge amount of work will be needed in the next 8 years.

We have been promised a model science curriculum and a new climate leaders award with a prestigious national awards ceremony every year. Every new school delivered under the rebuilding programme will be cleaner, greener and net-zero in operation and there will be new energy pods to replace gas and coal boilers.

Our client survey highlighted that 25% of Trusts see this as a high priority, 51% a medium priority and 24% a low priority. Whilst 89% said they thought academies would have to do more in the next 3 years, only 50% stated their Trust had discussed this issue at board level.

Whilst sustainability is important, the other wider business issues cannot be ignored. The best run Trusts are now operating very effectively as charities delivering education. In order to deliver the best outcomes against the charitable objectives, all risks must be considered and funds spent appropriately to mitigate those risks. Boards would do well to embrace full-risk assessment to ensure that funds are spent in the right way to mitigate the risks, which will no doubt mean additional spend on areas such as protecting the trust from cyber attack.

Many Trusts now have tens of millions of income and are key employers. They are competing with commercial business for many roles, especially in the central functions. This means they need to offer a workplace that is comparable to commercial companies – many companies now have a forward thinking, purpose driven strategy such as 'net positive', pioneered by some leading companies. Trusts will need to demonstrate why they are a great place to work if they want to attract the best talent.

The ESFA accounts for August 2020 state that a major risk facing the academies policy is an insufficient number of high-quality sponsors and MATs available in the right geographical areas. We are expecting a white paper to be released in Spring 2022 and it is likely that these issues will be addressed, with increased momentum for all schools to be "part of a family of schools in a strong multi academy trust" (Gavin Williamson, 28th April 2021 speech to the Confederation of School Trusts). This means that revisiting your Trust's strategy is critical as we move out of the Covid-19 era to ensure that your Trust is not left behind.

Authors & Contributors

Executive Author

David Butler

David is a Partner and the Head of Charities and Not for Profit sector at Bishop Fleming LLP, who advise 1,200 schools in around 200 Academy Trusts, and audit the largest number of Trusts in the country. He has been involved with education benchmarking for over 15 years and has co-authored this report for 9 years, leading Bishop Fleming's team of authors. David uses benchmarking to help his clients to identify ways in which they can improve their financial performance, and to use this information to formulate their strategic planning. David advises over 30 Academy Trusts and independent schools, at all stages of their development - from single unit Academies, to large and rapidly growing MATs.

Authors

Chris Beaumont

Chris is a Partner with Clive Owen LLP and is Head of their Not for Profit department, which has worked with Academies for over 14 years. The firm acts for over 200 schools in over 50 Academy Trusts across the North East and Yorkshire. Chris is a Trustee and Chair of the Finance Committee at a Multi-Academy Trust and has delivered numerous seminars at National Association of School Business Managers (NASBM), Schools North East (SNE) and Independent Schools Bursars Association (ISBA) events.

Rachel Barrett

Rachel Barrett, Director and Head of Academies at Duncan & Toplis, leads the specialist team that supports Academies, Multi Academy Trusts (MATs), special schools, and free and independent schools across the East Midlands. Outside of work, Rachel has sat on the Governing Body at a local Academy Trust for nearly 8 years and sits on the Lincolnshire Schools Forum representing secondary Academy governors.

Contributors

Philip Allsop

Philip heads BHP's Academies team which acts as external auditors and advisors to over 30 Academy Trusts, most of which were MATs on 31 August 2021. He has 5 years' experience as a school governor and is Chair of its Finance Committee. His other clients include a range of charities, social enterprises and commercial organisations.

Philip Griffiths

Philip is a Partner at Mitchell Charlesworth and has over 30 years' experience. He specialises in the Charity, Not For Profit and Social Enterprise sectors and a significant element of his client base is in these areas. Philip also heads up the Academies team, having assisted many education clients through the conversion process and beyond. He is a member of the ICAEW Charity and Voluntary Sector Group and the ICAEW Audit & Assurance Faculty. Philip is also a Trustee and Company Secretary of a local charity and holds the ICAEW Diploma in Charity Accounting (DchA).

Darren O'Connor

Darren is Head of James Cowper Kreston's Academies team, and works with a wide range of Academies and MATs across the South of England. Darren's clients also include independent schools, other charities and corporate entities.

Peter Manser

Peter is Partner and Head of Academies and Education at Kreston Reeves. Peter and the team have a great deal of experience advising Academies, MATs and independent schools. Peter also holds the ICAEW Diploma in Charity Accounting (DChA).

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Section 1: Financial Position

We are writing this report with a sense of déjà vu. We thought 2020 would be a year that would never be repeated, but 2021 felt depressingly similar for much of the time. Although 2021 may have ended with a Christmas that according to Boris Johnson was "much better than the last", the academic year was hugely disrupted. Exams were cancelled again and for much of the year schools were only open for vulnerable children or the children of key workers.

The 20/21 academic year had started on a much more optimistic footing, with all schools being open from the start of the autumn term. However, as the Covid-19 stats started to take a turn for the worse as autumn wore on, staff absences started to increase, supply staff became harder to find, and there seemed an inevitability that significant disruption was around the corner.

Some schools started to close before Christmas, only to reopen after government opposition. It was clear that the situation was getting really bad when "PE with Joe [Wicks]" returned! This coincided with schools being closed after the Christmas holidays.

However, schools were much better prepared for the provision of home schooling, and in addition more children attended school during the second lockdown. According to a report from the Sutton Trust, attendance was significantly higher in the second lockdown, and the increase was particularly significant for primary schools. 37% of teachers reporting they had at least 20% of their class in attendance in the second lockdown compared to 1% with that level of attendance in the first lockdown.

Millions of pounds had been spent on ensuring pupils had the right technology available to them to access home learning, and more prescriptive guidance was given as to what home learning should look like. This helped to address the educational gap that had emerged between the state and independent sectors in the first lockdown, but it was still a very difficult time for schools, pupils and parents.

2021 saw the first fall in independent school student numbers for a decade as a direct result of the impact of the pandemic. Personal finances were uncertain and international travel was not possible. However, there appears to have been a bounce back in the 21/22 academic year, which many schools are putting down to parents seeing the value of independent education and its ability to respond to the challenges of lockdowns much more quickly than the state sector. The response of the independent sector clearly demonstrated what was possible, and the state sectors' response to the second lockdown was much more comparable.

Numerous studies have been published highlighting the impact of lockdowns on students' mental health, widening education attainment gaps, and the impact this has on future life chances. The government response has been to fund at a number of schemes to support pupils: catch up premium to help pupils make up for lost learning; recovery premium to help support the most disadvantaged pupils; summer schools funding, and The National Tutoring programme which seeks to address progress and attainment gaps. All of these programmes come on top of the Chancellor announcing real term increases in pupil-led funding.

In addition to working out how to improve the education provision, Head Teachers and their senior management teams have also had to cope with the impact of numerous government announcements, plus the need to set up a Covid-19 testing programme at very short notice. Although funding was provided to pay for this, it proved very difficult to hire people given the tight timescales, and so the burden typically fell on staff or the parent body. This meant that additional income was received with very little cost, but it heaped more responsibility on staff that were already under immense pressure.

The additional workload and stress created by the pandemic has led to mental health issues for many staff (which is discussed further in section 2) which will result in problems for years to come.

The financial support for the sector from government has been very substantial - so for many funding is not the major issue. The problems are typically staffing related, and these are not so easy to solve with extra funding. So although, the pandemic has left schools grappling with many issues and challenges, from a financial perspective this is a time of plenty – and this is discussed further below.

How we measure financial performance

We appreciate that Academy financial statements do not lend themselves to ease of understanding. It is very difficult to identify any number in the financial statements that can highlight the financial performance of a Trust. It is actually very easy to form a completely erroneous impression of financial performance from a set of Academy accounts. Consequently, it is worth explaining how we measure it for the purposes of our analysis.

We seek to identify the underlying surplus or deficit of the Trust after adjusting for items that distort the result, being non-cash and one-off items. This is shown in the table below:

Example	£'000
In year deficit for the year from the SOFA	(600)
Add back depreciation	800
Add back pension service charge (less contributions)	400
Deduction non-recurring income e.g. capital grants, transfers on conversion	(150)
Adjusted in-year surplus/deficit for the year	**450**

We then compare this result to the movement in free reserves as the two numbers should be the same, if all one-off items have been identified. We consider the movement in free reserves to be the most reliable way to identify the true financial performance of a Trust.

The table below shows the in-year surpluses recorded for each class of Trust we analyse: primary, secondary and MATs. The impact that the lockdowns have had on Academy Trust finances is clear to see.

Average surplus/deficit excluding capital income (£)

	2019	2020	2021
Primary	11,531	25,141	14,128
Secondary	13,011	147,064	154,599
MAT	195,867	220,970	467,152

To put the results into context, the 2020 numbers were the largest surpluses we had seen in the 10 years of producing this report. The 2021 figures are showing even larger surpluses, and so is another record-breaking year.

What makes these results even more remarkable is that throughout the Autumn term it appeared as though the gains made in 2020 would all be lost, and then some, due to much higher supply costs being incurred. However the second lockdown completely changed the financial picture and proved that it is much cheaper to close a school than keep it open!

From conversations we have had with our Academy clients many were budgeting for in-year deficits or to break even, and were on track for this to happen. Most Trusts then incurred deficits in the Autumn term, but then this was countered by large surpluses in the Spring and Summer terms.

From conversations we have had with our Academy clients it would appear that most Trusts incurred deficits in the Autumn term and then this was countered by large surpluses in the Spring and Summer terms. Many of the cost savings made in the prior year were made again in 2021: supply costs, heating and lighting, examination fees and cleaning costs are all lower than pre-pandemic. There has been some loss of 'trading' income, for things such as lettings, compared to pre-pandemic levels, but the savings have far outweighed the losses.

The table shows that although there has been a small reduction in the average in-year surplus for SATs, there has been an 11.5% increase in the average surplus for single secondaries, whilst the surpluses for MATs have more than doubled to well over £450,000. Even if we take account of the average size of MATs increasing then the in-year surplus is 94% higher per school. This is a very strong financial performance by the sector. Primary schools were less effected by the lockdown closures and so it makes sense that their results are more consistent with prior years, but for secondaries and MATs the results are remarkable. Given all of the challenges thrown at Trusts, the performance of the Business Managers, CFOs, and their teams should be commended.

The improvement in the MAT financial result is extraordinary. The significant jump in surpluses is largely driven by increased income based on median. Costs have increased in the year, but these are largely inflationary. The increase in income has been driven in part by the return of trading income, i.e. renting out facilities, which fell substantially in the prior year, but also the receipt of Covid-19 grants including Mass Testing.

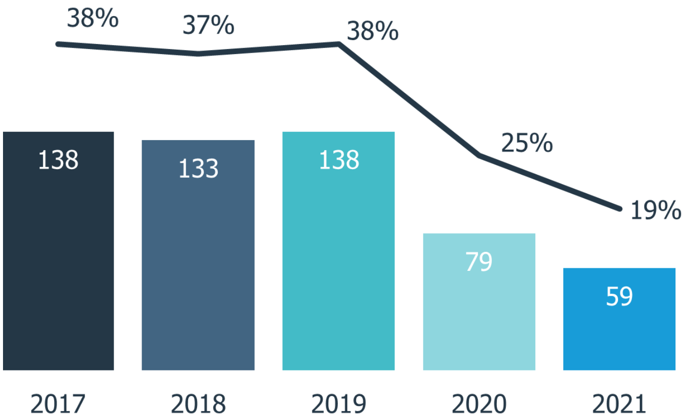
This data all suggests that MATs are now showing the benefits of being larger, more diversified organisations, with dedicated Trust management teams. From a financial perspective, whatever way we look at the data it is good news.

The size of the in-year surpluses has gone up to record levels; there are less Trusts making in-year deficits, there are less Trusts with cumulative deficits, free reserves are up, and cash balances are up.

The two graphs below highlight the impact on the in-year and cumulative deficits. The first chart shows that the number of Trusts with in-year deficits has fallen to 19%, and has fallen significantly in the last two years after a period of consistently high levels of in-year deficits.

The second chart shows that the number of Trusts with cumulative deficits continued to fall, and is now only 3.8%. This demonstrates that the financial health of the sector has improved as a result of 3 years of average in-year surpluses.

Number and percentage of Trusts with in-year deficits

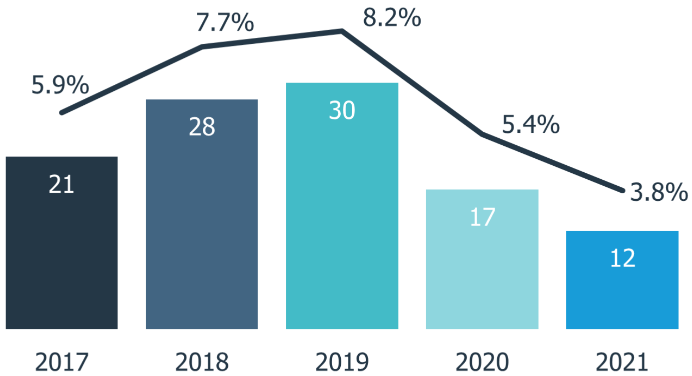


This is all good news from a financial perspective, but clearly the impact of various lockdowns has had an educational impact. The government has committed nearly £5 billion of funding to help pupils catch up with the lost attainment, including nearly £1 billion of catch up premium and tutoring support received in the 20/21 academic year.

Although this does not have a direct impact on the in-year surplus because these extra funds are typically restricted grants, it does have a significant impact on cash balances, primarily because a large chunk of this funding had not been spent at the year end. This can be seen in average cash balances that have soared to over £0.5m for a primary Trusts and £1.2m for secondary Trusts (see section 6 for further discussion of this trend).

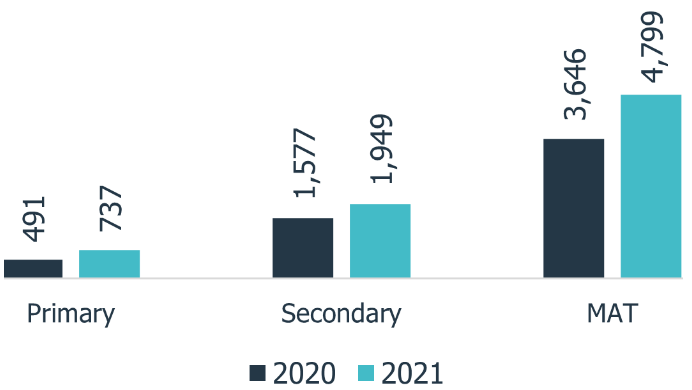
We would anticipate these mostly being spent in the 21/22 academic year, although most Trusts will be trying to spend these funds on the same things – most of which need staff. This may well create difficulties in finding suitable staff, with shortages likely to result in higher salaries needing to be offered, particularly for Learning Support Assistants, PPA cover and supply.

Number and percentage of Trusts with cumulative deficits



The chart below shows the net current assets of each Trust type, which is a very good approximation of total restricted and unrestricted reserves carried forward, (excluding the pension reserve). Net current assets is current assets (debtors and cash) less current liabilities – those debts that need to be paid within one year – and any funds received but not yet spent will be recorded in here. The chart shows net current assets increasing by significantly more than the in-year surpluses, highlighting the build up of unspent restricted funds.

Net current assets per pupil (£)



From talking to our clients, many have highlighted that they have not had the time, capacity or staffing resource to spend the Covid-19 catch up funding and anticipate that they will also need to spend some of their own reserves to provide all of the support that their pupils need. So although Trusts have made large surpluses this year, there will be pressure on their budgets going forward to provide effective catch up.

In addition to this cost there are other significant cost pressures that Trusts are facing in the short term, and so the 2021 results may well be the high-water mark.

The impact of surging energy prices, rising inflation, unfunded LGPS increases and political commitments to increase teacher salaries, in addition to the salary cost pressure mentioned above, will all have a negative effect on Trust finances. Given the uncertainty around all of these areas it is very difficult to predict the overall impact, as is demonstrated by the 3-year budgets.

We are used to seeing budgets that predict a financial armageddon in year 3, however, thankfully, year 3 never seems to arrive. Budgeting becomes more difficult as the level of uncertainty increases and the further into the future you look, typically resulting in more pessimistic budgets. This is evident in this year's numbers, with the budgeted result declining with each year. However, year 3 is showing an average in-year surplus for the first time in our data. Furthermore, the number of Trusts predicting in-year deficits has fallen to an average of approximately 35% from 41% in the prior year.

Percentage of Trusts forecasting in-year deficits and the average result for the year.

	% forecasting in-year deficit	Average in year surplus/(deficit)
2021/22	35.7%	88,551
2022/23	33.3%	45,892
2023/24	36.4%	2,799

It seems counterintuitive that when there is so much uncertainty that the 3-year budgets would be more optimistic than we have ever seen before. This may be a result of the change to the ATH which states that in addition to going concern, Trusts must consider their financial sustainability.

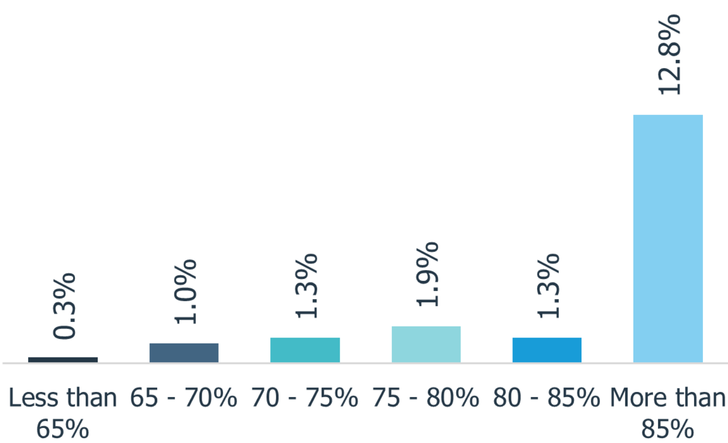
Our interpretation of the ATH is that financial sustainability is tied to the three-year timescale of the budget. Consequently, Trusts need to more closely consider their financial position over the whole period.

Interestingly, when we surveyed our clients and asked them where they thought their reserves would be in three years time, just over 60% said that they would be lower than they are now.

It seems that when you ask Trusts what they 'feel' will happen to their finances they are more pessimistic than when they actually run the numbers. This may be because an expectation has built up over the years that budgets will be very hard to balance. It can be very hard to change long established habits!

So in this section we have looked at the in-year results, which are record breaking; we have looked at unspent funds, which are higher than ever, and we have looked at budgets, which show surpluses for the next three years. The conclusion from this is that the sector is in very robust financial health. The one word of caution is that the future is very uncertain. Given that Trusts spend approximately 80% of their income on staff, and staff are becoming an increasingly scarce and expensive resource, then there is a risk that Trusts' key cost will increase. As the graph below shows, where Trusts spend more than 85% of their income on staffing then their ability to balance the books becomes a much harder task.

Percentage of Trusts making an in-year deficit by percentage of income spent on staffing



> Trusts are grappling with what is changing in the world of business and society so that they can prepare their pupils for the future, rather than the past.

Section 2: Governance

As the business of governing our Trusts continues to move forward more positively and Trusts seek to plan more confidently, we see boards taking stock, re-evaluating, consolidating and getting ready to take next steps.

Decisions on strategy, raising educational standards, pupil and staff welfare, mental health, environmental issues and more, are increasingly being tabled. In a world where governance is so demanding, the need for quality information for robust decision making has never been higher. Boards should make decisions from a confident position of knowledge, and be able to answer the question of "how do we know" when tackling complex issues.

Strategy

Reviewing the Trust development plan, vision and strategic direction is an important step as we emerge from the pandemic.

We would expect to see short, medium and longer-term goals, actions and metrics. And definition of your vision, values, desired outcomes, stating who is accountable and establishment of new KPIs.

To grow or not to grow? How well placed is your Trust to make the decisions that will affect the learning of every pupil in the Trust? What has worked well and where is refocusing required?

Trust boards' top strategic priorities reported by the NGA are:

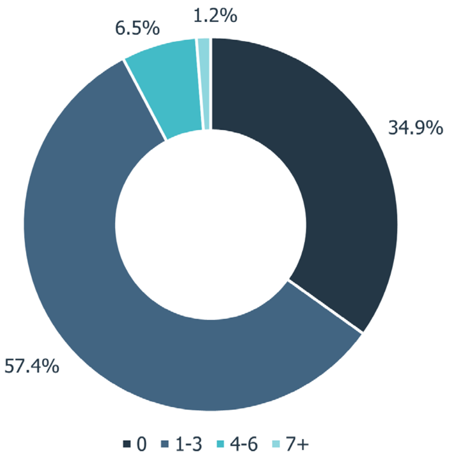
1. Pupil mental health and wellbeing
2. Managing and improving premises
3. Attracting high quality leaders
4. Ensuring best use of resources
5. Behaviour and exclusions
6. Support for pupils with special educational needs

Trusts have key decisions to make. Covid-19 has left the attainment gap widening across the country and not necessarily just for the disadvantaged, but others too.

Calls from regulators to focus on reversing this trend includes considering whether some schools and smaller Trusts should be transferred to larger, more successful Trusts. Albeit the definition of a successful Trust is currently very subjective.

With the first white paper in five years promising to tackle innumeracy and illiteracy, a strategy on raising standards through growth is a focus for some. Our survey indicates that 57.4% of Trusts have a growth aspiration of 1-3 schools during 22/23. Only 35% are expecting no growth and 6.5 % growth of 4-6 schools.

Number of schools Trusts intend to grow by in 2022/23



Sustainability

It is surprising that sustainability was not included as one of the key risks above, but this may just be down to timing. Climate and sustainability will be a key focus looking forward. It is an issue that young people care about enormously, and it has been reported by Michael Pain, CEO of Forum Strategy, that inertia or lack of speed to respond by leaders, creates enormous anxiety in young people. Boards need to see where their position is and how their Trusts are to tackle environmental issues.

Good decision making

Is growth right for your Trust? A full risk assessment must be made, with the interests of all the children in the Trust considered. Robust due diligence and thorough testing of scenarios is required before boards can make a decision. Clarity of any growth potential comes from being able to go into discussions with open eyes and as much knowledge as possible to make sure any risk, financial or otherwise, is mitigated for the continuing Trust.

The key to good decision making is the right information combined with robust and diverse discussion. Trusts are increasingly aware of the need to re-evaluate regularly and to use available tools to help such as:

- Review of the central function effectiveness and structure.
- Specialist financial modelling.
- Due diligence.
- Facilitated strategic review workshops.
- Assurance mapping.
- Stakeholder engagement.

Reports in the press say stakeholder engagement has in many cases suffered under Covid-19. It is crucial that the Trust understands the needs of all its stakeholders, and the sector needs a refocus on this priority.

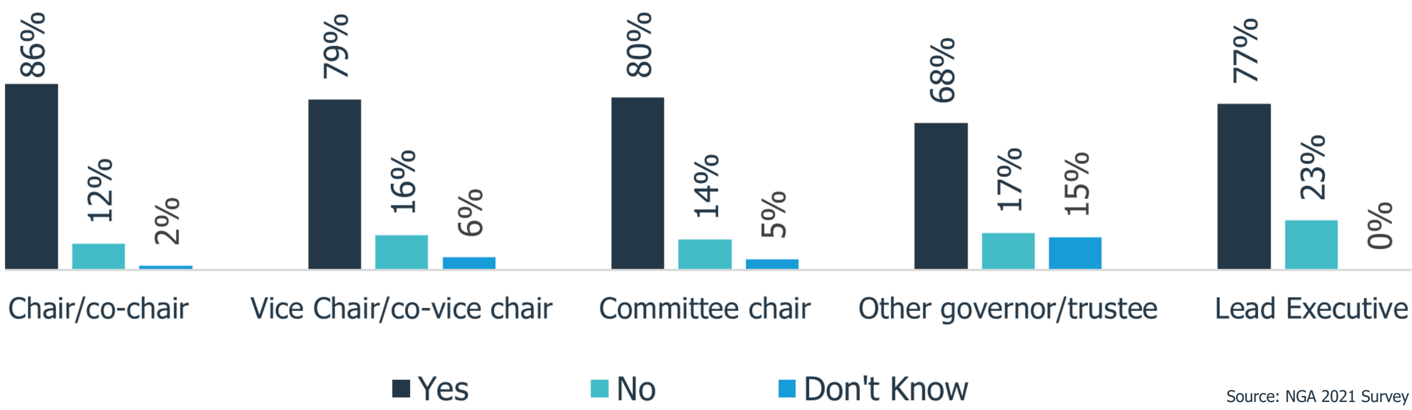
Mental health and well being – Staff

Trusts are in the business of providing education, and this hinges on the quality of the people and what they bring to the whole organisation's mission. Staff welfare is not new, but the pandemic has magnified the issue exponentially. People can be fragile under continued stress periods, so mental health and wellbeing are factors to be monitored and actively addressed. Trust boards, as the employers, have a responsibility to make sure that these matters are being addressed. Workload management is a focus in many cases, with many reports of staff burnout. Managing wellbeing, workload and CPD are fundamental to a healthy workplace culture and Trustees should seek assurance on these crucial points from management, as this will directly impact on the children's education and of course the reputation of the Trust.

The NGA survey reveals that those governing a group of schools are more likely to report that they monitor these issues (as 88% report they did), as against those who govern in secondary schools (68% report they monitor wellbeing and workload).

The table below is a breakdown of who, within the governing board, have said they monitor this issue, with the majority being chair or co-chair of the board to fulfill this key aspect of duty.

Percentage of Trust boards who actively monitor mental health and well being



Source: NGA 2021 Survey

In our own survey 61% of respondents said that in terms of turnover of staff, the teaching staff had largely stayed the same, with the main reason given as job security and only a small number of delayed retirements. Factors such as age, demographics and attrition rates have been reported as taken into consideration by over 63% of Trusts when boards are budgeting and future planning at the same rate as the previous year.

Know your board

The goal of getting the right people around the table, doing the right thing, is not new. Understanding where your Trust is along this journey varies, and the NGA 2021 school governance survey reports that the use of skills audits has dropped from 87% in 2019, to 74% in 2021. This implies that 26% did not undertake a skills audit this last year. 23% of schools report undertaking an internal review of governance and just 6% engaged with an external review, again the implication being that 71% of schools responding to the NGA survey, did neither.

Covid-19 has undoubtedly impacted these figures, yet we have been used to virtual governance now for some time. Trustees still need to understand where the Trust is to determine where to go to next, so the question of how to make best use of time remains.

Triangulating your governance practice is a crucial step in improvement and there are self-evaluation tools readily available. Building this into the annual cycle of business should be a priority going forward. The ATH recommends an independent external review as part of a wider programme of self-assessment, and particularly before the board undertakes significant change. The key with any kind of evaluation, self or otherwise, is to then follow up actions arising, to really increase a board's effectiveness.

Board composition

From our survey, we see that the average size of boards once again remains consistent.

Trust Board size by Trust type

	2019	2020	2021
Primary	11	11	11
Secondary	13	13	13
MAT	9	9	9

Diversity is a familiar issue and still boards are under represented by many groups.

The NGA school governance survey 2021 states:

- Only 10% of volunteers are aged under 40.
- Half (51%) of governors and Trustees are aged 50 to 69.
- 3% of respondents identify as LGBTQ+.
- 1 in 5 respondents under the age of 30 identified as part of the LGBTQ+ community.
- 93% of respondents reported their ethnicity as white British.
- 1 in 5 respondents aged under 30 are from an ethnic minority background.
- 7% of respondents consider themselves to have a disability.
- Respondents were 63% female, 35% male & 3% LGBTQ+.
- 55% of chairs are female, 41% are male.

It is important to understand that diversity stimulates discussion and challenge and is a significant factor in effective decision making.

Have a plan to increase the effectiveness of your governance

Once evaluated, having a plan of improvement is key to measuring progress. The last few years have been tough with 72% saying governing has been more challenging because of the pandemic in the latest NGA survey. Being able to monitor themselves, boards can track development along the action plan, and, crucially, follow up on recommendations from external reviews.

The quality of information presented to boards for decision making is key, along with appropriate specialist advice when required. A key advisor to any board is the Governance Professional and with the shift in language within the ATH (from clerk), the emphasis on the importance of this crucial role for Trust boards has been drawn into the limelight once again.

We have seen the challenges sustained by Trusts where board advice has been lacking. We have also seen the benefits where a quality governance professional is at work. The role is demanding increasing focus and should be taken seriously with Trust boards looking to raise their game.

Additional NGA data sources (www.nga.org.uk) include, Priorities, resources and people - report published November 2021 and annual school governance survey 2021.

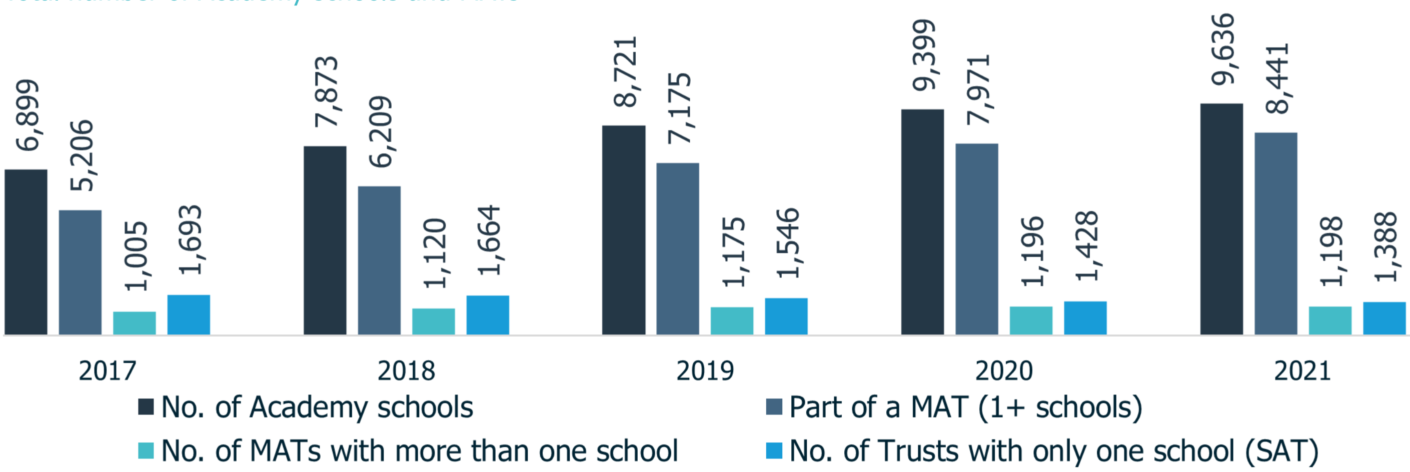
> The sector would do well to look to the Higher Education sector where many of these wider issues are already being addressed. Why reinvent the wheel when other education establishments have already created frameworks that can be adapted?

Section 3: Multi-Academy Trusts

In previous years we have witnessed a steady increase in the total number of schools in MATs as well as the number of MATs. In 2021, with the backdrop of over a year of Covid-19 led disruption, has this trend continued?

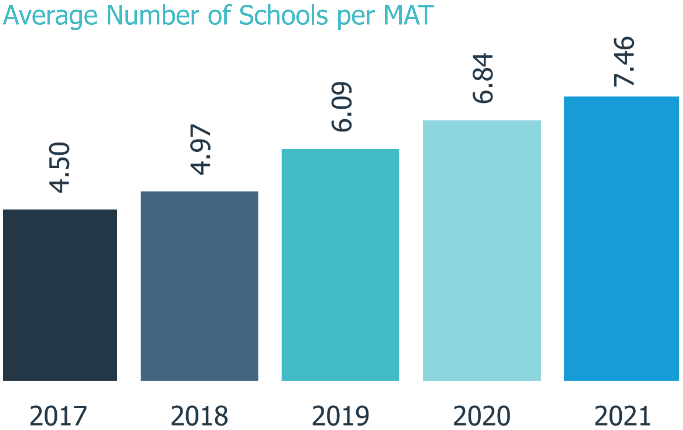
It is not surprising to see there has been an increase in the total number of Academy schools, but this increase is only 2.5%. However, the actual number of MATs has remained almost static, with only a net gain of 2, taking the count at August 2021 to 1,198. This represents an average 7.5 schools per MAT compared to 6.8 schools in 2020. SATs have continued to diminish in number; however the rate of decline has slowed considerably. The data also highlights that there are almost no new converters becoming SATs, so the growth in MATs is coming from maintained schools converting directly into a MAT.

Total number of Academy schools and MATs



Whilst the above data shows the entire population of Academy Trusts, it is worth taking time to consider the average size of MATs in our data set. As in previous years we have seen our MAT clients grow steadily; however in the past two years we have seen the average numbers of schools stay remarkably consistent. It may be due to changes in the clients that make up our client base, but as we can see below, there has been a significant slow down in growth over the past 2 years.

Average Number of Schools per MAT



Dominic Herrington, the National Schools Commissioner, went on record at the Westminster Education Forum Conference in November 2021 to stress "It's not a race for all schools to join Multi-Academy Trusts. There's no hard target or legislation". However, he stated he believes "Every school ideally should be part of a Multi-Academy Trust in due course", clarifying the government's strategy. It is reasonable to conclude that the average size of MATs will continue to grow. These comments are in line with the views shared by the current Education Secretary, Nadhim Zahawi, at the National Association of Headteachers Conference in October 2021. This is viewed as a softening of policy towards Academisation, which will come as a relief to those maintained schools that have no desire to convert.

The data below demonstrates the respective percentages of schools that are now Academies, rather than LA maintained schools, and highlights how few primaries have converted to date:

	2020	2021
Primary	35.7%	37.7%
Secondary	77.6%	79.1%

There is still a considerable way to go for full Academisation and this will require significant growth of MATs.

Top slice percentage

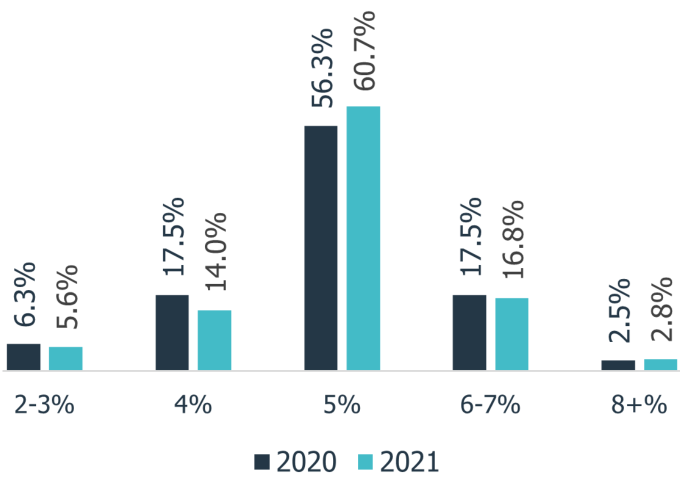
The approach for funding the central services the MAT provides to their schools is remarkably consistent with 2020 as can be seen below, suggesting it is uncommon for MATs to change their approach.

Basis used for central services recharge	2020	2021
Amount per pupil	16.7%	17.2%
Percentage of income	72.7%	73.1%
Time apportioned	3.0%	1.5%
Other	7.6%	8.2%

Where MATs do charge based on a percentage of income (this is typically GAG but can include other income streams) it is interesting to see the range of rates charged. Despite many MATs offering different central services and having differing central cost structures, as can be seen from the graph, 5% is a clear favourite among MATs. Many MATs say they calculate the level of funding based on the actual cost of the services they provide, but in practice there is little variance, suggesting that many wish to be consistent with their peers.

Many MATs find it challenging to achieve a budgeted break-even position in the central fund. Some MATs do have a strategy of accumulating funds within the central fund to meet the costs of future capital projects, so this could explain why there are sizeable balances carried forward in some cases.

Percentage of MATs using a top slice percentage



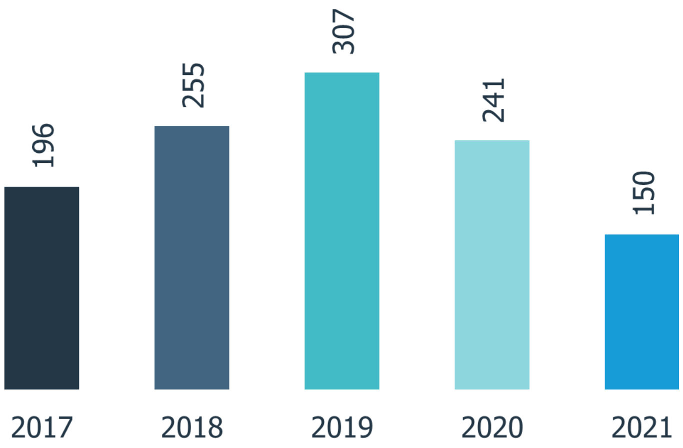
Rebrokerage

Rebrokerage is when a school moves from one Trust to another. This typically happens when a SAT chooses to join a MAT, or when there is an intervention by the ESFA/RSC, and a move is mandated. This intervention can be due to either educational or financial failings, or both. As can be seen from the graph on the next page, both the percentage of schools being rebrokered, and the absolute numbers have decreased by 38%. This data is based on DfE financial years, and so covers the period up to March 2021, so includes a full year of the impact of Covid-19. We highlighted last year that the impact of Covid-19 was likely to affect the data, but it is not clear whether the decrease is a genuine reduction in schools requiring rebrokering or whether there is a backlog of cases delayed by Covid-19.

However, Schools Week reported in January 2022 that only 3 schools were forced to convert to an Academy in the last quarter - just one a month. It is possible the lack of OFSTED inspections through 2021 has delayed some schools and that more rebrokering will be seen in 2022.

Dominic Herrington has commented that the current policy will continue where it will only be compulsory for failing schools. Although the definition of failing is not clear, but is taken to be either educational, financial or both, as noted above.

Number of rebrokered schools



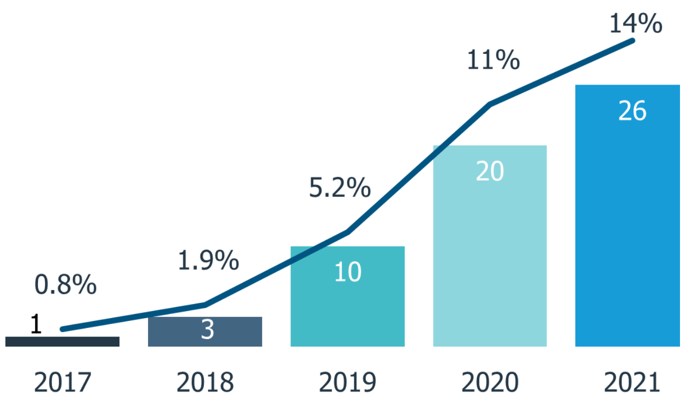
Whilst the number of schools being rebrokered has declined, it is clear that the average funding provided by the ESFA has also been reduced, with only 39 of the 150 schools being funded at an average grant of only £77,000 per school (2020: £96,000).

GAG Pooling

GAG Pooling has been around as a concept for a number of years; we first reported a MAT adopting this policy back in 2017. However, this still often causes confusion as there are a number of different ways MATs can pool income or reserves. GAG pooling is simply a different way of operating where, rather than schools paying a sum to cover the central costs of the MAT, the GAG income is controlled centrally with each school funded based on their needs. When reporting reserves, the GAG reserve is shown as a central fund, rather than being allocated to each school. Other Trusts operate variations on this (pooling other income types), but care is needed as certain funds cannot be pooled. Other Trusts have decided to pool reserves at the end of each year, which is a different variation on a similar theme. However, it appears there is a common aim of allowing MATs to invest funds in the schools that require the most investment, irrespective of the funds that school has previously held. Whilst this may help the Trustees of MATs focus on those schools with the greatest need, there is a perception that in the short term some schools will gain and others will lose out. This makes the decision of adopting a pooling policy quite a sensitive issue.

The data set out below is where Trusts pool GAG rather than just pool reserves. Only 14% of the MATs included in our report were GAG pooling in 2021, highlighting that those MATs who do are still very much in the minority, albeit a growing one.

Number and percentage of MATs GAG pooling

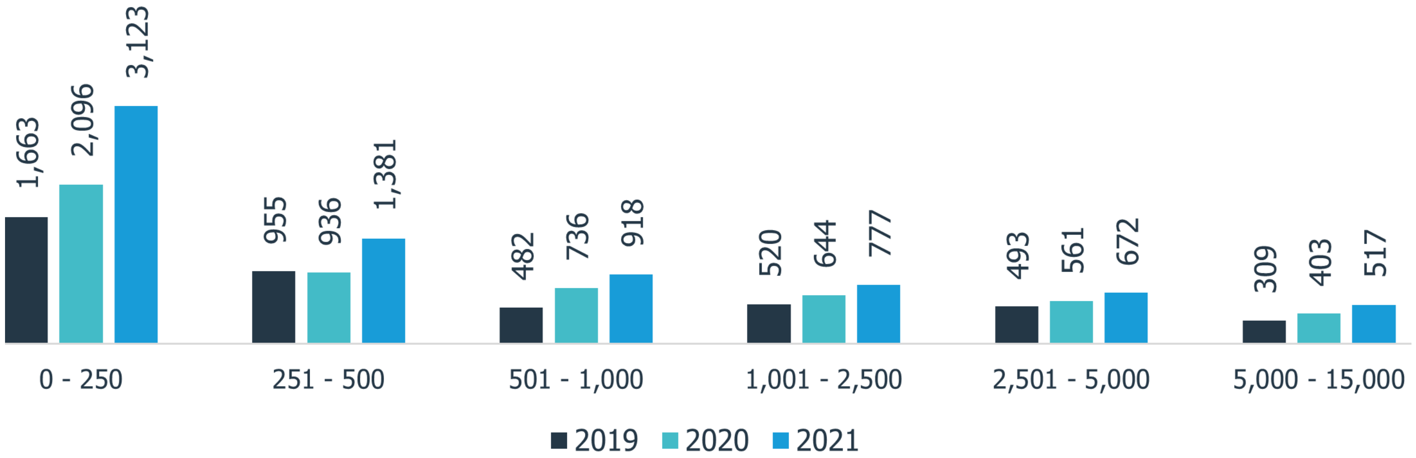


Free Reserves

Whilst there is no "one size fits all" for the ideal level of free reserves within a MAT, this is often a topic of debate for boards setting their reserves policy and deciding how they should invest their reserves. There is an argument that if you are a single school or a very small MAT, the amount needed to be set aside to fund unforeseen issues needs to be greater per pupil than a large MAT where these risks can be spread across a much larger pupil base. The data on the next page clearly demonstrates this point, showing as Trusts grow in size their average free reserves per pupil decrease significantly. For MATs with less than 250 pupils, the 2021 average is £3,123, decreasing to £517 for MATs with 5000+ pupils. The data on the next page also demonstrates that there has been an increase in average free reserves across all MAT sizes since 2020.

The fact that larger trusts have a much smaller reserve per pupil highlights the spreading of risk and the economies of scale of the larger MATs. Having less money tied up in reserves means that more money can be spent on pupils. This is one clear benefit of MATs being larger.

Average free reserves per pupil based on MAT size (by pupils)



Centralisation

Centralisation of back office functions typically allows much stronger financial governance in a MAT, and the sector has continued to see a move towards full centralisation. In line with previous years, we have classified MATs on a scale of fully centralised, where finance, HR, school improvement etc. is all managed 'centrally', through to fully decentralised, where these functions are still managed by individual schools within the Trust.

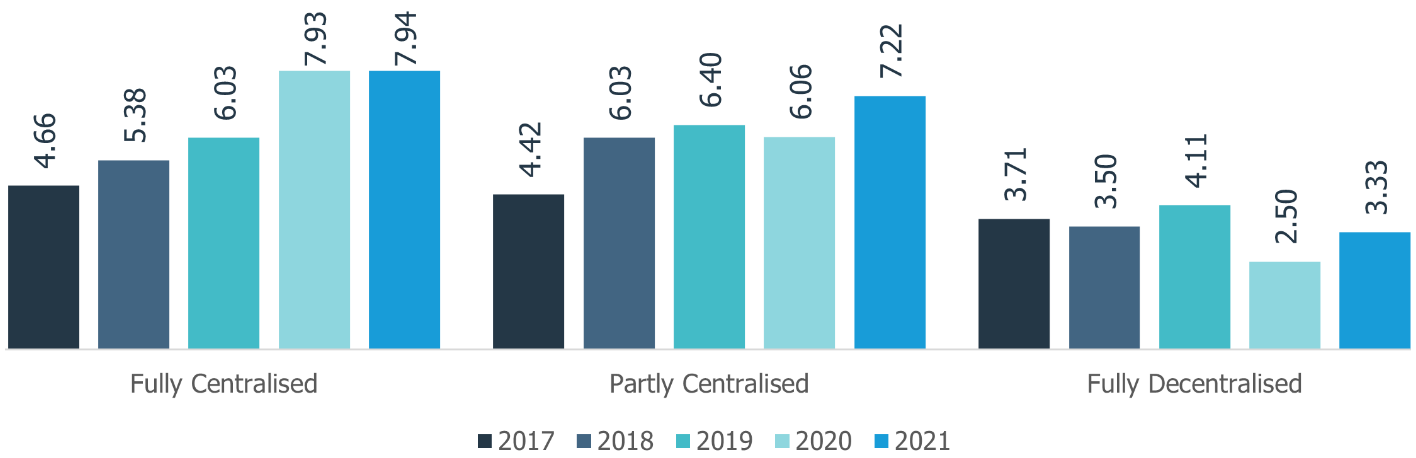
In previous years we have seen a steady increase in Academies moving along the path to become fully centralised. Unsurprisingly, this trend has continued in 2021 with now 97% either being fully or partly centralised.

This only leaves 3% of Trusts, in our population, which do not follow a model based on centralisation.

Fully decentralised MATs tend to be small with very few schools. As MATs grow, the benefits of becoming more centralised appear to become more attractive. As MATs grow, investment is made in the central team and IT and this is also likely to result in back office functions becoming more centralised.

Whilst the cost of purchasing finance software for a MAT is a significant cost, it should automate some of the accounting processes, resulting in less manual work needing to be performed to consolidate the results of the schools within the MAT. Centralisation is often a journey and it is worth reviewing where you are and what future steps are needed to maximise the benefits to the MAT.

Average number of schools per MAT by centralisation level



> If you are a single school or a very small MAT, the amount needed to be set aside to fund unforeseen issues needs to be greater per pupil than a large MAT where these risks can be spread across a much larger pupil base.

Section 4: Income

“

Today’s spending review also delivers our commitment to schools with an extra £4.7bn by 24/25, which combined with the ambitious plans announced at the spending review of 2019 will restore per pupil funding to 2010 levels in real terms. Equivalent to a cash increase for every pupil of more than £1,500, and for children with special educational needs and disabilities we are more than tripling the amount we invest.

Rishi Sunak, Autumn Budget, October 2021

During the past 18 months the government has made a number of announcements regarding funding to the sector as it continues to try and address the educational impact that the Covid-19 pandemic has had on students.

- June 2020 – £1bn recovery package, including the Covid-19 Catch-Up Premium and National Tutoring Package funding
- February 2021 – £700m additional funding, including a new Recovery Premium and Summer School funding
- June 2021 – £1.4bn of further funding announced, to be spent on 100 million hours of free tuition and mentoring to help catch up lost learning
- October 2021 – £4.7bn additional core funding and £1.8bn recovery funding announced in the Autumn Budget

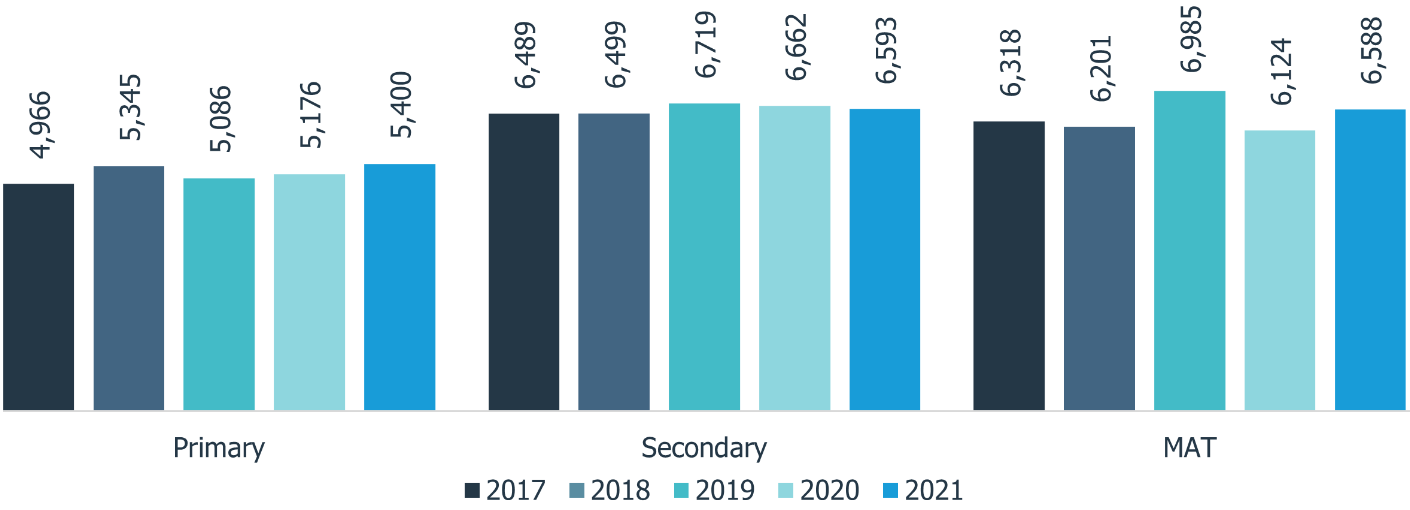
Funding announcements indicate an increase in total funding per pupil for the year, as was the case for 2020, but does the data show this? The answer to this question is never a straight-forward one and ultimately “it depends”.

It is important to remember the table on the next page includes capital income, but doesn’t include balances on conversion or transfer.

The table shows that for MATs and primaries there has been a slight increase in total income per pupil, with secondaries seeing a small decrease. The movements we have seen for primaries and secondaries in 2021 is in line with what has been seen for these types of Academies since 2019. The movement for MATs is more unpredictable however, and this is driven by Academies joining and leaving Trusts as well as capital funding changes (i.e. Trusts moving from Condition Improvement Funding (CIF), which is project related, to School Condition Allocation (SCA), which is an annual allowance). MATs often have larger self-generated income, which has been at the mercy of lockdowns and restrictions.

As mentioned above, with the additional funding that has been announced, you might have expected an increase in total income across the board. However, it is key to note that the benefit of the funding is not necessarily included within the 2021 financial year, with tranches of it being distributed up to 2025. The ability of an Academy to generate their own income was also restricted at the start of the academic year, due to the Covid-19 restrictions and lockdowns in place. It is clear from the data that SATs and MATs all experienced a slight decrease in “Other income” when compared to last year, which is reasonable when you consider that schools were physically in lockdown for slightly longer in the 2021 financial year than during the 2020 financial year, as well as the whole year being impacted by Covid-19 as opposed to five months in the 2020 financial year.

Average total income per pupil (£)

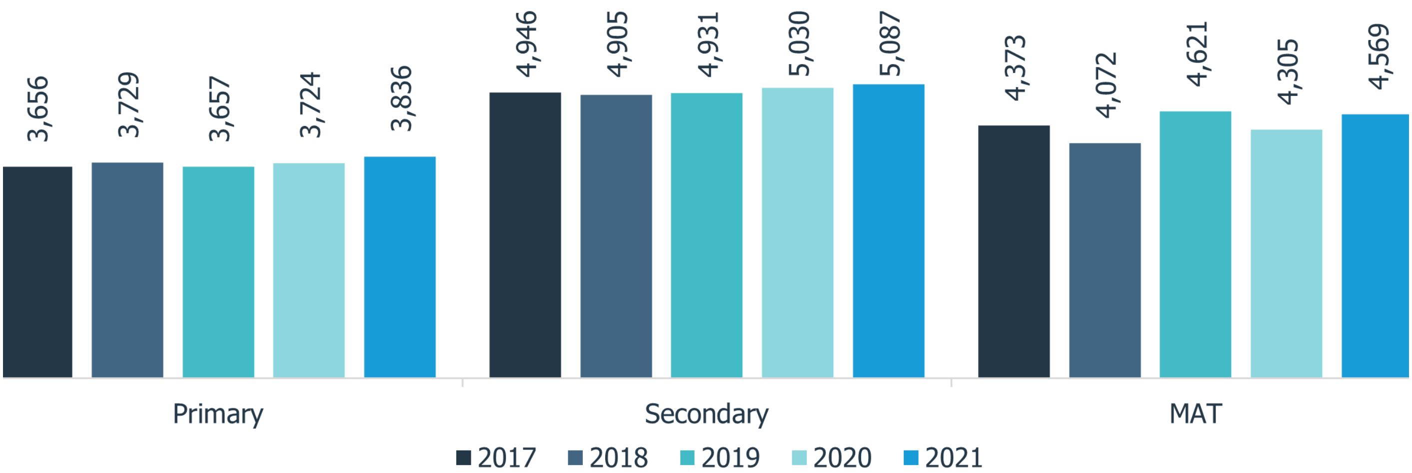


GAG income

The core funding for Academies, GAG income, has risen very slightly on a per-pupil basis (1-3% dependent on Academy type). Once again, this movement is consistent with what was seen between the 2019 and 2020 financial years for primaries and secondaries, with MATs returning to an increase after a year of decline in 2020. As we have stated in previous years, MAT funding is influenced by the number of primaries and secondaries within the Trust, and with the size and mix of MATs changing each year, the MAT average is more volatile.

The table below does show that GAG funding on a per-pupil basis is rising, as government announcements have promised, with funding currently back at 2015 levels, after several years of decline. There is still a way to go for the government to achieve their promise of returning to 2010 levels in real terms. Our 2012 report showed an average GAG income per pupil of £3,777 for a primary and £4,636 for a secondary, when compared to the data below it shows how little GAG income has increased over the last decade.

Average GAG income per pupil (£)



Capital income

Capital funding per pupil has decreased for both primary and secondary schools compared to the 2020 financial year, by 17% and 31% respectively. This is somewhat surprising when you consider that these Academy types are receiving funding under the CIF scheme, and government data suggests that funding has remained consistent with 2020, despite there being 64 fewer successful claims. However, as widely reported in Summer 2021, there was a two-month delay to the funding being confirmed. The consequences of this are that Trusts are struggling to complete, or even start, capital projects due to Covid-19 restrictions, materials shortages and availability of contractors; therefore, some significant capital amounts are being carried forward in reserves and the bank and are unlikely to be spent by 31 March 2022, as we would normally expect.

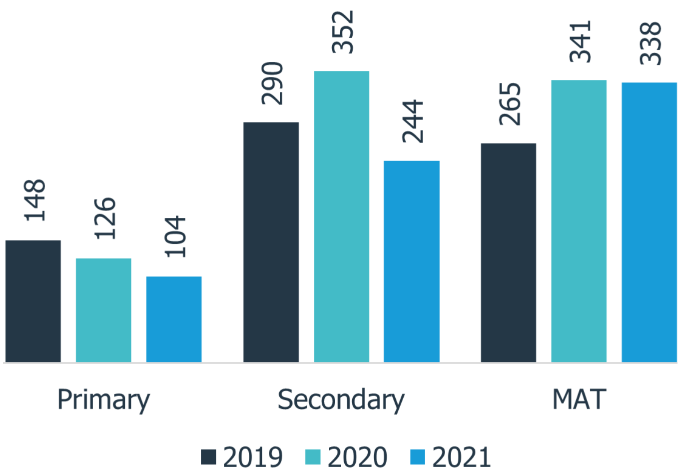
Whilst we would expect an increase in capital income per pupil based on the funding available during the year, our data shows that there is a decrease, which is down to the number of clients with successful CIF bids within our data in comparison to prior periods.

MAT capital income has seen a decrease of 1% in comparison to 2020. MAT capital income can be impacted by the make-up of capital funding within Trusts. Larger MATs will qualify for SCA funding providing that there are five or more schools present in the Trust and 3,000 or more pupils on the roll, whereas smaller MATs will qualify for CIF. As Trusts grow and more breach the SCA limits, capital funding per pupil is likely to increase. Government data shows that the amount of SCA funding received by MATs was £47m higher in 2021 compared to the prior year, a 20% increase.

Another factor to consider is that during the 2021 year the government's School Rebuilding Programme kicked off in earnest, with 50 projects announced in February 2021 and a further 50 announced in July 2021. In June 2020 the government committed to a £1bn 10-year plan to improve school property stock, with £760m committed for 2021.

A final point to note in relation to capital income is that, to support remote learning for students during the pandemic, the government provided 1.3 million laptops to schools across the country, which are accounted for as donations from an accounting perspective, and this has therefore increased capital funding during 2021.

Capital income per pupil (£)

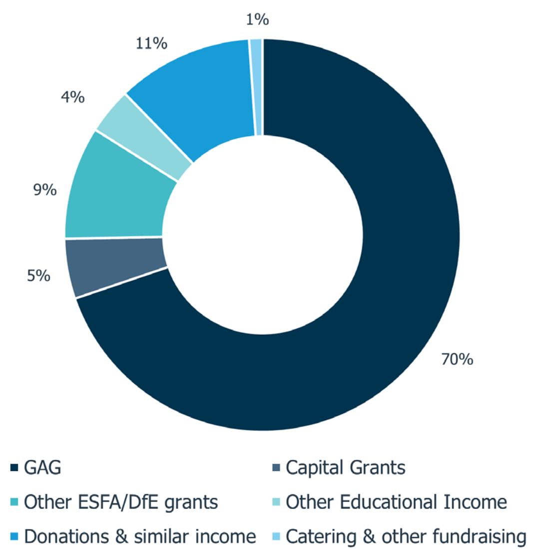


Covid-19 funding

As noted above, the government committed to supporting the sector with additional funding as they did in 2020, albeit the mechanism for this altered during the year. We moved from claiming for exceptional costs incurred as a result of Covid-19 via the Exceptional Costs Grant, to a formulaic approach, with the Catch-Up Premium and Recovery Funding grants. Despite the change in approach, the value of the funding was consistent year on year.

Trusts also received Mass Testing funding during the year, to cover the premises and staff costs associated with the mass testing of pupils that was required to try and slow the spread of the virus in educational settings. Allocations were based on the number of bays/desks calculated to deliver the number of tests required. Anecdotally, schools have indicated that they have struggled to understand how the value of their Covid-19 Mass Testing funding has been derived and also determining the costs that should be offset against this funding. Some schools are carrying forwards sizeable balances in relation to Covid-19 funding.

Summary of Trust income



The pie chart above shows the breakdown of income by type. Year on year this is consistent in all areas, barring a shift of 4% between Other ESFA/DfE grants and Donations & similar income. Both of these income types are ones that fluctuate year on year.

Future funding

There is no doubt that the government's focus throughout the year was to mitigate the impacts of Covid-19, as evidenced by the three tranches of Covid-19 related recovery funding, as noted above. This came through via the Covid-19 Catch-Up Premium, Covid-19 Mass Testing, and Covid-19 Recovery Funding grants. The government then followed this up with £4.7bn of additional core funding, which is part of the "levelling up" process, £1.6bn of which is committed for 22/23. The government's intention is to return per-pupil funding to 2010 levels, which on the surface is a positive statement, and the government are certainly badging it as such. The sentiment within the sector is that this masks the cost increase pressures and cost saving measures that the sector has been subject to for over a decade. Paul Whiteman, secretary of National Association of Head Teachers (NAHT), stated "The increase in per pupil spending announced by the government takes us back to 2010 levels. This is no proud boast, as it represents a failure to invest in children's futures for over a decade".

In 2020 the government announced that transition to the hard National Funding Formula (NFF), whereby funding is distributed directly to schools and cutting out Local Authorities, would be delayed until 22/23 at the earliest.

However, in July 2021 the government revealed it has no fixed target date, but that they hope to move close to the hard NFF from 23/24. It was also announced that there would be no changes to the rules on how Local Authorities determine funding and their ability to use different factors in arriving at the formulae. Local Authorities must move 10% closer to NFF in 23/24. The Public Accounts Committee has recently expressed its view that per-pupil funding should be published for every Academy. Whilst this would bring openness to the funding situation, it also has the potential to be divisive.

The Covid-19 Workforce Fund was reinstated in November 2021, as school staff absences rose significantly off the back of the new Omicron variant. Staff absences continued to rise into the start of 2022, with Covid-19 cases rising to over 200,000, and teacher absence rising by over 20%. The Fund is in place until February 2022 at the moment. However, there is a caveat in that Trusts have to use their own reserves before making a claim. Reserves need to be reduced to 4% of annual income, which seems low when you consider the typical Academy has a reserves policy of one month's operational expenditure, which is likely to be around 8% of annual income (assuming a balanced budget). Consequently, it seems unlikely that many Trusts will be able to access this fund.

It is interesting to see the journey that funding announcements have been on over the last 18 months. We are starting to see a shift away from Covid-19 related announcements to some of the issues that were more prevalent prior to the pandemic, such as NFF and anti-bullying. As is often the case in the sector, the lack of clarity about funding in the medium to long term makes it very challenging for Trusts to budget accurately, or with any certainty. However, with the sector seeing increased surpluses during 2021, it seems that Trusts are generally in more robust financial positions, which will be vital as they navigate the uncertainties of the next few years, and dealing with the longer-term impacts of Covid-19 from an educational, mental health and resourcing perspective.

"Centralisation is often a journey and it is worth reviewing where you are and what future steps are needed to maximise the benefits to the MAT."

Section 5: Costs

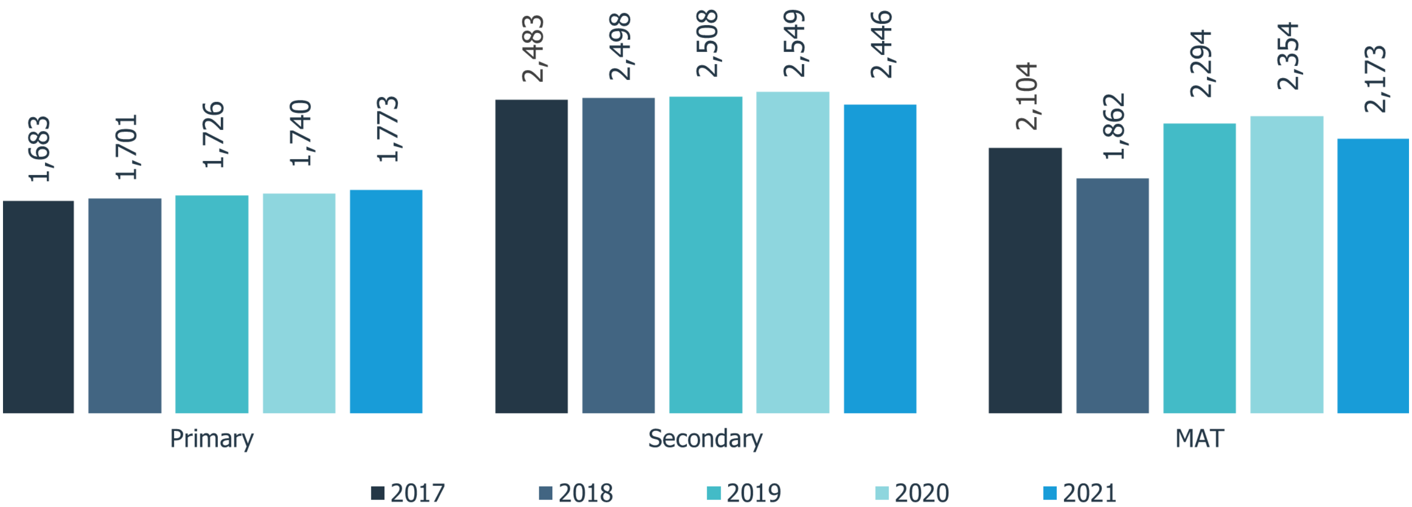
Whilst costs in an Academy are normally reasonably predictable, 2021 shows a very different picture.

Staff Costs

For the 2021 academic year, average staff costs as a percentage of total costs has remained static, with the average across all schools only moving up by 0.1% to 75.3%. However, the average for secondaries continues to creep up - as it has done for the last 8 years in a row. For all types of Trust, the movements have been marginal after some more significant increases in prior years. All Trust types are now spending more of their income on staff than they were 5 years ago.

However, there have been reductions in both teaching-staff cost per pupil and supply-cover cost per pupil for both secondaries and MATs for 2020 and 2021, highlighting that more has been spent on non-teaching staff as a proportion. It is acknowledged that there is less opportunity for primary schools to find the savings that secondaries can as they tend to be smaller and therefore find it harder to re-deploy staff. Primary schools were also open to more pupils for a longer period of time and suffered from sickness absenteeism that is more likely to have been covered by supply staff. To illustrate the point, we have one secondary school in our data that only spent £1,383 on supply costs in the whole year. This compares to £43,977 at the highest primary school.

Average teaching staff costs per pupil (£)



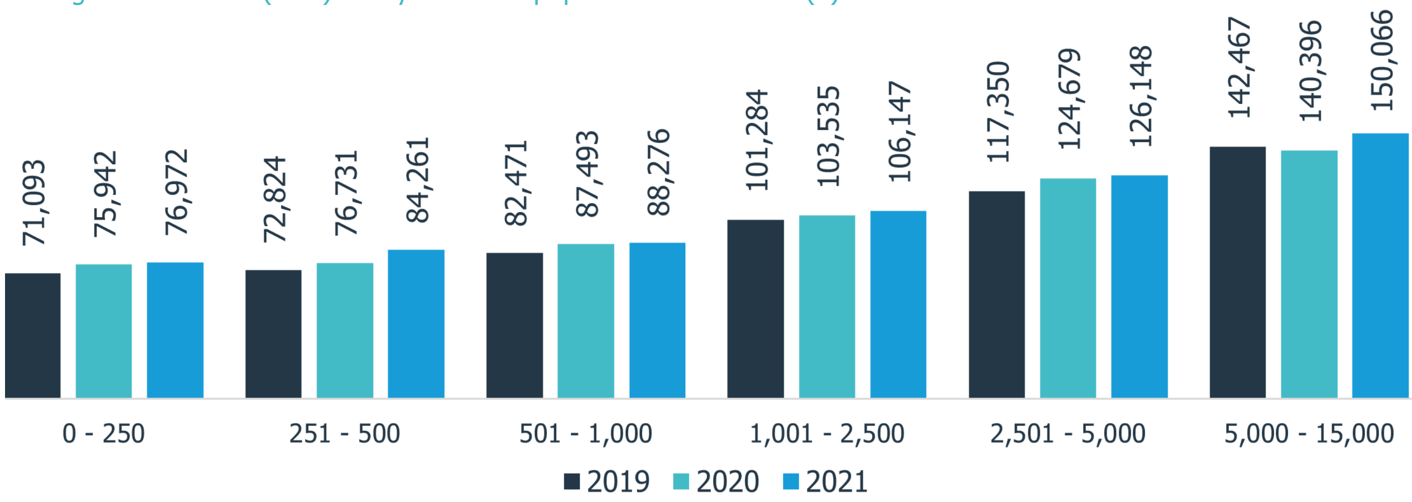
The pay freeze for public sector workers announced in November 2020 is at odds with the government's plan to attract and retain new teachers. The profession has had the two most difficult years it has ever known, and given the impact that the pandemic has had on the academic achievement and mental health of the students this is likely to have a significant impact on the workload of teachers to support them. So this is a challenging time to be trying to attract people to the sector, and so salaries may need to rise to achieve this.

At a recent Academy Finance Professionals event held by the ESFA, it was confirmed that they remain committed to increasing starting salaries to £30,000 and added that the £4.7 billion investment in the core schools budget by 24/25 will support this. However, they are no longer confirming a starting date of 22/23, but rather taking the independent School Teachers' Review Body's (STRB) advice. The STRB usually looks one year ahead, but in more recent news the Education Secretary has requested a two-year review to help achieve the £30,000 salary pledge. This should help schools with medium term planning and give more clarity over when this will happen.

In the ESFA event it was also confirmed that the extra £4.7 billion promised to the sector by 24/25 is to include meeting the cost of the new temporary health and social care levy of 1.25% in 22/23.

With regards to head teacher remuneration, we are seeing average percentage increases of around 4.5% for both the primary and MAT sector, with a more modest average percentage increase of 2.6% for the secondary sector. However, secondary heads did see a higher average percentage increase in 2021. With several years of restraint, this needs to be carefully monitored by Trusts as the ESFA continues to pay close attention to leadership pay.

Average headteacher (CEO) salary based on pupil numbers in Trust (£)

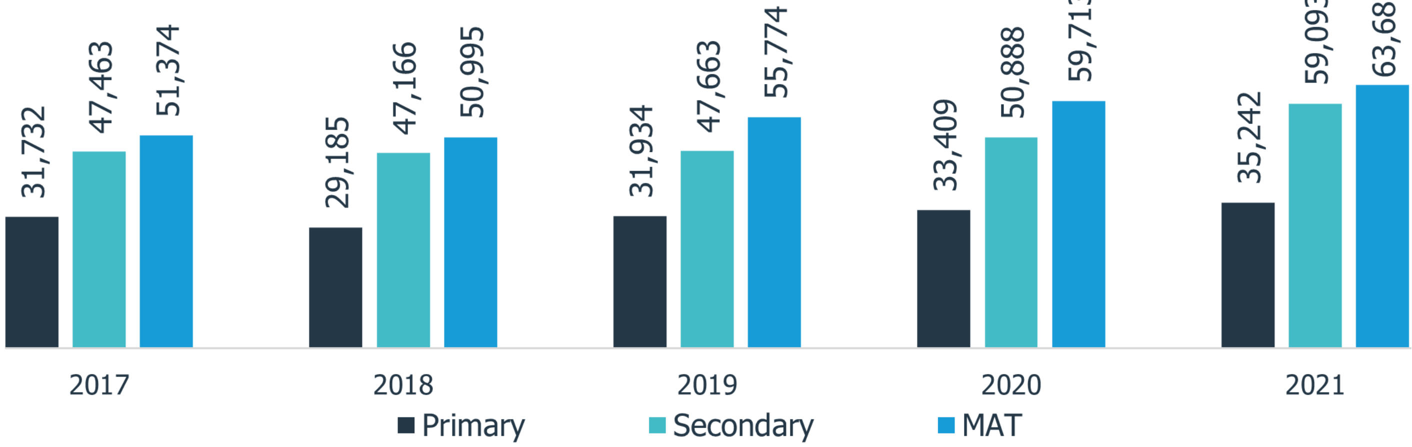


There has been upward pressure in school business manager salaries. The accountancy and finance sector is experiencing an average increase in salaries of 2.3% overall in 2021, according to the Hays salary guide 2022, with those roles in highest demand exceeding this. The Academy sector seems to have fallen into the 'highest demand' category. It appears that the fight for specialist talent is on. This is likely to be the result of more qualified and/or experienced finance personnel needed to be able to deliver the information required by management in a complex finance function. With this added pressure, it is more important than ever to retain and upskill the current workforce.

The ESFA is currently recruiting a number of mentors for their new cost-free one-to-one mentoring programme for CFOs. This is to help develop schools' capability for effective financial and resource management and any new, aspiring or current CFOs can email esfa.srma@education.gov.uk to register their interest.

The ESFA have also indicated that they are 'exploring options' for bursaries for finance qualifications and aim to announce their position shortly. Something to watch out for in the future to develop your key finance management team.

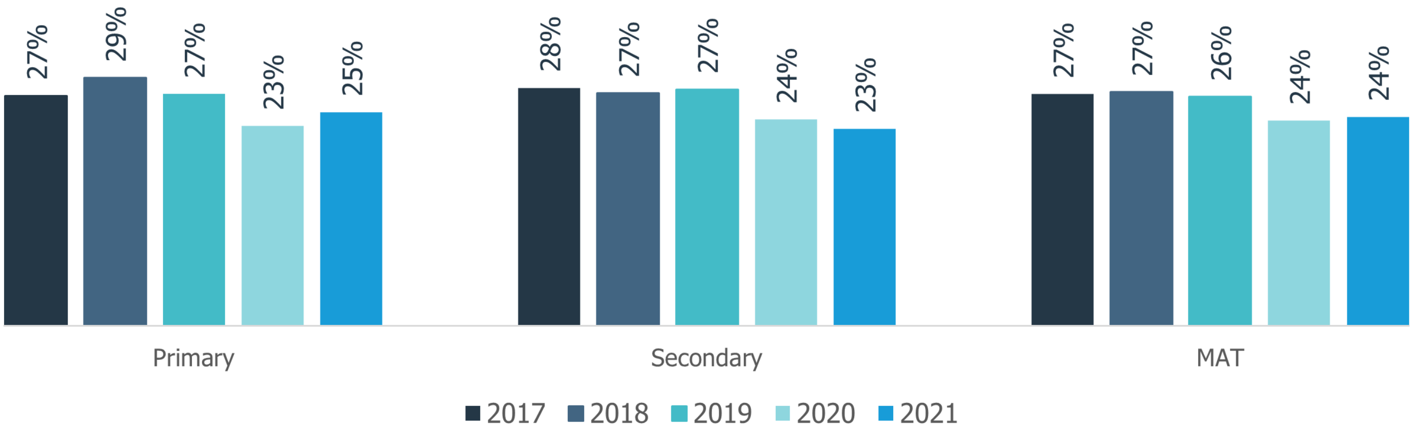
Average School Business Manager remuneration (£)



Non-staff Costs

Having seen consistent non-staff costs as a percentage of staff costs for the years 2015-2019, we see a second year in a row where the percentage is noticeably lower than prior to the pandemic for secondaries. This reflects the savings that are made pre-pandemic, but also the savings from schools being closed for periods of time over the last two years.

Average non-staff costs as a percentage of total costs (£)



It is important to look at the detail behind these figures to understand whether the impact of the pandemic has caused a temporary reduction in non-staff costs, or whether this is a permanent reduction, and that adaptations made during the pandemic can continue into more normal times.

For primaries, education costs have fallen quite significantly. Although the pandemic period has seen further savings, it would appear they were already making substantial savings prior to this period.

For secondaries, after seeing a significant drop in education costs per pupil between 2014 and 2015, which preceded substantial restructuring costs in 2017, we continue to see falls in education costs over the following years.

There was, however, a substantial drop during 2020 and 2021 as secondary exams were disrupted and we saw rebates of exams fees and savings on the costs of invigilators. This is an obvious temporary saving that has helped many secondary Academies' reserves recover or increase in 2021.

It is clear from the figures that secondary schools were much more ready to tackle the issues of online learning, as their technology costs have remained stable with spend per pupil around the average of the past 7 years, and not much more than that in 2021. Primary schools did experience a moderate increase in spend.

Premises costs and light and heat, as a percentage of total costs have, remained at a stable level and do not appear to have been particularly affected by the pandemic.

With energy costs about to soar, now more than ever it will be important for all schools to think very hard about energy use. Not only will this meet the drive towards tackling climate change, but will also help to balance the budget where we could see a 50% increase in energy costs going forward. Energy efficient lighting, matching heating to building occupancy and looking at whether that thermostat can be turned down by 1 degree are all things that can be looked at.

One of the measures that will help Trusts to manage their energy costs is minimising their carbon usage. For the last two years large Trusts (with income over £36m, balance sheet assets of more than £18m and more than 250 employees) have been required to comply with the Streamlined Energy and Carbon Reporting rules. This has required them to report on the energy used from gas, electricity and transport fuel, which is then converted into tonnes of CO_2 per pupil - the Intensity Ratio. It is this ratio that Trusts can use to benchmark themselves against other Trusts.

Carbon Intensity Ratio based on 95 MATs (tonnes per pupil)	
Average	0.256
Highest	1.486
Lowest	0.033

At this point there is only limited data available, but it will form the basis of future targets as the sector looks to move towards net zero. The table above shows the average intensity ratio, and the highest and lowest rates from our data.

Maintenance costs appear to have been affected by the pandemic as they have reduced overall since 2020, and are at all time low in 2021. Schools may need to factor in some catching up on maintenance that has not been undertaken in the pandemic years that now needs to be addressed. It is unclear whether this is an intentional reduction in spend, as schools were cautious, or due to supply issues seen across all sectors in the UK.

Catering costs fell in 2020 as students were not in school. However they are now going back towards the higher levels seen prior to the pandemic. There has been an increase in catering costs over the past few years as food prices increase, and we are seeing some suppliers moving out of the sector as they can no longer make any money on school meals. The funding rate for FSM has remained at a flat rate for a considerable length of time, and it is even less likely to cover the costs now than it ever has.

It is clear from media reports that we are in a food poverty crisis, that has worsened during the pandemic, and this is unlikely to improve anytime soon.

Careful consideration needs to be made as to how meals are provided to students and the risks associated with providing these in house or outsourcing.

Admin and governance costs for primaries, which include all other costs not mentioned above, saw a fall in 2020 but have now returned to previous levels.

In comparison, secondaries have not yet seen an increase back to pre-pandemic levels. Could this be longer term savings that have been recognised that can now be built upon, or down to the fact that primaries have had more students returning to on-site teaching than the secondary schools? Something for the finance teams to explore thoroughly.

We found that Trust governing bodies adapted well to the pandemic through the use of remote meetings. Those which found it useful may continue with a hybrid approach to meetings and discussions, with the potential to improve attendance and keep and attract more experienced Trustees who have professional roles elsewhere.

Depreciation has fallen during the pandemic, which is likely due to fewer capital works over the course of this period. Across the board we have seen difficulties in continuing or starting capital developments due to supply issues, and this is likely to continue for at least the next year.

From our recent survey, there is significant work to be undertaken across our schools, with the majority of repairs to estates in excess of £500,000.

The DFE have published guidance for the 22/23 condition improvement fund stating all applicants must pay at least 30 per cent of the cost to achieve full marks for contributions, regardless of project size, alongside contribution points increasing from 5 to 6. This is a substantial amount for schools to find, to ensure they get the repairs that they need.

With 11 out of the 76 clients we surveyed saying that they did not match fund or contribute at all to CIF projects, this new stance will have a significant impact on them.

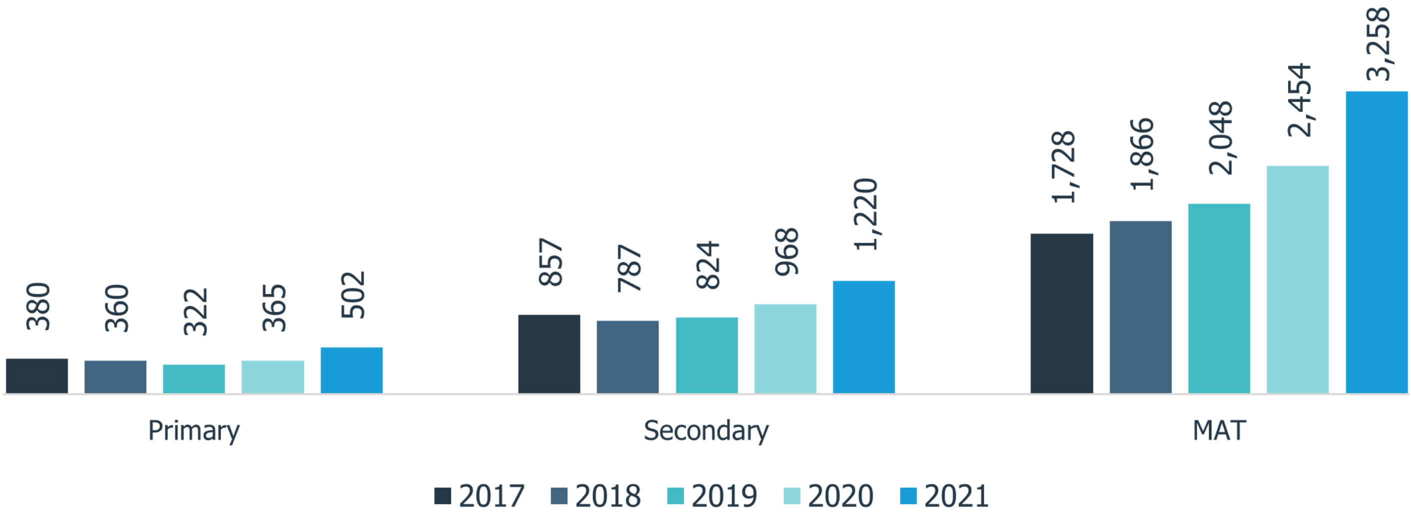
> "With energy costs about to soar, now more than ever it will be important for all schools to think very hard about energy use."

Section 6: Balance Sheet

Given the lack of control that Trustees typically have over the two largest numbers on the balance sheet - land and buildings, and the local government pension scheme - most Trustees rightly focus on cash balances and on free reserves, i.e. unrestricted funds and restricted funds such as GAG.

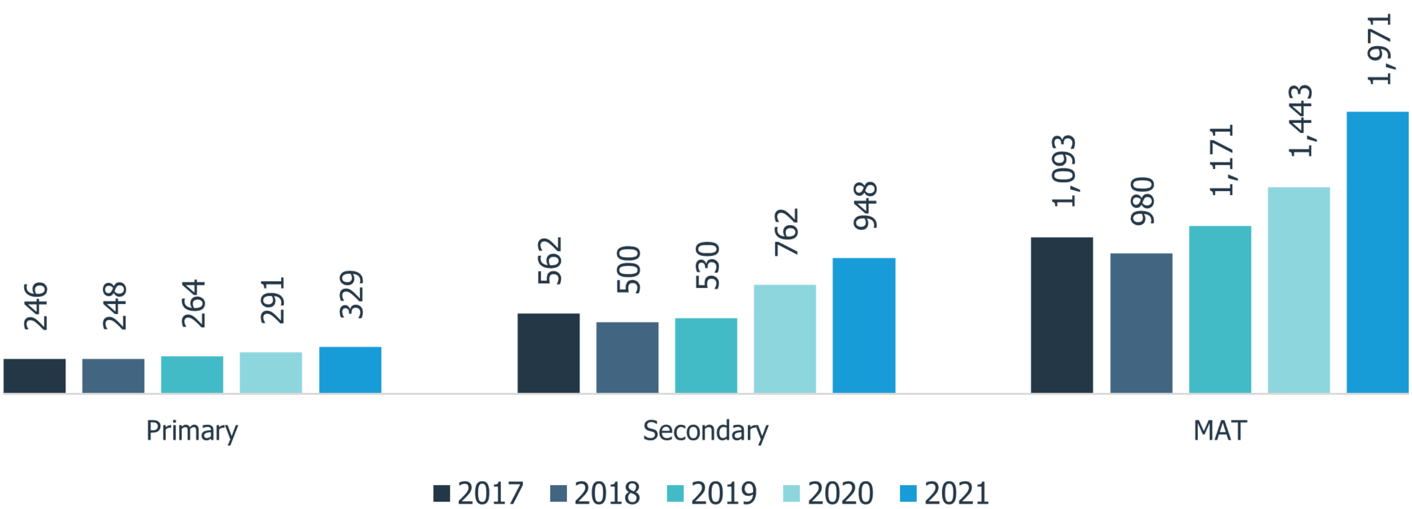
Cash balances, which as most readers appreciate are not the same as reserves, have increased again this year. This reflects the underlying surpluses, discussed earlier in the report, and also unspent capital expenditure due to the late notification of the successful CIF applications.

Average cash balances (£'000)



Given the in-year surpluses, it is not surprising that the reserves carried forward by all types of Academy Trust have also increased. The ratio of cash to free reserves remains similar to last year for secondary (1.3:1) and MATs (1.7:1), whilst primary schools has increased slightly to 1.5:1.

Average free reserves (£'000)



These increases in cash balances and reserves, together with in-year surpluses, often raise concerns that Academy Trusts are hoarding funds which were provided for the education of the existing students.

It should be remembered when looking at these cumulative surpluses that the last two years have been exceptionally challenging. Given the circumstances, it is not surprising that Trusts have been very cautious in how they spend the funding received, whilst finding that costs such as staffing, education resource, exam fees and utilities have reduced. As noted earlier in the report, the majority, if not all Academy Trusts, did not budget for the surpluses that have been achieved.

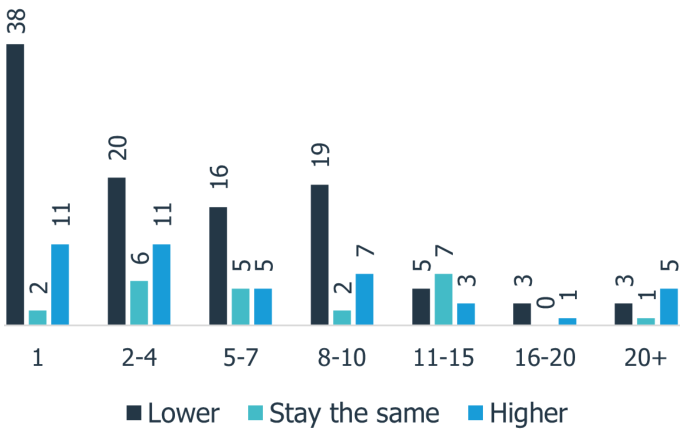
The National Audit Office (NAO) issued a report 'financial sustainability of schools in England' in November 2021, looking at changes in the sector over the last five years. The NAO's report states that more than 1 in 5 Academy Trusts had reserves equivalent to 20% or more of annual income at 31 August 2020. Our experience is that this is nearer 15%.

The NAO report also compared the average cumulative surplus per pupil in the maintained sector - £337 (at 31 March 2020) with the per pupil in the Academy sector - £689 (at 31 August 2020). This compares to the average of £796 (primary), £834 (secondary) and £820 (MAT) for our Academy Trust clients at 31 August 2021.

Whilst at first glance this looks like a substantial difference between the maintained and the Academy sector, the context needs to be considered – approximately 75% of secondary schools have converted to Academy status, whilst only around 33% of primaries have. Given that the academy sector will have, on average, larger schools, you would expect Academies to hold slightly larger reserves, - but it does beg the question as to whether nearly double the reserve is needed?

When we asked the question: "Based on your 3-year budget, are your total revenue reserves at the end of year 3 predicted to be: higher, lower or stay the same?", 61% said they expected them to reduce and 14% remain the same. What can be seen from the responses (and is highlighted in the following chart) is that it is the smaller Trusts that are more likely to expect their reserves to be lower in three years' time. This is probably a reflection of economies of scale that the larger Trusts have.

Total predicted reserves by number of schools in Trust



Given the large (often unexpected) surpluses made it is clear that many Trusts are now planning on spending reserves. This is either to spend Covid-19 and other restricted grants, complete capital projects, and in a number of cases to fund investment programmes. The spending review states that the 22/23 funding per pupil will increase by 5% in real terms compared to 21/22, so further income will be received by the sector. This increase includes the cost of the Health and Social Care Levy (1.25%), an increase in teachers' pay (including introduction of £30,000 starting salary?), but there are also other inflationary pressures as well as demands to raise attainment.

In addition, Trusts are concerned about:

- Potential increases in employer pension contribution rates.
- Capital projects, including how to replace the 'free' ICT devices in 3 to 5 years time as they become obsolete, and also how to replace the already out of date kit they had pre pandemic.
- Changes to the pupil premium census date.

As we write this report, economists are speculating that inflation could rise to 7% during 2022, so is 5% enough?

The NAO report included a number of recommendations for the ESFA to consider. One of which was to: Investigate why some Academy Trusts have built up substantial reserves.

The ESFA should use that information to develop its understanding of why Trusts are acting in this way, seek assurance that levels of reserves are acceptable, and take action where it has concerns that this is not the case.'

For 20/21, most Trusts had set balanced budgets, so the number of surpluses, and certainly the size of them, was unintended. Consequently, if the ESFA does implement this recommendation, we believe, from discussions with our clients, that they will find Trusts have already started to enact spending plans delayed by the pandemic.

These will include, for example, spending on additional intervention strategies to help address the education gap that has occurred and capital projects.

Capital

In June 2020 the government announced the School Rebuilding Programme (SRP) to carry out major rebuilding and refurbishment projects in England over the next 10 years. The first 50 schools were announced in February 2021 and another 50 in July 2021. A consultation about how to prioritise future schools was opened on 19 July 2021 and closed on 8 October 2021. Whilst the outcome of the consultation is due to be published in early 2022, at the time of writing this has not been published. However, there is an expectation that in future rounds there will be opportunities to submit bids.

It is likely that the Condition Data Collection (CDC) will feed into the SRP. The last CDC started in 2017 and collected data on 22,031 schools by 2019. The new CDC started in 2021 and is expected to complete by 2026. A list of the tranches which indicate when a school should expect its survey and by whom can be found at www.gov.uk/guidance/condition-data-collection-2-cdc2-programme

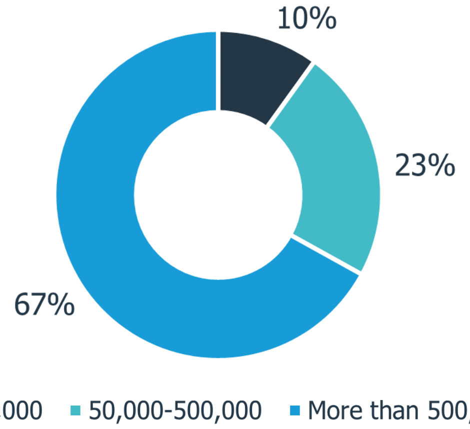
Even where trusts do not think they will be eligible for a major project, the intention of the survey is to provide useful information to the Trust such as:

- Highlight condition issues which need attention or further investigation.
- Provide a view of roof condition which is not normally seen.
- Provide good photographic evidence of condition issues.
- Support bids for condition funding – for example CIF.
- Highlight a lack of required building compliance and management documentation at a school.

Whilst we applaud the rebuilding programme, it will be interesting to see what the CDC highlights that the sector needs to spend compared to the allocated budget. In all likelihood, one number will be a lot higher than the other. Furthermore, the programme will only assist 500 schools over 10 years - and there are over 22,000 schools in England.

In a survey we conducted prior to writing this report, we asked Trusts "what will it cost for you to repair your estate?".

Estate repair costs (£)

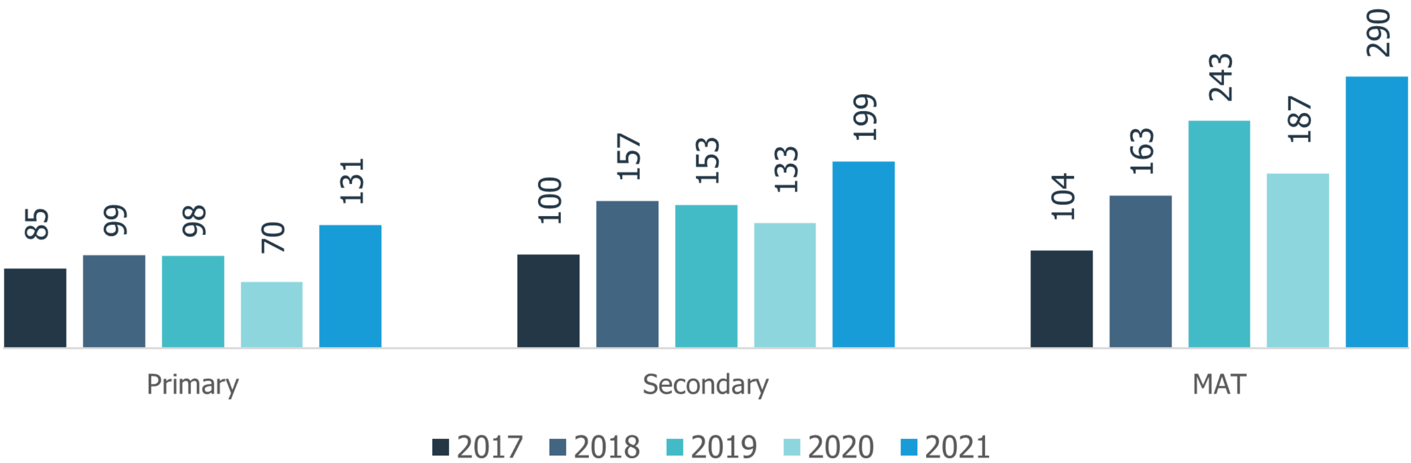


As you can see, more than 67% ticked the more than £500,000 box. Only the larger Trusts will have enough SCA to be able to have any impact on that.

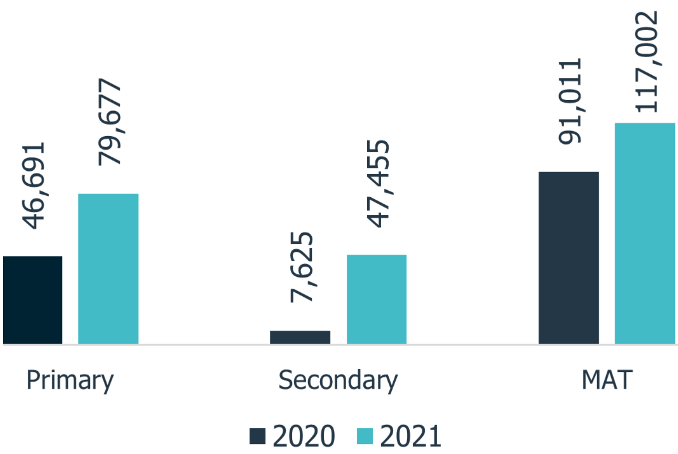
Last year we wrote about the reduction in capital expenditure brought about by the late notification of successful CIF projects, and the need to include additional Covid-19 safeguards for those projects when they did start.

As can be seen below, the median capital expenditure per pupil has increased and is now at its highest level in six years. This reflects the spending of the additional CIF allocation announced in June 2020, which obviously could not be spent in the previous financial year. It also reflects the additional computers provided to the sector by the government, local authorities and businesses.

Median capital expenditure per pupil (£)



Average other fixed asset additions (£)



Given the changes in the way education has been delivered over the last two years, it is not surprising to see the increase in fixed asset expenditure on items other than land and buildings. An EdTech survey from May 2021 states that 97% of secondary headteachers had upgraded their technology in the last 12 months. It is obvious that technology will continue to play an increasing role in the delivery of education, and this has been recognised by Trusts. In preparation for this report, we asked our clients: if they had to make savings to balance their budgets where would this be. The ICT budget was the one least likely to be cut.

Academy Trusts still continue to have significant levels of unspent capital allocation, though, due in part to the continuing delays in the notification of capital funding.

This situation is only likely to get worse as Academy Trusts are having difficulty managing the projects in the pipeline, given the shortage of specialist staff and the lack of firms willing to bid for the work, given the shortage of building materials and rapidly changing prices of those items that are available.

Pension

The big number on the balance sheet that Trusts can do little about is the pension deficit. Trusts face risks from both their pension schemes as contributions to both the LGPS and TPS schemes are expected to increase. Whilst LGPS changes will impact on the balance sheet the TPS entries all go through the SOFA. The TPS scheme will be reviewed in 2022 with rate changes impacting from 2024. The scheme will become more expensive, but Trusts have no choice but to stay in it. However, with nearly 300 independent schools out of circa 1,200 having already left the scheme, and a substantial number of others considering their position, this will no doubt put further pressure on the scheme. In writing this report, we note that the Independent Schools' Bursars Association (ISBA) commissioned an actuarial report that has suggested potential increases of between 27% and 40%, which would equate to an employer contribution rate of up to 33%. Hopefully the government would fund this as they did the previous increase in 2019, but it should be monitored as a potential risk.

The LGPS actuarial valuation is due based on April 2022 data and will impact from 2023.

> "Schools may need to factor in some catching up on maintenance that has not been undertaken in the pandemic years that now needs to be addressed."

Section 7: Internal Audit & Risk Management

Risks and Risk Management

Well, it's certainly been the "year of the risk assessment", hasn't it?! Whilst the endless formats and versions of these assessments have no doubt been the cause of additional hours to an already full week, if there is a positive to take it is that the exercise has prompted the sector to think more explicitly, not only about the specific Covid-19 impact risks but also how we are able to address them (if indeed we are able). Consequently importantly, how do we know, or where is the assurance, that everything is being "done on the ground" as we envisage in the paper risk assessment.

This is very much in line with the ESFA continued direction of travel, encapsulated in the current Academy Trust Handbook – a more explicit requirement for all Trusts, and Trustees, to have greater oversight over both risks facing the Trust AND how effectively the Trust is currently addressing them. This includes all risks facing the Trust – not just the ones of a financial nature.

Last year, we reported that two-thirds of Trusts said that Covid-19 had (positively!) changed their focus on risk management, with more value attributed to the risk register itself and of the value "returned" by investing a bit of time "positively engaging" with the risk management process itself. Many Trusts have indicated that this has continued in 20/21, with the events of the last two years showing that a clear, up-to-date summary of risk, accompanied by the Trust's related current response to the risk, has provided a good focal point for discussions and decisions.

Risks can take several forms, and the pandemic has presented a number of previously unconsidered risks for Trusts and schools to address. Aside from the more apparent infection control risks, some other pandemic-prompted areas that Trusts have had to deal with include:

- Ensuring that the Trust retains both sufficient capacity and capability of staff to continue to deliver what it needs to. In recent weeks, the government told employers generally to plan for 25% staff absence in the short term because of Covid-19. Arguably for the schools sector, this absence rate could very well be higher than that in practice, with staff and pupils all back in school, unless isolating. Indications are that staff turnover is also set to increase, with many Trusts noting that staff have stayed put over the last year or two for reasons of job security during the pandemic, but are now beginning to look to move on. Contingency planning for this scenario therefore would seem to be imperative in the short term.
- Many Trusts also reported an expectation that the there was going to need to be an increase in the budget for mental health and wellbeing provision for both pupils and staff over the coming year. Trusts also reported increases in the level / need for SEN funding.
- Impact on services – for example, catering services being cancelled at short notice. Many Trusts contractually can be given just one term's notice from their catering contractor that they are terminating the contract, which gives precious little time to put alternative arrangements in place to ensure children continue to receive meals.
- The more unusual type of risk, perhaps not ever an issue previously – the increased risk of legionella in standing water in pipes that are not being used when schools were closed. We are aware of instances of schools returning from the extended periods of closure this year to find they had developed this problem, which reinforces the need to ensure your core assurance monitoring processes remain operative and effective.

Other risks emerging or expanding on risk registers include:

Climate / sustainability – ensuring the Trust operations embrace the principles of climate change / net zero and sustainability, particularly with regard to new builds. Planning for more frequent disruption in services that climate change could bring in the future, and ensuring that the Trust is able to provide relevant education to the workforce of a more sustainable future.

Fraud / cyber security in general – there has been an overall increase in volume and variety of fraud over the last couple of years, in part due to different working practices and accompanying shift in attention caused by the pandemic. These have provided more opportunity for internal fraud, but also for (already increasing) external fraud activity, including but not limited to cyber fraud, again preying on temporary / more remote authorisation processes.

Onboarding risks incumbent in new schools joining the MAT – for example, safeguarding issues prevalent that become the new Trust's responsibility. This highlights the need for full and robust wide-ranging (financial and non-financial) due diligence to identify and explore any potential risks you are taking on with the joining school.

Internal Audit

Although a number of Trusts planned to expand the scope of their internal assurance work in response the expanding requirements last year, the impact of Covid-19 meant in many cases the familiar financial controls programme was the main focus again. However, it is encouraging that many Trusts were able to expand or redirect their internal audit coverage in 20/21 to look at other areas, for example – aspects of Human Resources, Estates, Cyber / IT and indeed overarching Risk Management and governance processes.

Perhaps at least partly as a result of the increased focus on risks and the risk register described above, more Trusts this year engaged in a discussion about the part internal audit could play in helping answer these wider non-financial risk questions, with the result that audit plan coverage increased both in terms of number of days and the nature of areas reviewed (as above).

In terms of the number of days of audit commissioned by Trusts over the year, Trusts indicated that a typical audit plan contained anything from 1 to 70 days, of course with single Academies at one end and large MATs at the other end of that scale.

On average, Trusts indicated that more days of internal audit were commissioned for the current (21/22) year than last (20/21) year, and also that their expectation was that this would again slightly increase next year (22/23), presumably in response to the drive to obtain clearer and more robust assurance across all risks, not just in financial areas.

Given the Handbook's continued focus on the need to obtain assurance on all risks and not "just financial" areas, all Trusts should ensure that the scrutiny scope is broad enough to provide at least some of this needed wider assurance. Trusts need to be clear where these assurances are to be obtained from – a combination of internal audit and perhaps other external reviewers – Health and Safety visits, IT/Cyber testing, mock or actual Ofsted, governance reviews etc. That said, it is difficult in practice to see how most Trusts, excluding perhaps the smallest, can obtain sufficient assurance from internal audit coverage limited to less than 5 days. For larger decentralised MATs, the minimum should probably be more like 10 days.

Internal Audit thematic points arising from reviews

The results of internal assurance reviews over the last year indicate that, in general, Trusts continue to strengthen and improve their core control framework. In particular, core financial controls were operated more consistently and sufficiently across our client base, resulting in fewer recommendations in these areas than in previous years. However, there are several areas that continue to feature in our internal assurance reports, comprising a mix of the more strategic but also the "usual suspects" of more day-to-day operational points recurring.

Trusts indicated that a typical audit plan contained anything from 1 - 70 days.

Points raised in internal audit reports this year included:

- The "usefulness" of the risk register - ensuring the risk register format is useful, the content is kept up to date during the year so that it remains useful rather than simply being updated at year end, and that the register is then actually used during the year by both senior management and board / committee.
- Reporting – in particular, the enhanced requirements in the Handbook not being fully complied with in terms of content / format of management accounts, adequate explanation / narrative to accompany accounts presented, or being shared with the board regularly enough.
- Board and management skills / gap reviews not regularly undertaken, with a linked point regarding succession planning not always in place or kept up to date.
- Retrospective (or non) completion and approval of purchase orders (or more directly, actually obtaining approval for purchases before physically placing an order, and then have evidence – a purchase order or otherwise – to support that this happened).
- Retaining evidence of 3 quotes / tenders in line with policy, or alternatively documenting justification and receiving appropriate approval for departure based on known/trusted previous supplier, etc.
- Retaining evidence of new supplier and change in supplier bank account verification undertaken, as much from a staff protection point of view as anti-fraud.
- Register of interests not held for all senior staff or those with budget responsibility.
- Retaining evidence to support level of pay was correct – i.e. bridging from contract through subsequent incremental or promotion increases. Lack of contracts issued and signed in a timely manner, or held / available on file (as well as Right to Work confirmation missing from files).
- Completion of bank and other reconciliations - completion on a timely basis, evidence of separate review, reconciling items properly explained / supported.
- Fixed asset registers are not being regularly updated or "maintained" during the year in line with Handbook updated requirements last year.
- Ensuring leavers have access to Trust / school system revoked on point of leaving.
- Observations raised related to the (now) specific requirement in the Handbook for the Audit & Risk Committee to receive assurance regarding the completeness and accuracy of Trust and composite school Census Returns.
- The MUSTs self assessment was either not done at all, or done informally / not evidence-based or presented / discussed at Committee.

Most, if not all of these, have been the top recommendations in previous years too, although Covid-19 and remote working perhaps has meant that some of these fell further down the list this year. Covid-19/remote working also resulted in a general need to ensure that decisions and approvals were still properly made, evidenced and retained – something that should remain a focus generally, but especially as we are to expect remote working/meetings to become more of a permanent practice in future.

To end, we will pose the same question as we did last year - if you can answer it, then you are already meeting the majority of the key themes discussed above re being in a position to proactively direct your auditors to answer the questions that are most useful to you:

"

If you were given one more (free!) (Audit Partners everywhere shudder...) day of internal audit, what would you use it on?

As a follow up question, would a Trustee or Audit/ Finance Committee member give the same response to this question as management would? Perhaps just finding out the answer to that is a good step forward in itself.

> "From our recent survey, there is significant work to be undertaken across our schools, with the majority of repairs to estates in excess of £500,000."

Definitions

Academic year: The data used in the report is based on the 20/21 academic year with comparative data given for the 18/19 and 19/20 academic years. For ease of reference the academic years are referred to as 2021, 2020 and 2019 respectively.

Academy Trust Handbook (ATH): Publication from Education and Skills Funding Agency (ESFA) detailing the financial requirements for Academy Trusts.

Adjusted restricted reserves: Restricted reserves adjusted to exclude defined benefit pension balances.

Capital expenditure: The total amount of fixed asset additions in the period - excluding expenditure on items that are expensed in the year of purchase and charged to the SOFA.

Cash balances ratio: The cash balance at 31 August as a percentage of annualised total income.

Condition Improvement Fund (CIF): A form of grant income received from the ESFA to pay for capital projects and maintenance.

Cost ratios: Each category of cost expressed as a percentage of total costs. This is to aid comparability across different sized schools.

Current assets ratio: The total of current assets divided by current liabilities. A figure of less than 1 may be an indication that an Academy has cash flow difficulties.

Depreciation cost: The charge made for the period to reflect the usage of the fixed assets held by the Academy. Typically land is not depreciated, buildings are depreciated over 50 years and other classes of assets are depreciated over periods between 3 and 10 years.

Education costs: The total of exam fees, books, education equipment and supplies, and school trips.

Fixed assets depreciation rate: Total depreciation charge as a percentage of fixed asset cost or valuation.

Free reserves: The funds that an Academy has available to spend or invest at its own discretion, being made up of unrestricted funds plus the GAG carry forward.

GAG carry forward ratio: The percentage of GAG income received that is unspent at the end of the academic and financial year.

GAG income ratio: The GAG income as a percentage of total income, excluding any surplus donated on conversion or transfer. This ratio highlights the level of reliance on GAG funding. The higher the ratio, the greater the level of dependency on GAG income.

Integrated Curriculum Financial Planning (ICFP): A method of financial resource planning.

LGPS surplus/deficit per non-teaching staff: The LGPS pension scheme surplus or deficit divided by the number of non-teaching staff.

Management, administration and governance costs: The total of all other costs, excluding those identified above, plus technology costs, heat and light costs, catering costs, and depreciation, and including governance costs.

Net book value: The value that fixed assets are carried at in the financial statements, i.e. cost less depreciation.

Net current assets/income ratio: The net current assets at 31 August as a percentage of annualised total income.

Other salary costs: The total gross salary cost of all non-teaching staff, excluding employers' national insurance costs.

Pension cost ratio: Total cost per the Statement of Financial Activities for all pension schemes, primarily the TPS and the LGPS, as a percentage of the total salary costs.

Pension costs: The individual costs of the Teachers' Pension Scheme (TPS) and Local Government Pension Scheme (LGPS).

Premises costs: The total of rates, water, rent and other similar costs, but excluding repairs and maintenance. For PFI schools this includes the charge from the provider.

Property value: The property value as stated in the **financial statements, before any depreciation.**

Pupil to non-teaching staff ratio: The total number of pupils divided by the total number of non-teaching staff.

Pupil to teacher ratio: The total number of pupils divided by the total number of teachers.

School Resource Management Adviser: Experts supporting Academies to maximise their use of resources.

School Condition Allocation (SCA): Funding allocated by the ESFA to MATs with at least 5 Academies and 3,000 pupils to cover capital expenditure and maintenance work.

Staff costs: The total of both teaching and non-teaching staff costs, including gross salary, national insurance and pension contributions.

Surplus/deficit ratio: The surplus or deficit of the Trust, excluding any surpluses or deficits donated upon conversion or transfer and excluding any actuarial gains and losses, as a percentage of the total income of the Trust.

Teacher salary costs: The total gross salary of teaching staff (so excluding employers' national insurance and TPS contributions).

Teaching staff to non-teaching staff ratio: The total number of teachers divided by total number of non-teaching staff.

Top slicing: The charge made by a MAT to its individual schools to cover the group overhead costs and central services.

Total GAG income: The annualised GAG income for the Academy, which includes the School Budget Share (SBS), the Minimum Funding Guarantee (MFG), the Education Services Grant (ESG), rates relief payment and insurance reimbursement.

Total income: The annualised total income of the Academy excluding any surplus donated on conversion to an Academy.

Benchmark Analysis Data: Primary Academies

	Highest	Lowest*	Average	Median
Income Measures				
Total income per pupil (annualised)	£8,026	£4,544	£5,400	£5,290
Total GAG income per pupil (annualised)	£5,330	£3,115	£3,836	£3,809
GAG income ratio (period)	83%	43%	71%	71%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£6,660	£3,220	£4,305	£4,257
Education costs per pupil (annualised)	£439	£8	£177	£158
Technology costs per pupil (annualised)	£245	£11	£79	£64
Premises costs per pupil (annualised)	£346	£11	£81	£47
Heat and light costs per pupil (annualised)	£115	£25	£58	£55
Insurance costs per pupil (annualised)	£109	£15	£40	£38
Repairs and Maintenance costs per pupil (annualised)	£302	£24	£91	£79
Catering costs per pupil (annualised)	£560	£80	£205	£184
Management, Administration & Governance costs per pupil (annualised)	£1,078	£145	£453	£324
Depreciation cost per pupil (annualised)	£716	£29	£249	£238
Total costs per pupil (annualised)	£8,250	£4,594	£5,830	£5,534
Staff cost ratio (as % of total costs) (period)	83.7%	61.5%	73.7%	75.8%
Education costs ratio (as % of total costs) (period)	8.5%	0.2%	3.1%	2.9%
Technology costs ratio (as % of total costs) (period)	4.2%	0.2%	1.4%	1.1%
Premises costs ratio (as % of total costs) (period)	7.5%	0.2%	1.4%	0.8%
Heat and light costs ratio (as % of total costs)	2.1%	0.1%	1.0%	1.0%
Insurance costs ratio (as % of total costs)	2.0%	0.1%	0.7%	0.6%
Repairs and Maintenance costs ratio (as % of total costs) (period)	4.2%	0.5%	1.5%	1.4%
Catering costs ratio (as % of total costs) (period)	8.9%	1.5%	3.5%	3.4%
Management, Administration & Governance costs ratio (as % of total costs) (period)	13.3%	1.3%	7.9%	5.6%
Depreciation cost ratio (as % of total costs) (period)	8.7%	0.6%	4.1%	4.4%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£2,640	£1,277	£1,773	£1,826
Non-Teaching staff salary per pupil (annualised)	£2,916	£748	£1,307	£1,301
Average Teaching staff salary (annualised)	£76,150	£21,585	£38,241	£38,536
Average Non-Teaching staff salary (annualised)	£71,667	£9,087	£23,465	£21,230
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	37.4%	10.0%	30.4%	30.9%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£142,000	£16,938	£57,799	£58,826
LGPS deficit per pupil	£13,717	£1,257	£3,226	£3,201
Pupil/Teacher Measures				
Pupil to teacher ratio (period)	34.4	12.3	24.4	24.6
Teaching to non-teaching staff ratio (period)	3.4	0.35	1.0	0.7
Pupil numbers for the period (per January Census)	701	90	320	322
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	5.1%	(5.8%)	0.2%	0.6%
GAG carry forward ratio (period)	37.5%	0.1%	7.8%	6.0%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	62.7%	0.1%	20.6%	18.0%
Net Current Assets / Income ratio (annualised)	0.62	0.06	0.26	0.26
Fixed Assets Measures				
Property value per pupil (period)	£33,495	£66	£7,844	£7,368
Other Fixed Assets value per pupil (period)	£1,973	£24	£313	£156
Total Capital additions in period (period)	£1,474,722	£3,579	£112,977	£44,282
Capital expenditure per pupil (period)	£1,133	£8	£228	£131
Fixed Assets depreciation rate - Property (annualised)	7.1%	0.8%	1.8%	1.7%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	17.6%	3.0%	9.9%	9.6%

*This is the lowest amount for Academies which have recorded income or expenditure for this benchmark.

Benchmark Analysis Data:
Secondary Academies

	Highest	Lowest*	Average	Median
Income Measures				
Total income per pupil (annualised)	£12,361	£5,475	£6,593	£6,325
Total GAG income per pupil (annualised)	£7,164	£4,100	£5,087	£5,034
GAG income ratio (period)	89%	33%	79%	82%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£8,048	£4,135	£5,033	£4,908
Education costs per pupil (annualised)	£572	£82	£241	£230
Technology costs per pupil (annualised)	£356	£2	£78	£68
Premises costs per pupil (annualised)	£1,910	£9	£141	£56
Heat and light costs per pupil (annualised)	£188	£31	£82	£78
Insurance costs per pupil (annualised)	£87	£1	£25	£24
Repairs and Maintenance costs per pupil (annualised)	£571	£6	£129	£109
Catering costs per pupil (annualised)	£857	£2	£110	£89
Management, Administration & Governance costs per pupil (annualised)	£2,289	£84	£408	£311
Depreciation cost per pupil (annualised)	£771	£29	£349	£345
Total costs per pupil (annualised)	£12,999	£5,270	£6,630	£6,409
Staff cost ratio (as % of total costs) (period)	95.1%	56.7%	76.3%	77.5%
Education costs ratio (as % of total costs) (period)	7.4%	1.3%	3.6%	3.5%
Technology costs ratio (as % of total costs) (period)	4.6%	0.1%	1.2%	1.0%
Premises costs ratio (as % of total costs) (period)	14.7%	0.1%	1.9%	0.8%
Heat and light costs ratio (as % of total costs)	2.3%	0.4%	1.2%	1.3%
Insurance costs ratio (as % of total costs)	1.5%	0.1%	0.4%	0.4%
Repairs and Maintenance costs ratio (as % of total costs) (period)	7.7%	0.1%	1.9%	1.7%
Catering costs ratio (as % of total costs) (period)	7.3%	0.1%	1.5%	1.4%
Management, Administration & Governance costs ratio (as % of total costs) (period)	27.8%	1.4%	5.9%	5.0%
Depreciation cost ratio (as % of total costs) (period)	10.1%	0.5%	5.2%	5.2%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£3,804	£1,820	£2,446	£2,512
Non-Teaching staff salary per pupil (annualised)	£3,077	£507	£1,103	£1,154
Average Teaching staff salary (annualised)	£59,956	£23,141	£39,909	£41,705
Average Non-Teaching staff salary (annualised)	£91,865	£16,684	£27,424	£24,396
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	107.0%	6.1%	29.2%	28.9%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£417,500	£23,108	£86,273	£83,386
LGPS deficit per pupil	£6,230	£924	£3,435	£3,071
Pupil/Teacher Measures				
Pupil to teacher ratio (period)	22.4	9.7	17.2	17.5
Teaching to non-teaching staff ratio (period)	4.7	0.5	1.4	1.3
Pupil numbers for the period (per January Census)	2,226	133	1,087	1,072
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	10.5%	(4.0%)	2.3%	2.1%
GAG carry forward ratio (period)	46.9%	(4.7%)	7.3%	4.3%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	36.0%	2.1%	17.0%	15.6%
Net Current Assets / Income ratio (annualised)	2.16	(0.02)	0.27	0.25
Fixed Assets Measures				
Property value per pupil (period)	£30,228	£599	£11,834	£11,865
Other Fixed Assets value per pupil (period)	£1,704	£41	£343	£206
Total Capital additions in period (period)	£4,805,346	£13,088	£446,090	£208,968
Capital expenditure per pupil (period)	£3,952	£9	£384	£199
Fixed Assets depreciation rate - Property (annualised)	6.7%	0.3%	1.9%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	20.6%	0.4%	8.2%	7.6%

*This is the lowest amount for Academies which have recorded income or expenditure for this benchmark.

Benchmark Analysis Data:
Multi-Academy Trusts

	Highest	Lowest*	Average	Median
Income Measures				
Total income per pupil (annualised)	£13,347	£2,901	£6,588	£6,283
Total GAG income per pupil (annualised)	£10,288	£2,137	£4,569	£4,554
GAG income ratio (period)	91%	35%	71%	73%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£10,267	£2,174	£4,904	£4,793
Education costs per pupil (annualised)	£1,107	£32	£208	£189
Technology costs per pupil (annualised)	£466	£3	£90	£86
Premises costs per pupil (annualised)	£1,022	£12	£121	£65
Heat and light costs per pupil (annualised)	£221	£7	£73	£74
Insurance costs per pupil (annualised)	£89	£2	£29	£22
Repairs and Maintenance costs per pupil (annualised)	£647	£1	£141	£111
Catering costs per pupil (annualised)	£460	£1	£139	£133
Management, Administration & Governance costs per pupil (annualised)	£3,879	£7	£431	£316
Depreciation cost per pupil (annualised)	£4,409	£25	£349	£317
Total costs per pupil (annualised)	£13,155	£2,648	£6,552	£6,389
Staff cost ratio (as % of total costs) (period)	84.5%	45.8%	75.4%	76.1%
Education costs ratio (as % of total costs) (period)	16.4%	0.5%	3.2%	3.0%
Technology costs ratio (as % of total costs) (period)	6.2%	0.1%	1.4%	1.3%
Premises costs ratio (as % of total costs) (period)	15.3%	0.1%	1.9%	0.9%
Heat and light costs ratio (as % of total costs)	3.7%	0.1%	1.1%	1.2%
Insurance costs ratio (as % of total costs)	1.5%	0.1%	0.5%	0.3%
Repairs and Maintenance costs ratio (as % of total costs) (period)	10.6%	0.1%	2.2%	1.7%
Catering costs ratio (as % of total costs) (period)	5.5%	0.1%	2.2%	2.0%
Management, Administration & Governance costs ratio (as % of total costs) (period)	38.9%	0.1%	6.7%	5.2%
Depreciation cost ratio (as % of total costs) (period)	45.5%	0.6%	5.1%	4.8%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£5,944	£1,063	£2,160	£2,108
Non-Teaching staff salary per pupil (annualised)	£3,334	£396	£1,317	£1,241
Average Teaching staff salary (annualised)	£66,163	£14,447	£39,572	£40,693
Average Non-Teaching staff salary (annualised)	£126,254	£8,901	£23,460	£22,093
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	43.4%	7.2%	31.1%	30.4%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£268,313	£1,301	£65,123	£66,162
LGPS deficit per pupil	£22,519	£97	£3,686	£3,621
Pupil/Teacher Measures				
Pupil to teacher ratio (period)	36.0	4.16	20.2	19.76
Teaching to non-teaching staff ratio (period)	6.0	0.25	0.95	0.85
Pupil numbers for the period (per January Census)	13,919	104	2,998	2,339
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	23.2%	(11.3%)	2.6%	2.2%
GAG carry forward ratio (period)	43.1%	(10.0%)	6.6%	4.5%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	49.3%	0.1%	17.8%	16.6%
Net Current Assets / Income ratio (annualised)	0.73	(0.06)	0.24	0.23
Fixed Assets Measures				
Property value per pupil (period)	£73,831	£14	£11,459	£11,044
Other Fixed Assets value per pupil (period)	£3,002	£5	£290	£206
Total Capital additions in period (period)	£37,054,589	£11,050	£1,881,077	£775,334
Capital expenditure per pupil (period)	£14,413	£26	£667	£290
Fixed Assets depreciation rate - Property (annualised)	12.9%	0.3%	8.9%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	31.9%	0.2%	12.6%	12.1%

*This is the lowest amount for Academies which have recorded income or expenditure for this benchmark.

Benchmark Analysis Data: Regional

	Highest	Lowest*	Average	Median
Total income per pupil				
South West	£64,404	£4,615	£6,932	£6,182
Yorkshire and the Humber	£12,597	£4,773	£6,909	£6,672
East Midlands	£38,852	£4,615	£8,480	£6,426
London and the South East	£70,085	£3,877	£7,463	£6,413
West Midlands	£47,573	£5,151	£8,701	£6,212
North East	£18,498	£4,544	£6,608	£6,097
North West	£23,342	£4,953	£7,798	£5,869
Total staff costs per pupil				
South West	£21,875	£3,645	£5,381	£4,870
Yorkshire and the Humber	£10,267	£3,995	£5,175	£4,996
East Midlands	£26,144	£4,046	£6,226	£4,808
London and the South East	£58,844	£3,225	£5,613	£5,044
West Midlands	£37,476	£4,087	£6,764	£4,763
North East	£15,727	£3,220	£5,226	£4,741
North West	£19,377	£3,512	£5,848	£4,160
LGPS deficit per pupil				
South West	£33,457	£1,272	£4,640	£3,921
Yorkshire and the Humber	£7,984	£2,145	£3,855	£3,727
East Midlands	£48,182	£97	£6,493	£3,893
London and the South East	£48,250	£1,128	£3,564	£2,823
West Midlands	£46,216	£924	£6,027	£3,152
North East	£12,585	£1,512	£3,631	£3,568
North West	£5,686	£1,887	£415	£1,887

*This is the lowest amount for Academies which have recorded income or expenditure for this benchmark.

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The Kreston Academies Group is a network of independent accounting and business advisory firms in the UK that share a common interest and specialisation in the charity and education sector. The group advises over 2,000 charities across a wide variety of sectors, including 1,400 schools and numerous other related organisations.

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The UK firms that have participated in the report are:

BHP

Philip Allsop
0114 2667171
philip.allsop@bhp.co.uk
Derbyshire and Yorkshire

Bishop Fleming

Pam Tuckett
03333 21 9000
ptuckett@bishopfleming.co.uk
South West and West Midlands

Clive Owen LLP – Chartered Accountants & Business Advisers

Chris Beaumont
01325 349700
chris.beaumont@cliveowen.com
North East and Yorkshire

Duncan & Toplis

Rachel Barrett
0808 169 1196
rachel.barrett@duntop.co.uk
East Midlands

James Cowper Kreston – Accountants & Business Advisers

Darren O'Connor
0118 9590261
doconnor@jamescowper.co.uk
Oxfordshire, Thames Valley and the South

Kreston Reeves

Peter Manser
0330 124 1399
peter.manser@krestonreeves.com
London and South East

mitchell charlesworth – Chartered Accountants • Business Advisors

Philip Griffiths
0151 255 2300
philip.griffiths@mitchellcharlesworth.co.uk
North West

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www.kreston.com