



Academies Benchmark Report 2020



Contents

Introduction	1
Key Highlights	2
Authors and Contributors	3
1. Financial Position	5
2. Governance	10
3. Multi-Academy Trusts	15
4. Income	21
5. Staff Costs	25
6. Non-Staff Costs	30
7. Reserves & Cash Balances	34
8. Fixed Assets	37
9. Pensions	41
10. Internal Scrutiny & Assurance	45
Appendices	
Definitions	49
Benchmark Analysis Data - Primary Academies	51
Benchmark Analysis Data - Secondary Academies	52
Benchmark Analysis Data - Multi-Academy Trusts	53
Benchmark Analysis Data - Regional	54
About the Kreston Academies Group	55



Introduction

Welcome to our 2020 Academies Benchmark Report. This year the report includes over 360 Trusts representing nearly 1500 schools, an increase of 50% on the 2019 Report.

The financial position of the sector is still very volatile. Whilst the sector overall has seen a surplus, on average, in all types of Trusts, this should be treated with caution. The impact of the one-off additional income streams received during the year disguises the underlying performance of the sector. Also, as the sector evolves, and the MATs grow bigger, it is clear from the data that the range of financial performance is widening.

MATs have the most improved performance with an average surplus of £196K (after adjusting for depreciation, pension and capital income) compared to a deficit of £145K reported last year, a swing of £341K. MATs are also showing an average surplus of nearly 3 times more per school than a SAT.

The key features of the better performing Trusts are good financial governance and a more centralised approach. Alongside this evolution in MAT governance, we are seeing a slow uptake of GAG pooling from 1 MAT in 2017 to 10 MATs in 2019, with many more indicating they are considering this.

Our report shows that 44% of MATs include one or more schools that are failing financially. These tend to be larger MATs with 8 schools or more. This trend is putting a strain on the financial performance of MATs and requires a significant amount of additional time at both Trustee and Senior Leadership level to manage the budgets for individual schools.

Those MATs with one or more schools in a cumulative deficit position are showing on average an in-year surplus of £168K for the MAT, compared to an average in year surplus of £218K for MATs with no schools individually in a cumulative deficit.

Whilst the latest announcements from the Government around funding per pupil are welcome, funding in the sector is still extremely tight and this is compounded by the uncertainties around non-GAG income streams and salary costs. It is key that the National Funding Formula is implemented as soon as possible, together with more certainty over teachers pay and pension contributions which will allow Trusts to forward plan in an orderly way and make well-informed decisions about operational matters. This is essential to ensure Trusts can deliver the quality of education that the sector demands.

The evolution of the sector is putting a great strain on the governance resources required. The time required to do a thorough job as a Trustee is hugely demanding. Also, as MATs become more complex, governance is demanding even higher levels of skills at all levels from the Trust Board right through to the Senior Leadership Team. MAT Boards are also having to review the way they govern to ensure that effective challenge can be delivered.

Overall it has been a positive financial year for the sector. However there are many challenges ahead and so we will have to wait and see whether this momentum can be maintained.



Pam Tuckett

Chair of the Kreston Academies Group
Partner and Head of Academies, Bishop Fleming
January 2020



Kreston Academies Benchmark Report

Key highlights

For the first time since 2015, all Trusts on average are showing a surplus position, but is this simply a high water mark? Our data shows incorporating a financially failing school can have significant consequences on the Trust, and in the absence of ongoing extra funding, the future health of MATs remains debatable.

Financial planning



The financial stability of Trusts is dependent on them having the tools to long term plan more effectively.



Inability to accurately forecast due to late notification of additional income.



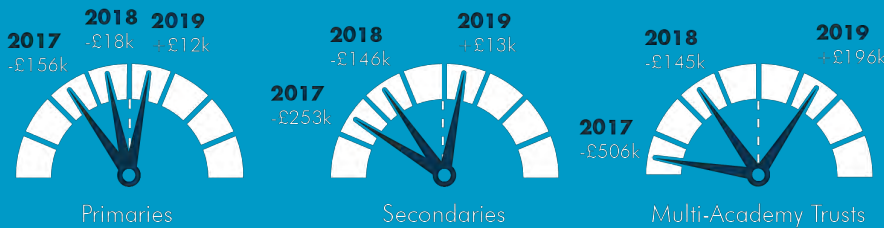
Trusts may have been forced to make cost cutting decisions that were not necessary.

Financial performance

After many years in deficit, all Trusts are now in an average surplus position – but this is mainly due to additional income streams which are either non-recurring or not guaranteed. The ‘little extras’ and the Teacher’s Pay Grant have enabled Trusts to show a surplus in 2019, but without these there is a risk that Trusts could return to a deficit position in the future.



As larger organisations, MATs are expected to make a larger surplus as they have more income. However, when comparing the average number of schools within a MAT the surplus they have achieved is still nearly 3 times more per school than a SAT.



70%
44%

The number of MATs planning to grow in 2020, of which:

planning to add more than one school.

MATs: A no-brainer?...



Total income per pupil is greater in a Multi-Academy Trust than a secondary or primary.



Continued transition to full centralisation, which suggests economies of scale are increasingly being realised.

...or potential risks...?



44% of MATs have at least one or more financially failing schools that are negatively impacting the rest of the Trust.

...which equates to...

23%

average less surplus across the wider MAT caused by an under performing school.

...at...

60%

average less surplus (per school) in a MAT with an under performing school compared to one without.

4

the average size of a MAT with no problem schools.

8

the average size of a MAT with at least one problem school.

Cash balances



Cash and reserves have increased for all Trust types.

GAG Pooling



The number of Trusts that have adopted GAG Pooling as a way to achieve financial stability has increased from 1 in 2016/17, to 3 in 2017/18 and 10 in 2018/19.

Staffing

At 73.3%, MATs spend more on staff costs than Primaries (72.9%) or Secondaries (69.8%)



Redundancy payments are reducing, moving on from a high of £1 million in 2016/17, to £875k in 2018/19.

Authors and Contributors

Executive Author

David Butler

David is a Partner and the Head of Charities and Not for Profit sector at Bishop Fleming, who advise over 200 Academy Trusts, and audit the largest number of Trusts in the country. He has been involved with education benchmarking for 15 years and has co-authored this report for 7 years. 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, and 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 12 years. The firm acts for over 100 educational establishments including converter and sponsored Academies, free schools, independent schools and University Technical Colleges (UTC). Chris is a Trustee and Chair of the Finance Committee at a local Multi-Academy Trust and has delivered seminars at National Association of School Business Managers (NASBM) and Independent Schools Bursars Association (ISBA) events.

Tim Godson

Tim is a Director of Duncan & Toplis Limited and head's the firm's Academy team, which acts for over 30 Academies, and has many years' experience in the education and charity sector. Tim is a Trustee and Chair of the Audit Committee of a further education college.

Contributors

Philip Allsop

Philip heads BHP's Academies team which acts for over 30 Academy Trusts, including 20 which were MATs on 31 August 2019. 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.

Judith Coplowe

Judith is a Partner and Head of Charities and Not for Profit at PEM. She has considerable experience of providing audit and advisory services to the sector, working with stand alone Academies, MATs and independent schools. Judith holds the ICAEW Diploma in Charity Accounting (DChA) and is a Trustee of a further education college, sitting on its Audit Committee.

Philip Griffiths

Philip is a Partner with Mitchell Charlesworth and has over 25 years' experience. He specialises in the Charity, Schools and Not For Profit sector with a significant element of his client base in this sector. He is a member of the ICAEW Charity and Voluntary Sector Group and the ICAEW Audit & Assurance Faculty and also 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 and other charities, and he also sits on the Audit Committee at a further education college.

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).

A young child with curly hair is sitting at a table, eating a yellow apple. The child is wearing a blue shirt. In front of the child is a clear plastic water bottle with a blue cap and a purple sleeve. The background shows another child sitting at a table, also eating an apple. The image is overlaid with a dark blue geometric shape in the top right corner.

“This is a very impressive financial performance from the sector.”

1. Financial Position

What a difference a year makes. Last year when we were commentating on the financial health of the sector, our view was that things weren't as bad as they had been. This was not exactly a glowing endorsement, and the sector was still making significant in-year deficits that were not sustainable for many Trusts.

Twelve months later and the picture is very different with all categories of Trusts making an in-year surplus. This is a very impressive financial performance from the sector, but hides the fact that many Trusts are struggling and the future is still surrounded by uncertainty.

Average surplus/deficit excluding capital income (£)

	2017	2018	2019
Primary	(155,765)	(17,544)	11,531
Secondary	(252,982)	(145,889)	13,011
MAT	(505,836)	(144,600)	195,867

The financial health of the sector hit its low point in 2017, and although 2018 showed improvements, the sector was still incurring an unsustainable in-year deficit. To suggest that the 2019 performance means that the problems have been solved would be very optimistic.

To put the results in context, the average surplus this year is smaller than the average deficit has been for the last 3 years, and so the free reserves of the sector are still significantly below where they were back at the start of the 2016 academic year.

However, the real headline is the performance of MATs relative to SATs. In recent years, we have looked for evidence of efficiency gains being made by MATs and have struggled to find anything conclusive. This year the evidence is there for all to see.

Clearly MATs are larger organisations and so you would expect them to make a larger surplus as they have more income, but if we adjust the surplus for the average number of schools within a MAT (2019: 5.51; 2018: 4.97) then they have still been more successful, with surpluses of nearly 3 times more per school. There will be individual factors at Trusts that have had an impact on the statistics, but even allowing for some distortion the results seem to validate the theory that MATs perform better financially. What structure works better from an educational perspective is an altogether different debate – and not one that we will be venturing into!

Before we get into the detailed analysis of these changes, it is worth explaining how we calculate the in-year performance, and then explain how we have validated this result.

The in-year result is the underlying surplus or deficit of a Trust after adjusting for items that distort the result, as can be seen below:

	£'000
In-year surplus/deficit for the year	(400)
Add back depreciation	600
Add back pension service charge less contributions	200
Deduct non-recurring capital income	(250)
Adjusted in-year surplus/deficit for the year	150

We have also looked at the movement in free reserves as disclosed in each Trust's financial statements. This movement should equal the adjusted result and is, we believe, the best way to identify the underlying financial performance of a Trust.

The financial improvements across the sector have been achieved through a combination of a bit more income and careful cost control. Money has been tight for a number of years and therefore Trusts have been cutting costs as best they can through redundancies, procurement efficiencies and changes to curricula. This enabled most Trusts to produce balanced budgets for 18/19. However, in many cases the outturn has been better than forecast due to increases in additional income that was not known about when the budgets were set.

This additional income has come from two main sources:

- The first is Philip Hammond’s “little extras.” In the Autumn 2018 Budget he announced £400m of extra capital funding “to help our schools buy the little extras they need.” This announcement was much maligned at the time, but the extra £50,000 for an average secondary school and £10,000 for an average primary school has had a positive impact because this income could be used to pay for maintenance rather than using GAG. However, this was a one-off payment.
- The second is the Teachers’ Pay Grant – which covers the teacher salary increases above 1% until 2020/21.

The little extras funding was not in Trust budgets and most had budgeted for a 2% staff cost increase. Therefore, both of these changes had a positive impact on actual results. Furthermore, the Teachers’ Pay Grant received was more than the additional cost in many cases. If Trusts lost out they could apply for another grant. Consequently, many Trusts made a surplus as a result of the additional staff costs being imposed. If only all cost increases had such beneficial side effects!

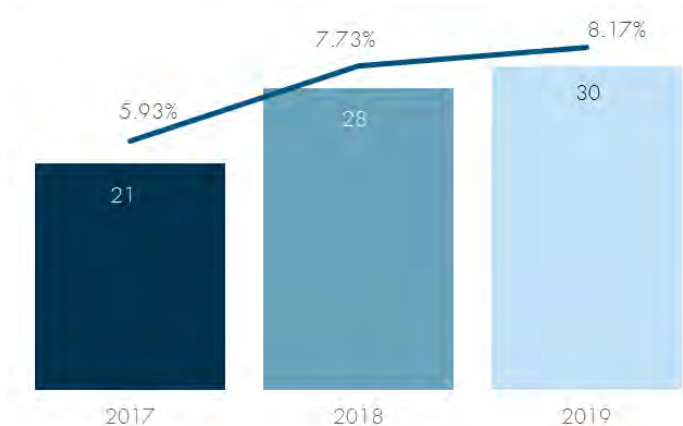
Although the financial health of the sector has improved, Trusts cannot be complacent. The additional income streams are either non-recurring or not guaranteed. The combined “little extras” funding and the Teachers’ Pay Grant are worth approximately £100,000 for a typical secondary school and £22,000 for a typical primary school. Losing these amounts risks putting many Trusts under severe financial strain.



There has been no replacement for the “little extras” in 2019/20 and therefore we would expect to see the financial performance of Trusts decline by this amount in the current academic year. Trusts’ ability to cut costs further must surely now be limited given the decisions that have been taken in the last few years (in section 6 we discuss the findings of SRMA visits). Therefore, without additional funding, this year may be the high water mark for Trust financial performance.

This improvement in financial performance has not been experienced by all Trusts and there are still a large number recording in-year deficits and negative reserves. This is shown below, where the percentage of Trusts with a cumulative deficit continues to rise:

Number and percentage of Trusts with cumulative deficits



What will also impact Trusts' financial performance is the funding for SEND. Clients have experienced significant reductions in this funding as Local Authorities have made it harder for individual pupils to meet the criteria. This is supported by a recent National Governance Association report, which stated that 78% of respondents to its survey did not receive enough funding to meet the needs of the pupils with special educational needs and disabilities.

At the same time, special schools and alternative provision providers within our survey are making a larger surplus per pupil than all other types of school. This suggests that the funding for SEND pupils may not be allocated on a fair basis.

Although the financial performance of the sector is positive, the importance of being able to accurately forecast is often overlooked. One question Trusts need to consider is, would different decisions have been made on cost saving measures had they known about the additional income earlier?

Are there redundancies that would not have been made and did some of these cost saving decisions have an adverse impact on educational outcomes?

It is also important that Trusts understand the one-off nature of the income streams and do not increase their costs simply on the expectation of further one-off income streams. This uncertainty creates a significant barrier to effective financial planning and management.

The Queen's Speech that was made shortly after the election in December 2019 did not reveal any new announcements, but did confirm the plans previously set out, which was that every secondary school will receive a minimum of £5,000 per pupil from 2020/21 and primary schools will receive a minimum of £3,750, rising to £4,000 in 2021/22. However, trying to gain an understanding of what income is included within these minimum funding levels is not straight forward. Due to this uncertainty, schools are unsure if they will be winners or losers.

Whilst pupil numbers are relatively consistent, financial planning for a Trust is difficult, as income per pupil, pay rises and pension costs are unpredictable.

The challenges around income planning arise because core funding is only notified to Trusts one year at a time. Also, the late notification of core funding and the one-off grants announced during the year, such as the MAT Development and Improvement Fund also hinder planning. Grants available in 2017/18 for one year only included the Healthy Pupil Capital Fund and the Regional Academy Growth Fund. There is also huge uncertainty over CIF income and the Emergency School Improvement Fund.

from 2020/21

secondary schools
will receive
£5,000
per pupil

primary schools
will receive
£3,750
per pupil

Since June 2018, Trusts have had to produce 3-year budgets. Given the uncertainty over both the income and expenditure for the next 12 months, trying to predict this for 3 years has meant that many budgets have proven to be woefully inaccurate, and almost always too pessimistic. This is entirely predictable in the circumstances and is compounded by the delays to the introduction of the national funding formula.

When we look at the data submitted for the Budget Forecast Returns, we see that years 2 and 3 show a progressively bigger deficit.

	% forecasting in-year deficit	Average in year surplus/(deficit) (£)
2020	44.5	23,949
2021	47.1	(26,207)
2022	52.4	(75,832)

The table above shows that with each passing year there are an increasing number of Trusts expecting to make an in-year deficit, and the average forecast result is deteriorating from a modest surplus to a £75,000 in-year deficit. This reflects the fact that the forecasts were prepared before some of the 2020 data was finalised, primarily the teacher pay rise rates, and that there is significant uncertainty over future income. As an aide to sensible financial planning, these forecasts are at best unreliable, but at worst they will lead to sub-optimal decisions being made.

The conclusion to draw from a review of the budgets would be that this year was a one off, and that the financial health of the sector is likely to deteriorate again unless additional grants are announced. Whether this is how the future pans out, only time will tell, but what experience does tell us is that the reality and budgets will be significantly different.

If the sector wants information that is more useful then it needs to help Trusts by giving them the tools to more effectively long term plan. This is a problem that could be fixed if the Government were to provide greater clarity over income and costs for a three-year period. This would mean that both Trusts and the ESFA have much higher quality financial forecasts, which would help both to make better decisions, and this would be good for all.

Due to uncertainty over **income** and **expenditure** for the next

12 months



trying to **forecast** budgets for

3 years



has **proven** to be woefully

inaccurate





“The financial health of the sector is likely to deteriorate again unless additional grants are announced.”

2. Governance

The importance of strong, effective governance in helping a Trust deliver quality education has been highlighted many times, and is stated as a key priority for Lord Agnew.

From our experience, the quality of governance has strengthened over recent years, along with an awareness of where there is still development to be done. It is also apparent that the expectation of what constitutes effective governance is becoming even greater. With the challenges faced by Trustees in terms of recruitment, skills, capacity, time and workload, we question what comes next. We also question, whether it will be possible for SATs, particularly primary schools, to have the capacity to comply with all of the additional governance requirements.

It should be remembered that “those charged with governance” are not just Trustees, but include the senior leaders of Trusts, Executives, the Chief Financial Officer (CFO) and the Accounting Officer (AO). Of course, with the exception of Trustees, all of these are paid positions. The question of whether this should change, and Trustees be paid, has been rumbling round for some time.

Whatever your own opinion, the commitment and time given by this dedicated group of volunteers cannot be overstated.

We are seeing examples of a new role developing in some Trusts that are seeking to relieve this pressure, by creating a paid position to provide governance expertise, create capacity, and support the Trust Board.



In our experience, it is not uncommon for requests of information by Trustees to go unactioned by the Senior Management Team (SMT), not because of lack of inclination, but due to their own workload issues.

In situations such as this, Trustees can repeat requests, but still struggle to get the work done without getting involved in the detailed operations of the Trust. A solution will need to be found to ensure both paid staff and Trustees have the time to discharge their duties.

Some Trusts are clearly looking to raise governance standards to the next level and are exploring the Charity Governance Code (CGC) criteria to self-assess, in conjunction with the Academies Financial Handbook (AFH) and Governance Handbook (GH). Where this knowledge is lacking in the Board itself, external advice and expertise is being sought from the private sector.

Over the page, we highlight a number of the challenges faced in terms of governance. The increasing weight of accountability for Trustees has focused the attention of many Trusts to more formally evaluate their own effectiveness, and take action to address any skills gaps. The past year has required a step up in governance practices once again, with Trustees and Local Governors adapting to the new demands in the sector, including those within the AFH and GH. Will these changes encourage more SATs to join a MAT where they do not consider that they have the capacity to comply?

Workload

has raised **questions**  
surrounding Trustees pay.

Trustee Recruitment

Many Trust Boards report that recruitment of “the right” Trustees remains a challenge. Boards are now better at identifying the skills gaps that they need to fill, but finding people that not only have those skills, but also have the time and the inclination to join is becoming increasingly challenging. The NGA reported that 55% of those surveyed faced difficulty recruiting volunteers to their Boards. As the understanding of the demands of the role are becoming more well known then this problem is likely to increase.

It is not uncommon for the Board skills audit to highlight that educational data remains a mystery to many Trustees, and of course the main object of Academies is the provision of education. Standards of education must not be overlooked in the constant challenge of financial pressure, and it is for the Trustees to ensure this does not happen.

Time Commitment

The NGA suggest that 10 - 20 days are required for a Chair of the Trust Board to discharge their duties. However, the NGA research revealed that in practice this is much higher at an average of 50 days. This is partially due to half of those involved in the survey also governing at an Academy level, and also that some 40.9% of respondent Chairs also report being a member of the Trust.

Size of Board

We see the DfE’s desire to streamline the size of Trust Boards as potentially unachievable, while Trusts struggle to fulfil all the statutory roles including Safeguarding, SEND, Careers, Pupil Premium etc.

Our Client survey shows the number of Trustees on Boards has remained constant over the last two years.

Number of Trustees on Boards

	2016	2017	2018	2019
Primary	13	11	11	11
Secondary	14	14	13	13
MAT	11	10	9	9
All	13	12	11	10

Board Diversity


While every Board is unique, the 2019 NGA School Governance Survey reveals that the age range of Trustees in today’s Academies ranges from 19 - 90, with 80% of Trustees being 40 or older and only 5% being from ethnic minority backgrounds. There is clearly a long way to go to achieve any real level of diversity on Trust Boards.



80%
of Trustees are
aged 40 or older.



5%
are from ethnic minority
backgrounds.



“A major concern of mine is that as the expectations and requirements for Trustees continues to increase, many will choose to step down. There is only so much unpaid volunteers can be expected to do and be responsible for. The direction of travel will result in a situation where Trustees will ultimately come from a much smaller pool of talent - those rich enough to no longer need to work, and those who are in retirement and looking for something worthy to do in their spare time”.

**Chair of Trustees at a MAT
with 16 schools**

Governance Structures

The structure of a Trust's governance arrangement depends on its stage of development, age, size and geography and should remain under constant review for effectiveness.

Getting the right committee structure is critical to ensure all work is covered, including the delegated duties that need to be covered by the local governing bodies in a MAT model. Alongside this, a robust and clear Scheme of Delegation is crucial.

The new Ofsted Education Inspection Framework (EIF) is still in its early days, effective from September 2019. With the consultation surrounding "outstanding" schools now underway (January 2020), it seems there will be no escape for any schools from September 2020. Ofsted's "Fight or Flight" evaluation project on "stuck" and "unstuck" schools states that not all MATs are having the desired level of success at school improvement. The report is an example of evidence that governance structures are therefore, key to ensuring that school improvement is being properly addressed at school level and monitored at Board level.



74%
of MATs had 3 or
fewer sub-committees,
compared to 64% of SATs.

In our client survey, 74% of MATs had 3 or fewer sub-committees, compared to 64% of SATs. We would question whether a MAT can operate effectively with only 3 committees, given the amount of work required to oversee all operations of all schools in the Trust. The combination of too few Trustees and too few committees will add to the workload of Trustees.

Details of matters such as educational data are often better addressed by the Local Governing Body and overseen at Board level in a MAT by a sub committee to allow adequate scrutiny.

External Reviews

The GH 2019 highlights the value of an external review of governance at key points, and indeed the Charity Commission guidance recommends this practice every three years. SATs and MATs are also advised by the Academy Accounts Direction (ADD) 2018/19 to evaluate governance practices annually. Our client survey revealed that in practice the number of Trusts that undertook an external review remains low at 19% for a MAT and 9% for a SAT. While it is for each Trust to decide when and how it takes place, the reason for the lack of engagement with external reviews is unclear.



19%
of MATs undertook an external
review of governance.



9%
of SATs undertook an external
review of governance.



“Trusts are becoming larger and more complex organisations.”

3. Multi-Academy Trusts

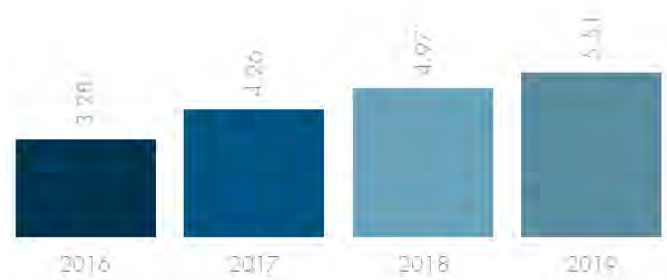
Over recent years many words have been written on what a good MAT should look like and what the ESFA considers to be the ideal structure.

However, there is currently no clear guidance on how the Government will take forward its manifesto promises to “create more great schools” and “intervene in schools where there is entrenched underperformance”. The Regional School Commissioners’ (RSCs) currently continue to oversee the academisation policy and the approach predominantly involves the expansion of existing MATs.

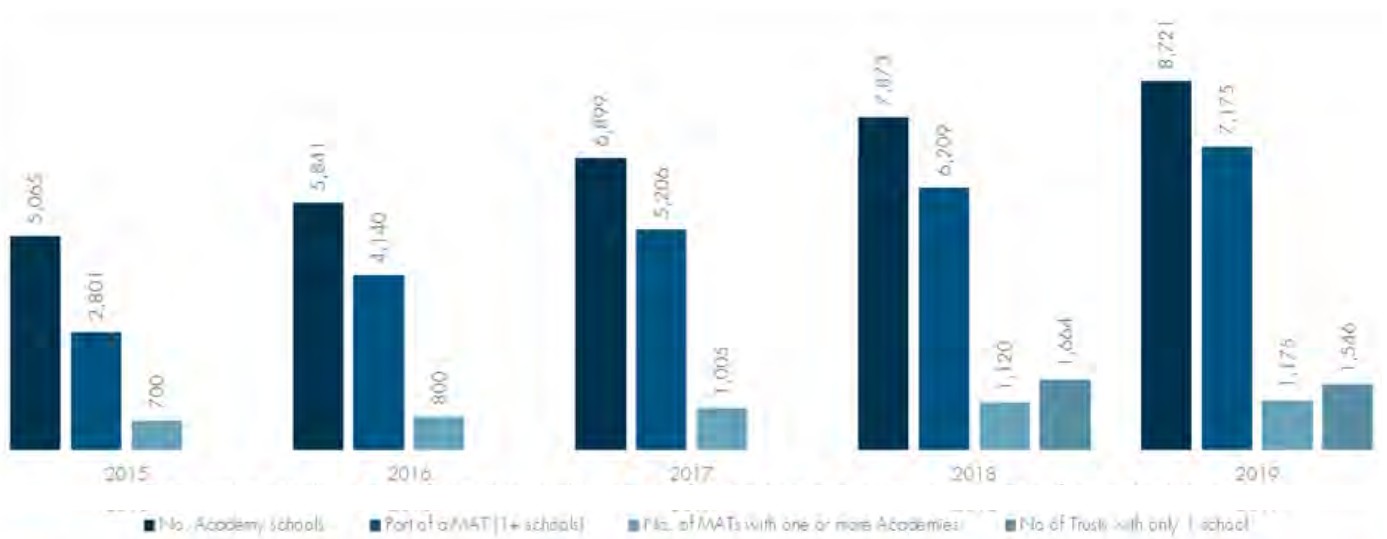
What is clear, is that the direction of travel is clearly to have more MATs and fewer SATs. There also seems to be a strong focus by the ESFA and RSC to improve the quality of existing MATs, with underperforming schools being considered for rebrokering in many cases. The number of Academy schools continues to grow, increasing by 11.6%, whilst the number of Trusts has decreased by 2.3%, demonstrating the move towards larger MATs.

The growth of MATs is demonstrated when we look at the average size of Trusts within our data set. As can be seen below, this average has increased every year, and is now 5.51 schools per MAT, and this is the trend that we expect to continue. When we surveyed our MAT clients as to whether they plan to grow during the next 12 months, 70% (2018: 49%) of respondents said that they were planning to grow and 44% (2018: 38%) of respondents expected growth of more than one school. This growth does not, however, come without its challenges.

Average number of schools per MAT



Total number of Academy schools and further analysis of MATs



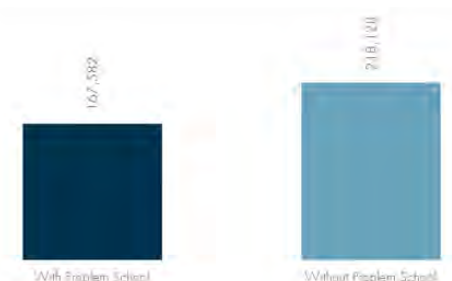
For MATs to grow they need to present a compelling proposition to the joining school and they also need to have the support of the ESFA and RSC. It is not uncommon for Trusts to enter negotiations to take on a number of schools and for there to be encouragement to take on a school that can be more challenging, either financially or educationally – but often both.

Based on our data 44%, of all MATs have at least one school that presents a financial challenge – which we have defined as a school with negative free reserves. MATs with at least 8 schools are more than twice as likely to have a problem school, when compared to those with 4 schools.

These schools often take up a significant amount of management time and can potentially destabilise otherwise successful MATs. A MAT is one legal entity, and the ESFA has made it clear they therefore expect MATs to utilise Trust-wide reserves before asking the ESFA for financial support. So effectively the deficits in schools with a financial challenge are being covered by the other schools within the MAT.

For the first time we are able to investigate the impact these “problem” schools have on the overall financial health of the MAT, and from our review this impact is significant.

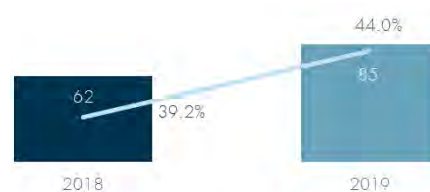
Average surplus of MATs



The graph above shows a stark difference between the financial performance of MATs with a problem school and those without one, with the surplus being 23% lower for the whole MAT.

These MATs are also likely to be larger (averaging 8.3 schools per Trust compared to 4.3 without a problem school) so when we look at the surplus per school, then the surplus is 60% lower. The difference is much greater than we had anticipated, and as can be seen in the graph below, more MATs have problem schools, so the challenge is growing.

Number of MATs with at least one problem school



The difficulties that all MATs are facing is further highlighted when we look at the number of Trusts where their central services are running a deficit. In our data this has increased from 11.9% of all MATs to 17.3%.

Without further data it is difficult to identify the key drivers behind these statistics, but the growth of problem schools is likely to be impacted by the following:

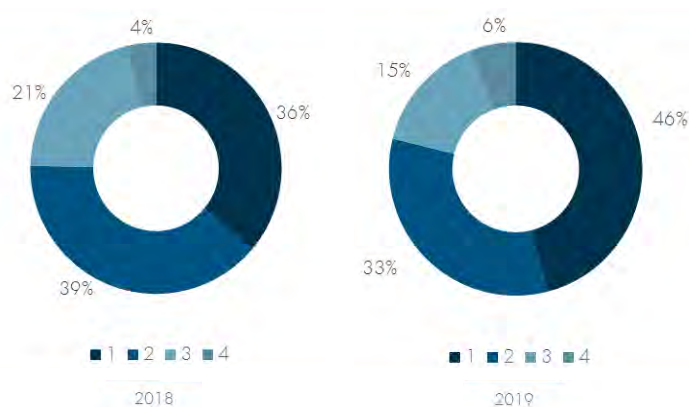
- Existing weak management – problem schools may be more likely to arise in poorly-run MATs.
- Inadequate due diligence – MATs take on problem schools without fully understanding their financial position and so do not negotiate an appropriate grant to cover the additional costs.
- MATs do not address the financial position of the school quickly enough, so it continues to decline.
- MAT strategy to pursue growth – The ESFA and RSC want MATs to grow, but seek to encourage Trusts to accept problem schools as part of their growth strategies.

This last point was covered in a recent report from The Key and Forum Strategy, which stated that 54% of MATs were looking to grow to enable them to benefit from economies of scale, yet 51% thought that growth may have a negative impact on existing schools in the MAT and its ability to support them.

One of the key challenges for any MAT is to ensure they operate in the most efficient way. There has been lots of debate about how this can be best achieved, but the consensus is that from a financial perspective a more centralised model is likely to be the best – and this is the trend that we are seeing. The graphs below highlight the move towards a more centralised model, as the proportion of MATs centralising their finance function has increased from 36% to 46%. We have categorised MATs in relation to the degree of centralisation as follows:

1. Centralised - financial control in one location
2. Moving towards fully centralised
3. Limited centralisation and no plans to change
4. Each school maintains a significant degree of control

MAT numbers by centralisation level



The trend towards centralisation seems logical to us, particularly as MATs become larger. MATs are no different to any other large organisation in that as they grow in size it becomes harder to ensure that behaviours and practices are consistently applied.

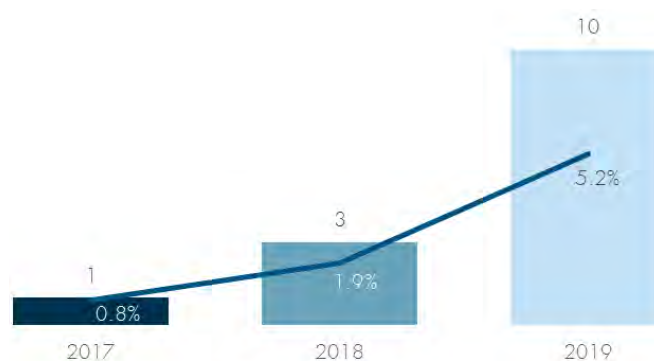
Having a higher degree of centralisation improves the chance of the whole organisation following a single approach. It also enables the MAT to share back office functions, such as HR and finance, which can improve cost efficiency.

Importantly, centralisation also allows the MAT to take a Trust-wide approach to school improvement.

GAG pooling

Whilst the trend towards centralisation is clear, GAG pooling is proving harder to establish. Historically, very few MATs have adopted this approach, however the level of interest is growing. GAG pooling is basically a mechanism whereby the funding (it does not have to be limited to GAG) for all schools in the MAT is pooled, and then the central management decide how and where those funds should be deployed across the Trust to maximise the educational performance of the MAT. Lord Agnew and the ESFA continue to advocate this approach, but many MATs face internal political challenges in convincing schools to move to this model, and it can be even harder to convince schools to join MATs if they feel they will lose control of their funds. For these reasons, the shift to GAG pooling has been a lot slower than some would have hoped.

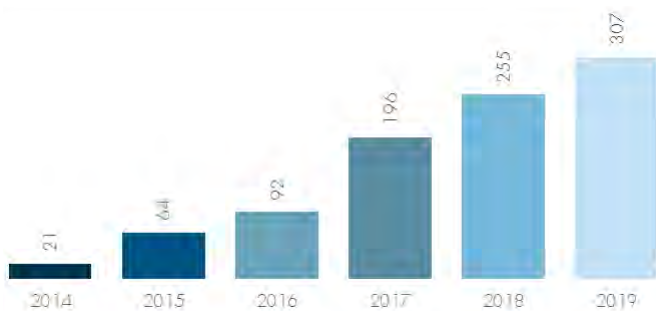
Number and percentage of MATs GAG pooling



Clients were surveyed in December 2019 and 17% of respondents now state they are GAG pooling, whilst another 39% are considering it, which is a significant increase on what our data is showing. Again, similar to last year, many MATs have fed back that their reticence is due to internal political issues, due to the perception that there will be winners and losers if they were to implement this. It will be interesting to see if the ESFA intervene at a future point to encourage more schools to adopt this model. Whilst this is a possibility, it is likely that mandatory GAG pooling could hinder the growth of MATs and this would be counter productive.

Given how young the Academy sector is, it is inevitable that as MATs look to grow there will be challenges and problems encountered along the way. This has resulted in some negative press coverage for the sector, but what is interesting to see is how the ESFA and RSC have become more active in tackling the problems that arise. This is demonstrated by the increasing number of schools that have been rebrokered, which is shown in the graph below which was published by the DfE in July 2019.

Number of rebrokered schools

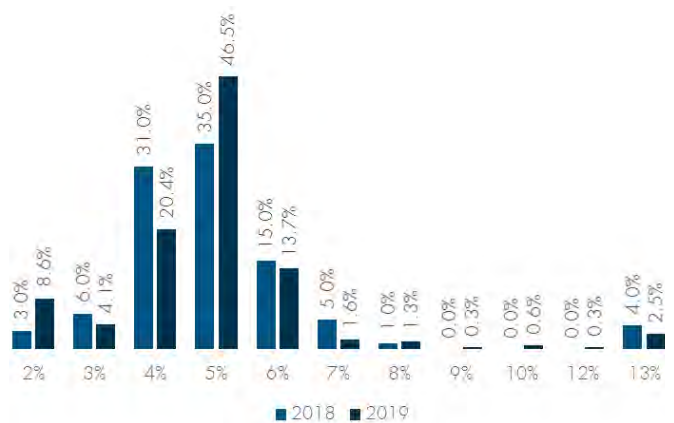


Source: www.gov.uk/government/statistics/academy-transfers-and-funding-england-financial-year-2018-to-2019

One final trend to comment on is the central services charge. The proportion of those applying a top slice based upon a percentage of income or expenditure has increased to 77%, and of those 46% are using a rate of 5%. This can be seen in the charts below.

Basis used for central services recharge	2017	2018	2019
Amount per pupil	20%	13%	12%
Flat charge	2%	2%	0%
Percentage of income	59%	70%	77%
Time apportioned	7%	3%	2%
Other	11%	13%	9%

Top slice percentage



Trusts should not be influenced by the data and must set their own top slice based on the range of services delivered to their schools by the central function, rather than following the herd.

77%

increase in Academies
levying a **top slice** based
on **income**



and of those
46% are using

5%





“School funding is challenging – if your pupil numbers decline, your yearly income declines and you have to balance your expenditure. This is why many Multi-Academy Trusts have one or more schools that are individually struggling financially.”

CEO at a MAT with 18 schools

4. Income

“Record spending on schools” Boris Johnson 13th December 2019.

Well that’s the promise of the newly re-elected Prime Minister. So, if that is the future (and we will look at the funding pledges in more detail later), how has the level of income for the sector fared in 2018/19?

Funding is always a key concern for Academies. In recent years funding has stagnated during the general squeeze on public finances, which can be seen from the data below. 2018/19 was expected to be another challenging year for many Academy Trusts based on the Budget Forecast Returns submitted in July 2018. Many Trusts prepared these on the basis there would be no additional funding available. However, during the year, despite the political turbulence, there has been some additional funding provided in the form of the “little extras” and Teachers’ Pay Grant, which has impacted on the overall income levels set out below.

It was not until October 2018, that the DfE provided the details of the additional Teachers’ Pay Grant that Academies would receive for 2018/19. Which represented additional income of £508m across the 2018/19 and 2019/20 financial years. Trusts would not have factored this additional income into their forecasts as this was announced after they had already submitted their Budget Forecast Returns.

Average total income per pupil (£)



It is important to remember the above includes all sources of income, including capital funding. What this shows is that for secondaries and MATs, there has been a noticeable increase in total income which has been driven by the Teachers’ Pay Grant and the “little extras” funding. When we look at the core recurring income, the trend is not quite so positive.

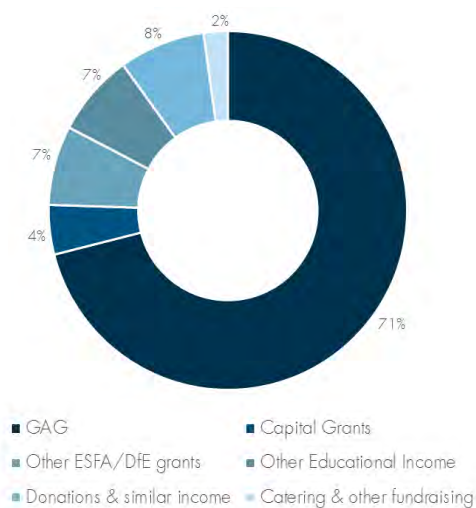
Average GAG income per pupil (£)



If we just look at GAG income above then the data shows that income has remained consistent at best, with a clear downward trend for Secondaries - and this is without allowing for inflation.

If trading income is not the answer, how should Trusts focus on gaining extra income? The obvious answer is increasing the number of pupils within the Trust.

Summary of Trust income



Many Trusts are continually looking for new opportunities to increase income. The reality is that even after 9 years of operating as an Academy for the first Trusts, they are still finding it hard to identify additional income streams to support their core charitable objectives.

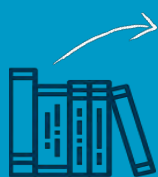
Opportunities may be as straight forward as new housing developments, but often Trusts are competing to attract pupils to their school from neighbouring schools. There are many sources of data such as OFSTED ratings and educational performance comparison tools to help parents and prospective pupils choose, but how do you demonstrate your Trust offers the best solution? The reputation of both the school and the Trust is vital.

The outlook for future funding looks more promising with numerous announcements made, in particular during the build up to the election.

- April 2019 - the Teachers' Pension Employer Contribution Grant (TPECG), worth £848m in 2019/20, which will provide funding for all state-funded schools and Academies, including maintained nursery schools.

- September 2019 - Gavin Williamson announced an extra £2.6bn of funding for 2020/21, £4.8bn for 2021/22 and £7.1bn for 2022/23, compared to 2019/20.

In addition, he announced there would be £1.5bn per year to fund pension costs for the next three years. However, to put this into context, according to the fact checking organisation, Full Fact, this will only take the funding to roughly the level it was at in 2009/10. Also, the Government has promised an additional £700m for High Needs funding in 2020/21.



£2.6bn

extra funding by
2020/21.

- October 2019 - the DfE published “National funding formula tables for school and high needs: 2020 to 2021”. However, the amounts each school receives will vary significantly.

Following the 2019 Spending Round, Boris Johnson confirmed a boost in per pupil funding so that each pupil gets a minimum of £3,750 for primaries and £5,000 for secondaries in 2020/21, rising to £4,000 for primaries in 2021/22. He states the aim is to “level up” funding.

The Government has stated that “on a regional level, the South East and South West regions have the highest proportion of primary and secondary schools which stand to benefit from this policy in 2020-21. London has by far the lowest proportion of schools impacted”.

Another challenge facing the sector is funding High Needs, which has also been discussed in section one. Local Authorities across England face significant deficits and are attempting to move funds, from the main school funding block to the High Needs block, to the detriment of Academies. This severely impacts on the funding Academies receive for the provision of High Needs. If this funding was to go directly to the Academies then it would provide more consistency of funding, and avoid the current postcode lottery.

The NGA School Governance Survey in 2019 shows that 31% of respondents highlighted support for pupils with special needs in their top five issues facing their school. Despite additional funding announcements from the Government, many Local Authorities are reporting significant deficits and the question of how any additional funding in this area will be allocated remains to be seen.

“It is evident that hard decisions are being taken to balance the books.”



5. Staff Costs

The year has been dominated by two major issues: Lord Agnew’s quest for Academies to demonstrate value for money when it comes to Head Teachers’ remuneration and; Academies coming to terms with the new pay rates that came into force on 1 September 2018. With salary costs being such a significant element of Academy expenditure, pay setting is critical to long term financial sustainability. We are seeing some restraint in Head Teachers’ pay, but there have been increases in the average pay for teaching and non-teaching staff after a drop last year.

Head Teacher/Senior leaders’ pay has been in the press many times and the challenge for Trustees undertaking their Head Teacher Performance Management (PM) remains evidencing the value for money principle, and that the PM has been effectively undertaken. We are told that the ESFA guidance “Setting executive salaries: guidance for Academy Trusts”, published in July 2019 has been well received, both in terms of providing a framework to validate pay levels, but also as a tool to use in recruitment.

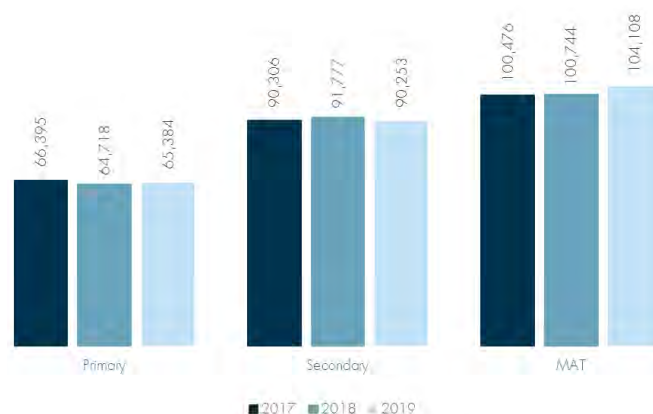
This ESFA guidance document supports Trustees in the quest to determine the appropriate levels of pay package overall and sets out the types of evidence that should be consulted. Such robust consideration allows Trustees to make informed decisions about pay and assists in answering any challenge from the ESFA on levels of Head Teacher pay.

Perhaps an intentional consequence of Lord Agnew’s drive for pay restraint for Head Teachers’ was the new rule announced by the Department for Education in connection with submissions for this year’s Condition Improvement Fund.

It has been made clear that bids will be looked at more favourably that are received from Academies “with good governance and organised finances – including showing restraint on executive salaries”. However, it is unclear how the level of Head Teacher salaries has a bearing on the condition of an Academy’s buildings and thus the eligibility for funding.

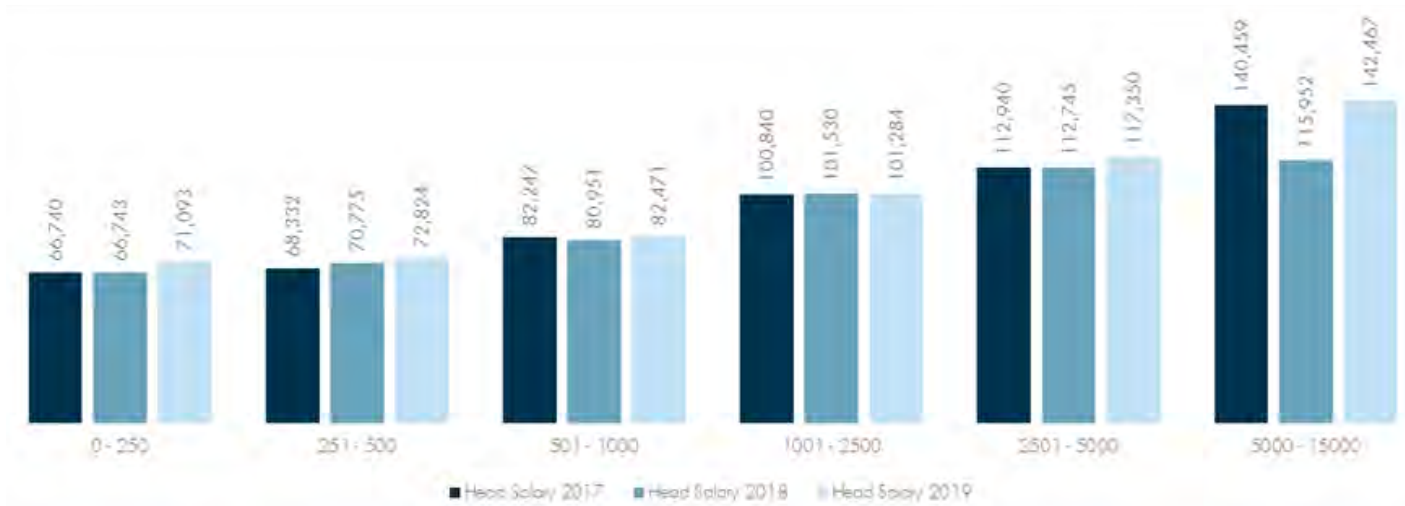
The graph below shows that there has been restraint shown in remuneration rates for Head Teachers’. For primary and secondary schools, the average is marginally less than it was two years ago. The figures for MATs have shown only an inflationary rise with no increase to reflect their growing size.

Average Head Teacher remuneration (£)



Evidence of apparent restraint being shown in Head Teachers’ remuneration is supported by the data on average Head Teacher salaries and the number of pupils in a Trust. Across the categories up to 5000 pupils, Head Teachers’ salaries have been held or there have been modest increases. However, it is in the 5000 - 15,000 pupil category that we have seen the largest increases in salary. Last year we reported that we were aware of a number of Trusts where Head Teachers’ had either taken voluntary reductions in pay, or where new Head Teachers’ had come in on lower salaries. This year we have seen some re-alignment of pay whilst at the same time Trusts have been mindful of Lord Agnew’s stance on pay levels.

Head Teacher salary by pupil numbers in Trust (£)



Academies have had to come to terms with the new teachers pay rates that came into force on 1 September 2018, and the additional funding that was received from the Government to cover this increase was welcomed. The Teachers' Pay Grant was worth £187million in 2018/19 and is worth £321million in 2019/20. The DfE has agreed to continue with its support for this pay increase over the short term, but the obvious question is...then what?

As shown over the page, there have been the anticipated increases in average salaries for secondaries and MATs, but things are more challenging for primaries as they look to balance budgets as they deal with reductions in income per pupil, as mentioned in Section 4.

Similarly, the increase in employers' contributions to the Teachers' Pension Scheme (TPS) to 23.6% is now a reality and the DfE support will cover the rise in full for 2019/20, and it is expected that further funding will be available to cover the cost until 2023.

Getting the salary level right is of vital importance to Trusts, as this represents the most significant cost to Academies. From our analysis it is evident that hard decisions are being taken to balance the books: Can experienced teachers be afforded? Should vacancies be filled by cheaper teachers? Do vacancies need to be filled at all?

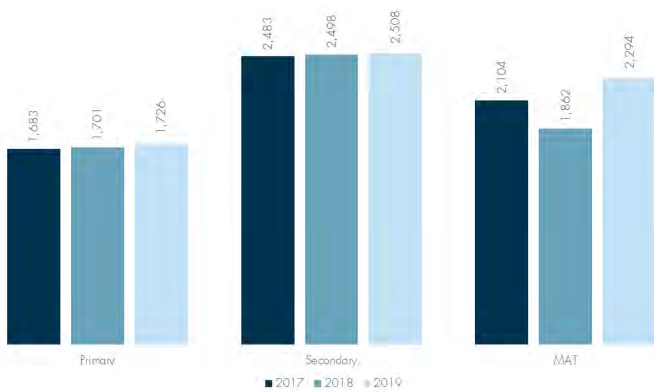
The Teachers' Pay Grant worth

£187m
In 2018-19

£321m
In 2019-20

The output of these decisions can be seen when looking at teaching staff costs per pupil, which has barely increased over the last three years, even with pay rises being agreed.

Teaching staff costs per pupil (£)



What may create further pressure on this cost is the Government's announcement that salaries for new teachers should rise to £30,000 by 2022-23. The intended consequence will be that salaries for teachers will become amongst the most competitive in the graduate labour market. However, there will also be an impact on many other teaching staff salaries as their pay will also increase as a result of this policy. This could effectively use up all of the £14bn investment in education that has been promised.

In recent years, many Trusts have taken tough decisions to reduce staffing numbers, but these are not decisions taken lightly. The table below shows the average restructuring costs per pupil and highlights that most of the tough decisions were made a couple of years ago.

Average restructuring costs (£)

	2017	2018	2019
Primary	5,660	1,855	2,560
Secondary	17,080	15,520	10,589
MAT	40,950	40,076	39,103

Restructuring costs peaked in 2017 and are now significantly lower for both primary and secondary Trusts. The figure for MATs has only reduced marginally. However, the size of MATs has grown over this period and so the cost per school has fallen. It may also reflect that as a larger organisation, MATs have more flexibility to continue to restructure.



£30,000 by 2022/23

Plans for new **teacher salaries** to increase.

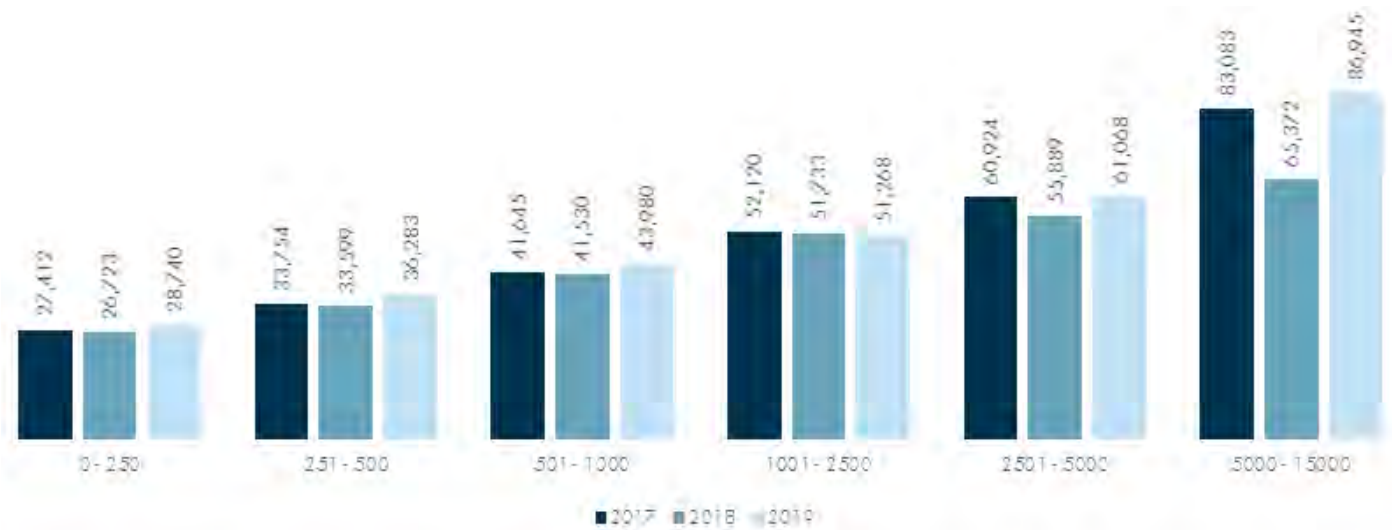


This could use the

£14bn

investment in education that has been **promised**.

Average School Business Manager/CFO salary to pupil numbers (£)



The chart above shows that there is a very clear correlation between School Business Manager/CFO salaries and the size of Trust. The larger the Trust in terms of pupil numbers, the higher the salary. After the fall in average salaries from 2017 to 2018, the average salary has increased this year. Our findings also show that there are clear bandings depending on the number schools within a MAT that are being managed by a School Business Manager/CFO. For those managing 1-5 schools, the average salary is around £50,000, 6-20 schools £60,000 and over 20 schools £80,000.

Findings show clear **salary bandings** on the number of schools managed within a MAT.



A group of diverse students in maroon school uniforms are shown in profile, holding and looking at papers. The image is overlaid with a semi-transparent dark blue and teal geometric shape. A quote is displayed in white text on the right side of the image.

“Weakness in governance arrangements, financial forecasting and budgetary controls have been key issues in failing Academies.”

6. Non-Staff Costs

Non-staff costs are still a significant element of an Academy's expenditure, but levels are relatively consistent with previous years. From this, it is concluded that all the "low hanging fruit" has been picked and the ongoing challenge will be to keep costs at reduced levels or look harder to find savings. What we have found this year is that Academies are increasingly reviewing their finances monthly which will mean that costs are being scrutinised on a timely basis.

The table below summarises the average non-staff costs as a percentage of total costs by Academy type. Primaries and MATs are showing a reduction in costs, but there has been an increase for secondaries. There is no clear pattern as to which costs are up and those that are down, and the movements are all modest. Overall it appears as though costs are being controlled, and from speaking to our clients they remain vigilant in ensuring that money is only spent when both appropriate and necessary.

One way in which some secondary MATs have looked to save costs is to have a common exam body as this can allow teachers to teach across multiple schools and cover for any absences, providing geography allows.

There have been publicised cases of cost savings such as School Business Managers undertaking cleaning duties; drama and music lessons being cut and Teaching Assistants who have additional roles such as serving dinners, maintaining the school's website and running after school clubs.

On a cost per pupil basis, our data shows that maintenance costs for primaries and secondaries has fallen to be in line with 2017 levels, last year's increase potentially having an element of catching up on deferred repairs.

Average non-staff costs as percentage of total costs by Academy Trust



In previous years we have commented on the DfE's "Schools' Buying Strategy" which has the stated aim of achieving cost savings of over £1bn per year from 2019/20. The view of many of our clients is that they are fully aware of the need to achieve value for money and that the Schools' Buying Strategy and local buying hubs are worthy of consideration. Whilst there are a significant number of buying guides, a survey amongst our clients concluded that the majority had not made any use of these. In addition, there was a mixed response from those who had.

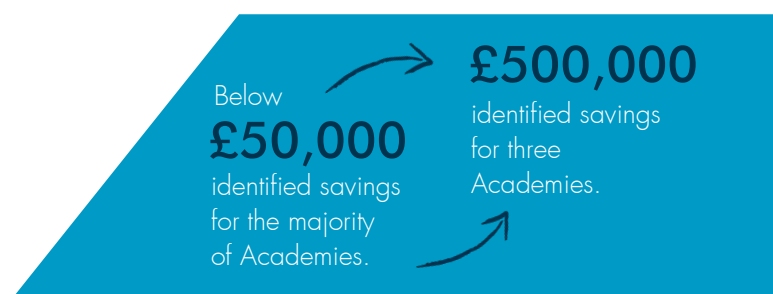
The DfE's own "Survey of School Business Professionals 2019" concluded that Academies were now more likely to be aware of, and users of, recommended deals, but conversion of this awareness to usage is low. This mirrors our findings. Potentially one barrier is that Academies are finding that the deals do not always represent good value for money.

During the 2017/18 academic year the ESFA piloted using School Resource Management Advisers (SRMAs) as a means of advising Schools and Academies on how best to use their revenue and capital resources. This has been followed by a wider roll out in the sector. The DfE views the SRMAs as independent experts who will use their specific knowledge and understanding of schools to help Trusts with some of the financial challenges they are facing.

Our client experience of SRMAs has been broadly positive, but this initiative has caused some unhelpful headlines. The DfE has been forced to defend advice from SRMAs who have recommended a cut to pupils' meal portion sizes or suggested that admin staff contracts be reduced to less than 52 weeks per year, amongst other cost saving ideas.

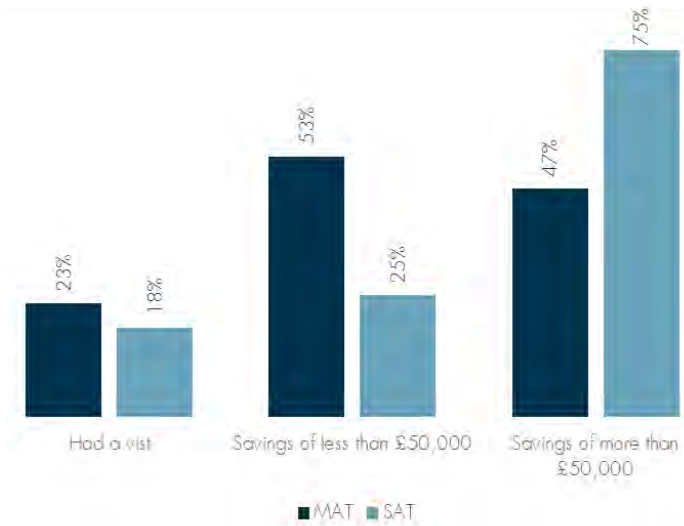
A visit from an SRMA can be very intensive and will cover non-staffing expenditure and also integrated curriculum financial planning (ICFP), and the resulting reports and recommendations are shared with the ESFA. As previously mentioned, there are now additional criteria when applying for Condition Improvement Funding (CIF) for 2020/21, which states that applications will not be looked upon favourably where there has not been an "appropriate response" to the recommendations from an SRMA. This currently is a very vague measure. Schools Week reported in November 2019 that £500,000 was being withheld from 17 Academies who had not confirmed that they would agree to have an SRMA visit. Many Trusts may have very good reasons for not following an SRMA's advice, but how do they demonstrate that this is an appropriate response?

The majority of our clients have informed us they have not yet had a visit from an SRMA. For those that have they all indicated that cost savings had been identified. Whilst most of the identified findings were below £50,000, three Academies did report identified savings in excess of £500,000.



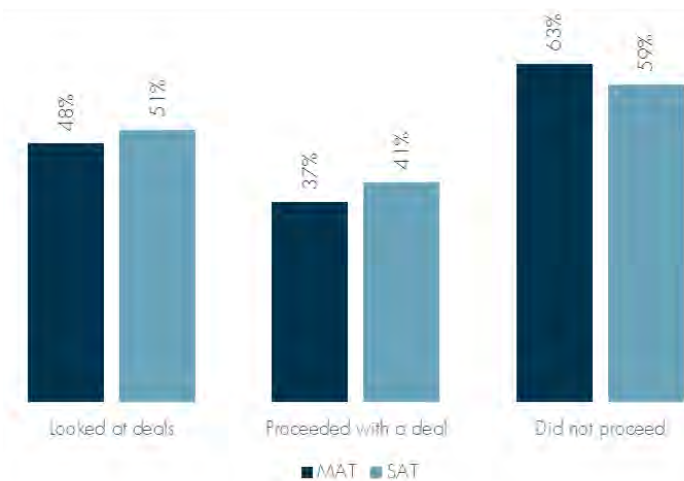
Based on our data, which can be seen over the page, MATs were marginally more likely to have received a visit from an SRMA in the year than SATs. However, where MATs did receive a visit, the savings identified were smaller than for many SATs.

Had an SRMA visit and identified savings



This does highlight that in the opinion of SRMAs, there are fewer savings to be made in the MATs even though they are often much larger organisations. This opinion is consistent with our findings in that MATs generally are now performing better financially than a SAT and are more likely to achieve either a surplus or a breakeven result for the year.

Use of buying hubs



The DfE continues to strongly push mechanisms to help Trusts achieve better value for money. This includes use of the DfE purchasing frameworks and local buying hubs.

The proportion using these hubs in our client survey was very consistent between MATs and SATs, at 48.1% and 51.6% respectively. From our data, MATs only proceeded to purchase with 37% of the deals identified, whilst SATs proceed 41% of the time. Whilst this is a small difference, it does, when taken in conjunction with the SRMA visits, suggest that perhaps MATs are able to negotiate and procure better value for money deals outside of the DfE frameworks. A key factor in this may be the size of the MAT and their buying power in their own right.

Trusts tell us, that the opportunity to engage (free of charge) with SRMAs has been largely welcomed. However, the sentiment may change now that the response to an SRMA visit could impact on CIF funding.

37%

of MATs proceeded to purchase with the deals **identified**.

41%

of SATs proceeded.

“Pay setting is
critical to long
term financial
sustainability.”

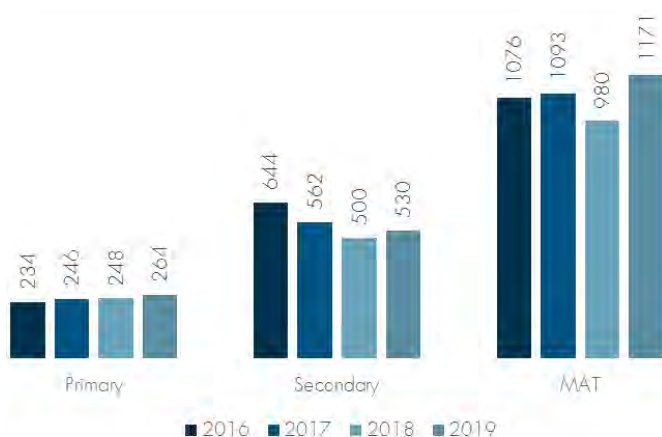


7. Reserves & Cash Balances

After several years of us constantly repeating the mantra that cash and reserves are not the same thing, it seems that this has now largely sunk in. The conversations that we have been having with our clients have been much more focused around reserves, and then cash – rather than the other way around. Clearly, cash flow is very important to all Trusts, but understanding the level of reserves is critical to enabling Trustees to carry out their fiduciary duties.

Due to the in-year deficits that have been incurred over recent years, the level of reserves and a Trust’s reserves policy has become a much more important measure. It had been easy for many Trusts to view the reserves policy as an irrelevance, as often a Trust’s level of reserves was so far in excess of the policy. This is most definitely no longer the case.

Average free reserves (£'000)



The graph above is average free reserves, which represents Trusts’ unrestricted funds plus its GAG carry forward. What it is showing is that there has been a downward trend in reserves over recent years, but that the surpluses made this year have reversed this.

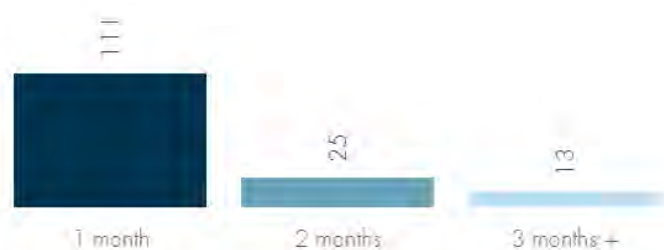
This is a good demonstration of the improved financial health of the sector, but does reignite the debate about holding reserves versus spending money on the children who are at the school now.

It is important for a Trust to have a reserve to protect it from uncertainty over funding (as discussed in section 1), to cover emergency repairs, and to ensure it can continue to pay the salaries. However, deciding on what is an appropriate level of reserve is the challenge. All charities, whether an Academy or not, have a reserves policy and typically those charities where there is the most risk over their income, or the most uncertainty over their costs will aim to have larger reserves.

Academy Trusts are largely predictable given that a significant proportion of income is from the Government, and usually around 80% of this is spent on staffing. If Trusts could be given a bit more certainty over their income and salary costs, for example through longer term pay awards, then they could plan more effectively. This would help them to prepare for renovations to the buildings and to come up with an investment policy for other fixed assets, where they are currently at the mercy of the CIF bid process. More certainty could also support an argument for Trusts reducing the reserves they hold. However, in the current climate it is good practice to maintain the buffer that they have.

There are many ways to calculate a reserves policy, but based on our analysis the majority of Trusts use a number of months of income or expenditure. As can be seen in the graph below, the vast majority opt for one month.

Reserves policy in months of income or expenditure



If we calculate a free reserve based on one month's worth of average expenditure, it suggests the average primary school should be aiming for a reserve of £150,000 and the average secondary school £560,000. Interestingly when we compare this to the free reserves graph, this shows that a secondary school's reserves are below their policy, whilst primaries still have some headroom.

So reserves are important, but cash still needs to be managed. What our analysis shows is that both cash and reserves have increased for all Trust types. This reflects our comments earlier in the report that more Trusts have broken even or made a surplus when compared to previous years.

Average cash balances as a proportion of average free reserves (£'000)

	2016			2017			2018			2019		
	Cash	Free	Ratio	Cash	Free	Ratio	Cash	Free	Ratio	Cash	Free	Ratio
Primary	323	234	1.4:1	380	246	1.5:1	360	248	1.5:1	322	264	1.2:1
Secondary	937	644	1.5:1	857	562	1.5:1	787	500	1.6:1	824	530	1.6:1
MAT	1,777	1,076	1.7:1	1,728	1,093	1.6:1	1,835	973	1.9:1	2048	1171	1.7:1

This increase probably reflects an attempt by the Trusts to retain some of the additional funding they have received this year, given the uncertainty in the sector. Will the national funding formula actually be introduced and if so, how will it be calculated? How long will the Teachers' Pay Grant and the Employers' TPS Grant remain, and what will happen to future pay increases, given the proposed £30k starting salary for teaching staff.

There is no doubt that the additional income combined with the ESFA initiatives (SRMAs and ICFP) have contributed to the improving financial position, but the Trusts also deserve a great deal of the credit for effectively managing their finances through a very unpredictable financial climate.


Analysis shows that both cash and reserves have increased for **all Trust types.**



More Trusts have **broken even**



or have made a **surplus** when compared to previous years.



“Budgeting is a key part of the annual financial cycle. Budgets should be well researched, realistic and allocate resources in the most efficient and effective way to deliver your school’s improvement and organisational objectives.”

**Finance Director at a MAT
with 20 schools**

8. Fixed Assets

As the number of Academies we act for continues to grow, so does the net book value of the land & buildings operated by our clients. This year the combined value is £7bn (17/18: £5.2bn). In addition, there is another £233m of other fixed assets mainly consisting of IT equipment and fixtures & fittings.

Whilst Academies continue to receive capital funding to maintain their estate, effectively planning to enable this to happen is hampered by a couple of factors:

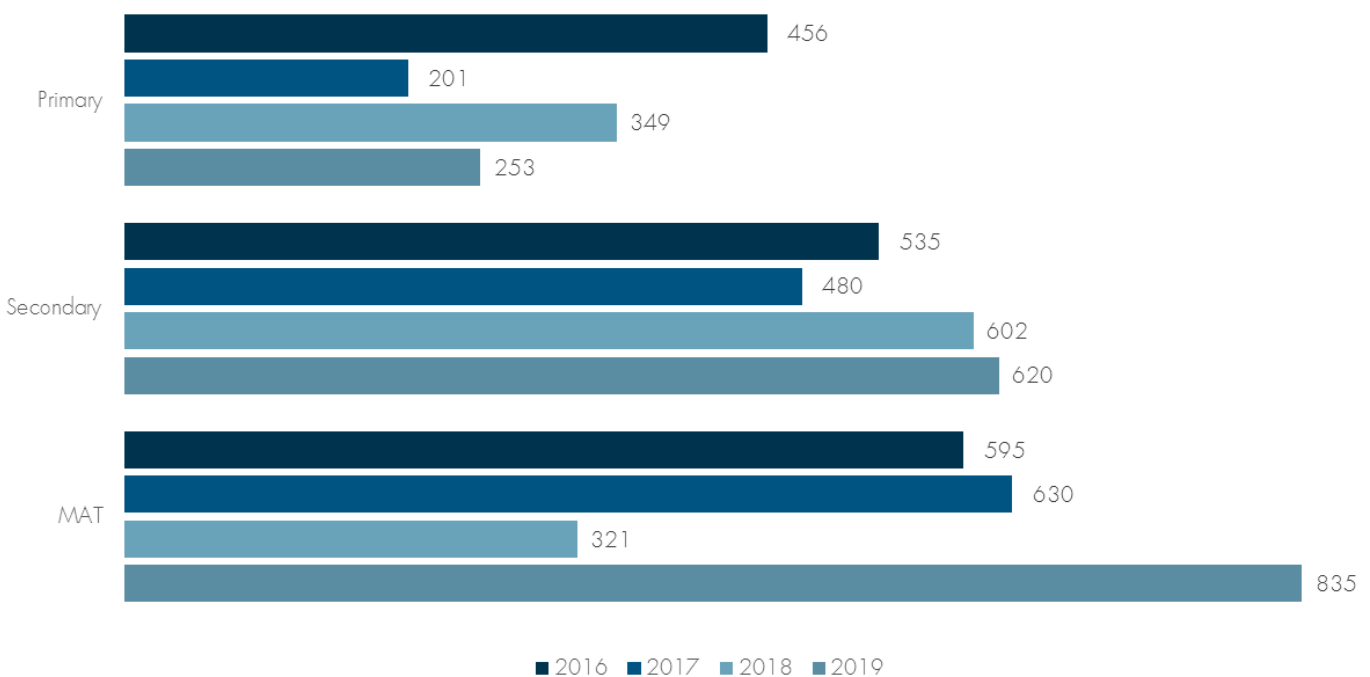
1. The need for those Trusts which do not qualify for School Conditional Allocation (SCA) (5 or more Academies with over 3,000 pupils) to apply on a yearly basis to the CIF, which creates a lottery for smaller MATs and SATs.

2. Uncertainty of funding – The Healthy Pupils Capital Fund (HPCF), which was funded by the soft drinks levy, was only available for one year. The “little extras” funding of £400m took its place but again, was only there for one year. This has not been replaced.

So, whilst Trusts should have developed a plan for maintaining their estate, the vagaries/lottery of the funding from Government makes putting these plans into action more difficult.

The table below shows that following a reduction in capital expenditure by our MAT clients in 2018 there appears to have been a catchup in 2019. However, this graph does include some outliers, who have received substantial capital funds in the year, which can distort the position. In particular 22 Trusts have had capital additions exceeding £5million, compared to only 3 in the prior year, and all but two of these additions were in MATs.

Capital expenditure by pupil (£)



If we look at the median expenditure, we can see the expenditure without these outliers.

Median capital expenditure per pupil (£)



Whilst we would expect the expenditure per pupil at MATs to be an average of the primary/secondary rates, as has been the case historically, this is not reflected above. In the current year the average spend per pupil is significantly higher in a MAT than other types of Trust. This suggests that MATs, especially those that can access SCA, are able to better plan and invest in their estates. This may reflect the lottery that is the CIF system, which is discussed above.

This is also consistent with the trend that we see when we look at the median capital income, with MATs receiving substantially more than other Trusts.

The rules around accessing CIF seem to be getting tighter. There was significant resentment aimed at the DfE by our clients when in July, after a number had started work on their CIF projects, they received a letter from the ESFA stating that an SRMA visit was effectively now a condition of receiving the balance of funding.

What this demonstrates is the importance that the DfE is placing on the financial governance of all Trusts and they have identified the distribution of capital funding as an effective way of imposing minimum governance requirements.

In 2019/20 the amount of monies available for CIF projects reduced from £476m to £441m, and the amount of SCA increased from £183m to £236m.

The increase in SCA reflects the increase in the size of MATs and number of Trusts now eligible for this funding (232 v176 last year). Overall, an increase in total capital funding from £659m to £677m (if you ignore the HPCF and the "little extras" funding).

Whilst this appears to be an increase, in reality given the increase in the number of Trusts (6,826 at 31 August 2018; 7,815 at 31 August 2019) it is clear that the average funding available per Academy has continued to reduce. This is despite the NAO estimating in 2017 that it would cost £6.7bn to bring all school buildings up to a satisfactory standard. It was noted at the time that 40% of schools' estates were built between 1945 and 1976 and therefore needed replacement or major refurbishment.

For 2019/20, 1,442 projects, including 30 on appeal, were successful. This compares to 1,592, including 36 on appeal, in 2018-19. In 2017-18 there were 141 successful appeals, so it appears that the tightening around the appeals process that we saw last year is continuing. The nature of the successful projects is shown below.

	2017	2018	2019	2020
Roofing & water tightness	34%	34%	27%	31%
Boilers, heating systems & water	15%	16%	14%	21%
Windows & doors	13%	14%	9%	9%
Fire alarm systems & associated	9%	10%	14%	19%

Whilst we have allocated these based on the description provided for each successful bid, where there appears to be a number of elements, we have assumed that the majority of expenditure relates to the first item described. Some items such as fire doors are included in windows and doors.

Given that the HPCF monies were to improve pupils' physical and mental health by improving facilities and access to them (physical activity, healthy eating and mental health), it is not surprising that this year only 1% of all successful bids involved investment in these areas. This compares to 9% last year of all successful bids.

The increase in the number of successful bids for boilers and associated systems is unexpected, but we would expect the DfE's Condition Data Collection (CDC) programme which was launched in early 2017 (and was due to complete in Autumn 2019) to have influenced the outcome. This is a programme to assess the condition of all schools in England. The CDC programme may have influenced the increase in the number of successful projects involving fire alarms, alternatively this may be a reflection of events elsewhere.

We have looked at spend on repairs and maintenance, as this is another use of capital funds, and it has also remained relatively static.

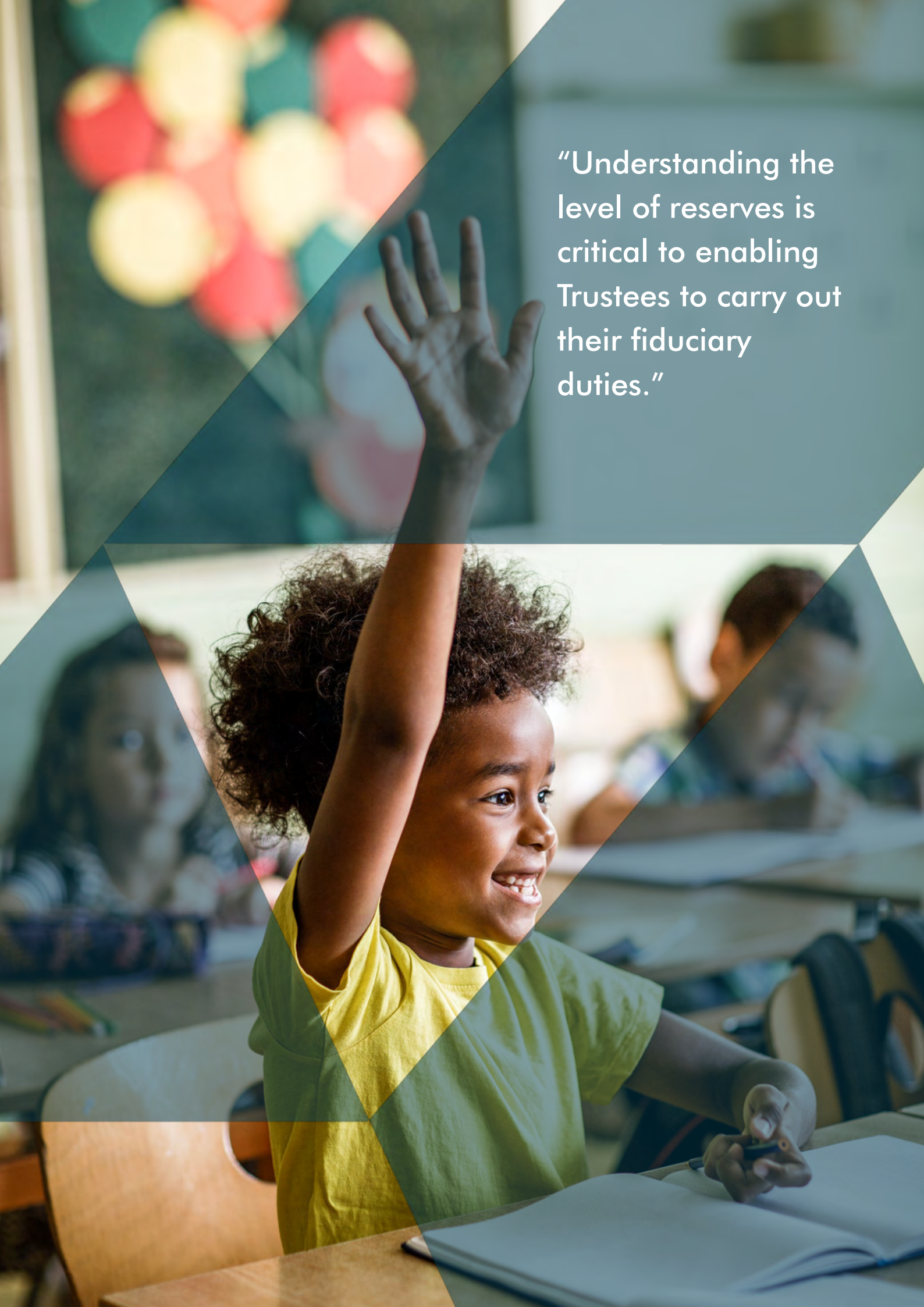
This is somewhat surprising as we expected an increase given the additional £400m announced for the "little extras". It would appear from the data we have that Trusts have not yet spent this money.

£400m

announced for the "little extras".



However, **repairs** have remained relatively static.

A young girl with curly hair, wearing a yellow shirt, is sitting at a desk in a classroom. She has her right hand raised high in the air, smiling. In the background, other students are visible at their desks, and there are colorful balloons (red, yellow, green) hanging from the ceiling. The image is overlaid with a dark blue geometric shape in the top right corner containing white text.

“Understanding the level of reserves is critical to enabling Trustees to carry out their fiduciary duties.”

9. Pensions

As a reminder, Academy Trusts have two different pensions – the Teachers’ Pension Scheme (TPS) for the teaching staff and the Local Government Pension Scheme (LGPS) for the support staff. Both are defined pension schemes and both are expensive for Trusts.

Teachers’ Pension Scheme (TPS)

The major newsworthy item in the year on pensions relates to the increase in TPS contributions, however this does not affect our data. The current year rates are unchanged, and this is reflected in the table below.

Employers’ TPS as a percentage of GAG

	2018	2019
Primary	7.8	7.8
Secondary	8.6	8.6
MAT	7.8	8.0

It is from September 2019 that the TPS employers’ contribution rate increased by 43% from 16.4% to 23.6% and this will obviously feed through into next years’ report. To protect state schools from this increase, the Government announced in April 2019 that it would provide £940m of funding for the state sector, but not the independent school sector.

The level of funding provided by the Government to cover this additional cost is based on a combination of pupil numbers, type of Academy (primary, secondary, special or alternative provision), and whether the Academy benefits from any of the London weighting allowances. Where Academies believed the funding did not reimburse them the full cost arising from the increase in the employers’ contribution, they could, subject to various rules, have applied for the difference. This involved working through some complex calculations.



We are not aware that many, if any, of our clients applied for this additional funding. From initial discussions with our clients, they expect that the funding may slightly exceed the actual costs.

The funding methodology paper prepared by the DfE, which was updated in October 2019, sets out the expected cost of the TPS increase for the seven month period (September 2019 to March 2020) at £848m for the whole of the Academy sector. Whilst the Government has made no announcements on how funding will be allocated after August 2020, it has committed to provide £1.5bn per annum of additional funding until April 2023.

This proposed funding is in line with the current expected cost to the sector. However, given the Governments’ announcement in January 2020 that teacher starting salaries will rise to £30k by September 2022, (and therefore we suspect the other salary bands will also increase) the associated on-costs including the employers’ TPS cost will obviously increase. The additional monies that the Government has announced for the sector will need to include an allowance for this.

Interestingly, in the short to medium term the increase in the employers’ TPS contribution may have a benefit for state-funded schools. This arises because a number of independent schools have either left, or are considering leaving the TPS, given the cost increase. Whilst the National Association of Head Teachers (NAHT) is recommending that any replacement scheme for the independent school sector should have an employers’ contribution of at least 16%, there are reports that some are considering reducing the employers’ contribution to as low as 5%.

This may have an impact on teacher recruitment as it is likely that the pension offered by the maintained sector will be more valuable than what some independent schools will be offering.

When competing for staff, Trusts should be able to demonstrate the benefits of being a member of the TPS. Whilst the Government has tried to highlight the benefits of the scheme, there are still a significant number of teachers who are not members, so obviously not all teachers see it as being valuable, or they have competing demands on their income, so cannot afford to make their contribution.

For those teachers that go down the private sector scheme pension route, they will need to be aware that the actual pension they receive will be at the vagaries of the stock market (i.e. no guarantee). Whilst the private sector schemes are more flexible, and the independent schools which have come out of the TPS are selling this as a benefit, it will be interesting to see if teachers value the benefit of being a member of the TPS.

The long-term potential downside of the independent sector taking this action is that the unfunded scheme will receive less contributions, and whilst it will have a smaller liability, this could potentially increase future employer contributions for those schools in the state sector.



Employer contribution for a teacher is worth circa **£7,000** per annum

The Government gives an example that shows for a typical teacher the employer contribution is worth circa £7,000 per annum. This compares to the private sector where under the work place pension rules, an employer must pay a minimum of 3% of salary into a pension (circa £900 in their example).

Most actuaries did not expect the TPS rate to exceed **20%**

 but the **actual rate** was

23.6%

Local Government Pension Scheme (LGPS)

Unusually, in 2018 we had some good news as the LGPS liability reduced substantially due to a favourable change in actuarial assumptions. This year the position has changed dramatically in the opposite direction. There has been a significant change in the assumptions the actuary has used, most noticeably in the discount rate. In many cases the discount rate has reduced by approximately 1%, and this has a significant impact on the calculations. Furthermore, two legal cases (McCloud and GMB) have also added to the deficit.

The impact of the change in the discount rate has surprisingly been partially offset by a change in mortality rates – the life expectancy of a staff member has reduced by over a year. We will leave it to the reader to speculate as to why this might be the case!

The increase in the LGPS this year has caused some alarm, given that the Trusts at the time of writing are awaiting the results of the tri-annual valuation. This will impact the employer contribution rates from April 2020.

Feedback from meetings that some of our clients have attended, is that rates at Local Authority level should remain similar to those of the last three years, however the profile of staff at an Academy Trust is likely to be very different to the LA, so little reliance should be placed this.

Furthermore, most actuaries we spoke to prior to the increase in the TPS did not expect the rate to exceed 20%, but the actual rate was 23.6%. Hopefully the same situation will not reoccur for any changes in the employers' LGPS contribution rate.

In 2019, we wrote about the grouping of the 81 LGPS schemes in England so that now there are only 8 investment decisions. As a result, some Trusts that have Academies in multiple LGPS areas were considering consolidating them, potentially to get a better LGPS rate. In reality this has not happened, however we are aware that Trusts who operate in multiple LGPS areas are carefully considering where they should locate their head office function based on the LGPS employers' contribution rate in the various areas in which they operate. This shows some creative thinking on the part of the Trusts, but does nothing to plug the deficit in the LGPS scheme.

Average LGPS deficit per pupil (£)



A young woman with dark hair tied back, wearing a white lab coat, is focused on looking through a black microscope. She is in a laboratory setting, with other people and equipment visible in the blurred background. The image is overlaid with a semi-transparent blue geometric shape that frames the text on the left.

“The move
towards risk
based internal
audits will add
greater value.”

10. Internal Scrutiny & Assurance

Academies and the ESFA are agreed that the sector is beginning to recognise that there is a real step change required in the level and nature of internal assurance work completed at many Trusts.

With consolidation in the sector, Trusts are becoming larger and more complex organisations. Trustees and the regulators have identified that a broader range of assurances are required at Board level to provide comfort that risks are being identified and effectively managed.

A large number of SATs and MATs still only meet the minimum requirements of performance of internal scrutiny over systems and controls in order to comply with the AFH. However, this is rapidly changing and there is a definite shift towards more resource being invested in internal scrutiny activities which are being utilised on a broader range of topics.

The ESFA has identified that weaknesses in governance arrangements and in financial forecasting and budgetary controls have been key issues in failing Academies. This has been one of the key drivers in the increased emphasis on internal scrutiny in the AFH. Lord Agnew's foreword to the 2019 AFH includes the following narrative:

"Having a strong system of financial management and control is essential for any organisation. It enables you to plan, to keep objectives on track, and to report transparently to stakeholders."

"Regular internal scrutiny of your own controls, and making small but progressive improvements, is a powerful way to help maintain good financial management."

"We are including some new material about internal scrutiny, explaining how to organise your checks, highlighting the important function of the audit committee in overseeing this work, and the benefits of good reporting so that weaknesses are addressed."

For 2019/20, Trusts will be required to share with the ESFA a short annual summary report of the internal scrutiny work completed in the year outlining the areas reviewed, key findings, recommendations and conclusions. This will enable the ESFA to monitor significant control deficiencies identified, as is already the case with the external audit management letter, and the action Trusts are taking to address these issues.

Through discussions with Trustees, particularly those at Trusts that are growing, and becoming more centralised and complex with new income streams, we have identified that their list of responsibilities continues to grow and that there are more risks for them to consider. As this workload becomes harder for them to manage, they are seeking greater levels and breadth of assurance from various sources, to discharge their responsibilities effectively and to help mitigate risks.

What should be covered?

It is already a mandatory requirement that Academy Trusts "manage risks to ensure effective operation". However, in the latest AFH update, the related establishment of a risk register changed from a "should" to a "must".

- Good practice already suggests (and the ESFA's clear direction of travel regarding greater scrutiny and accountability at a Trustee level will ultimately require) that the risk register does more than simply identify key risks.

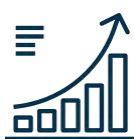
To be a properly useful assurance tool for management and Board/Audit Committee alike, it should also:

- highlight both existing and further required controls/processes to manage the identified risks.
- produce a clear list of further actions required to “close the gap” on the risks faced by the Academy.
- produce a clearer picture of the assurance (or evidence) that the Academy currently relies on to inform management and Board/Audit Committee that things are working as well as it thinks they are.

Within an Academy Trust, the responsibility for managing risks rests with the Board of Trustees. Should a risk materialise - for example, breakdown in safeguarding or financial mismanagement - questions will be raised regarding the governance and risk management processes. It is therefore imperative that members of the board – collectively and individually – are able to articulate how and to what extent they are assured that all risks – financial and non-financial - are properly mitigated in practice.

The 2019 Handbook provided more clarity that internal scrutiny should be looking more broadly than just financial controls, and resource should be allocated based upon a risk assessment using the Trust’s risk registers.

Through consideration of all risks, resource is now being allocated to:



strategic
risk areas



operational
risk areas



and NOT just
financial controls

To have an effective risk-based internal audit service, the Trust first needs to be satisfied that the risk management framework is operating effectively to identify risks and capture controls mitigating the risks, and the residual exposure. This will then be used as a basis for an internal audit needs assessment.

We are having much more detailed discussions with management and Trustees about risks that they are facing and how they believe the risks are being mitigated.

To date we have found that greater assurance is being sought over areas such as:

- Governance arrangements and structures, including succession planning
- IT controls and cyber security
- Estates management and health and safety
- Organisational culture/tone at the top
- Management information
- Safeguarding
- Procurement – including value for money and related party considerations
- HR processes such as recruitment and training, development of staff, mental health and wellbeing.

Within the finance function itself, there is a shift in the balance of the time spent on traditional transaction testing towards more added value and risk-based reviews in areas such as the budget setting processes or controls over census data driving pupil premium funding.

How should it be prioritised?

Where time has been invested in understanding the risks being faced and controls in place, Trusts usually conclude that it would be useful to have a greater level of internal audit/scrutiny resource or other assurances to address the risks. It is important to consider all forms of assurance, not just internal audit.

Assurances can be provided by regulatory reviews, peer reviews, other auditors or through management reporting. There are two main instances to consider:

- Testing of the effectiveness of controls that are being relied upon to mitigate significant risks.
- Reviews of areas where the risk register suggests there are significant residual risks to assess whether the controls are appropriately designed.

Role of the Audit Committee

The Audit Committee has a key role in ensuring that the Trust has an effective risk management framework and approves the program of internal audit work completed to address risk areas.

The Kreston Benchmark Survey highlights that MATs are more likely to have a separate Audit Committee. We identified that only one third of SATs have a separate Audit Committee, compared to 61% of MATs. This is not surprising, and indeed the AFH does not require a separate Audit Committee, unless you are one of the very largest Trusts.

The breadth of knowledge and experience required to effectively steer the direction of a comprehensive risk-based internal audit program is a challenge for Audit Committees. Trustee recruitment generally across the sector has been challenging, often resulting in a missing skill set in many Trust Boards.

How should the work be delivered?

The guidance provided by the ESFA requires Trusts to ensure that internal scrutiny is delivered in the way most appropriate to its circumstances.

Emphasising the importance now being placed on the role of internal audit, the 2019 AFH states that to ensure those carrying out the programme of work are suitably qualified and/or experienced, internal auditors should be members of a relevant professional body. If Trustees or peer reviewers are performing the work, they should have qualifications in finance, accounting or audit, and appropriate internal audit experience.

For larger more complex MATs, the use of an external internal audit service will become the most appropriate solution if the Trust seeks a broad range of assurances from one supplier. Another effective solution may be a hybrid of a lower cost peer review for some lower risk areas that can then be supplemented by specialist reviews from external providers where necessary.

Conclusions

Internal audit can provide timely assurance to management and Trustees that risks are being mitigated and controls operating effectively. The ESFA is keen for Trusts to recognise the importance and benefits of internal audit in ensuring a robust internal control framework. The move towards more risk-based internal audits will add greater value than reviewing the same controls each year and provide the broader range of assurance that Trustees are seeking to carry out their duties effectively.



“The financial health of the sector is likely to deteriorate again unless additional grants are announced.”

Definitions

Academic year: The data used in the report is based on the 2018/19 academic year with comparative data given for the 2016/17 and 2017/18 academic years. For ease of reference the academic years are referred to as 2019, 2018 and 2017 respectively.

Academies Financial Handbook (AFH): 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 TPS and LGPS pension schemes.

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 3000 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)	£8,329	£2,685	£5,086	£4,965
Total GAG income per pupil (annualised)	£5,881	£1,837	£3,657	£3,593
GAG income ratio (period)	87%	46%	73%	74%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£5,878	£1,641	£3,810	£3,807
Education costs per pupil (annualised)	£478	£12	£184	£156
Technology costs per pupil (annualised)	£140	£9	£60	£61
Premises costs per pupil (annualised)	£324	£11	£74	£42
Heat and light costs per pupil (annualised)	£120	£24	£57	£53
Insurance costs per pupil (annualised)	£98	£10	£41	£37
Repairs and Maintenance costs per pupil (annualised)	£931	£26	£107	£82
Catering costs per pupil (annualised)	£467	£5	£211	£204
Management, Administration & Governance costs per pupil (annualised)	£2,376	£126	£404	£369
Depreciation cost per pupil (annualised)	£832	£5	£258	£246
Total costs per pupil (annualised)	£8,842	£1,679	£5,257	£5,158
Staff cost ratio (as % of total costs) (period)	97.8%	53.1%	72.9%	73.4%
Education costs ratio (as % of total costs) (period)	8.4%	0.3%	3.6%	3.2%
Technology costs ratio (as % of total costs) (period)	2.9%	0.2%	1.2%	1.2%
Premises costs ratio (as % of total costs) (period)	6.1%	0.2%	1.4%	0.8%
Heat and light costs ratio (as % of total costs)	3.4%	0.5%	1.1%	1.0%
Insurance costs ratio (as % of total costs)	2.3%	0.2%	0.8%	0.6%
Repairs and Maintenance costs ratio (as % of total costs) (period)	14.3%	0.5%	2.0%	1.6%
Catering costs ratio (as % of total costs) (period)	15.4%	0.1%	4.2%	3.5%
Management, Administration & Governance costs ratio (as % of total costs) (period)	26.9%	2.9%	7.6%	7.2%
Depreciation cost ratio (as % of total costs) (period)	14.3%	0.1%	4.9%	4.9%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£2,677	£355	£1,726	£1,698
Non-Teaching staff salary per pupil (annualised)	£2,441	£526	£1,154	£1,169
Average Teaching staff salary (annualised)	£57,595	£13,835	£37,881	£36,308
Average Non-Teaching staff salary (annualised)	£30,805	£4,542	£19,969	£20,385
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	29.5%	5.4%	23.2%	24.6%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£114,000	£10,564	£39,734	£36,469
LGPS deficit per pupil	£7,960	£557	£2,121	£2,043
Pupil / Teacher Measures				
Pupil to teacher ratio (period)	35.6	15.3	24.3	24.2
Teaching to non-teaching staff ratio (period)	2.4	0.4	0.8	0.7
Pupil numbers for the period (per January Census)	700	61	345	359
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	10.6%	(32.9%)	0.1%	1.0%
GAG carry forward ratio (period)	100.0%	(1.2%)	8.9%	4.7%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	49.9%	0.1%	19.3%	18.8%
Net Current Assets / Income ratio (annualised)	0.54	-	0.26	0.25
Fixed Assets Measures				
Property value per pupil (period)	£40,111	£66	£8,814	£8,561
Other Fixed Assets value per pupil (period)	£1,516	£8	£259	£147
Capital expenditure in period (period)	£819,758	£4,235	£88,769	£32,808
Capital expenditure per pupil (period)	£1,413	£22	£253	£98
Fixed Assets depreciation rate - Property (annualised)	3.8%	0.8%	1.7%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	21.7%	0.7%	10.9%	10.4%

*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)	£28,659	£3,083	£6,719	£6,041
Total GAG income per pupil (annualised)	£11,017	£2,561	£4,931	£4,726
GAG income ratio (period)	93%	25%	78%	81%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£17,634	£2,449	£4,746	£4,488
Education costs per pupil (annualised)	£1,662	£98	£332	£277
Technology costs per pupil (annualised)	£318	£4	£73	£62
Premises costs per pupil (annualised)	£1,987	£17	£129	£59
Heat and light costs per pupil (annualised)	£309	£25	£92	£88
Insurance costs per pupil (annualised)	£141	£5	£31	£26
Repairs and Maintenance costs per pupil (annualised)	£694	£8	£139	£104
Catering costs per pupil (annualised)	£1,165	£7	£112	£96
Management, Administration & Governance costs per pupil (annualised)	£8,121	£67	£615	£411
Depreciation cost per pupil (annualised)	£8,384	£8	£481	£323
Total costs per pupil (annualised)	£20,664	£4,894	£6,770	£6,149
Staff cost ratio (as % of total costs) (period)	85.3%	10.8%	69.8%	73.1%
Education costs ratio (as % of total costs) (period)	16.9%	0.4%	4.8%	4.5%
Technology costs ratio (as % of total costs) (period)	5.2%	0.1%	1.1%	1.0%
Premises costs ratio (as % of total costs) (period)	17.3%	0.1%	1.8%	1.0%
Heat and light costs ratio (as % of total costs)	2.9%	0.2%	1.3%	1.4%
Insurance costs ratio (as % of total costs)	2.1%	0.0%	0.5%	0.4%
Repairs and Maintenance costs ratio (as % of total costs) (period)	10.8%	0.1%	2.0%	1.6%
Catering costs ratio (as % of total costs) (period)	9.2%	0.1%	1.6%	1.3%
Management, Administration & Governance costs ratio (as % of total costs) (period)	57.7%	0.8%	8.0%	6.3%
Depreciation cost ratio (as % of total costs) (period)	56.6%	0.1%	6.2%	5.2%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£6,882	£631	£2,508	£2,407
Non-Teaching staff salary per pupil (annualised)	£3,015	£143	£1,055	£951
Average Teaching staff salary (annualised)	£59,690	£10,272	£40,049	£40,796
Average Non-Teaching staff salary (annualised)	£79,437	£5,068	£24,078	£23,260
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	236.9%	9.7%	24.0%	21.9%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£126,024	£5,955	£52,277	£55,617
LGPS deficit per pupil	£19,950	£168	£2,466	£2,233
Pupil / Teacher Measures				
Pupil to teacher ratio (period)	22.4	2.0	17.5	17.7
Teaching to non-teaching staff ratio (period)	4.1	0.5	1.4	1.3
Pupil numbers for the period (per January Census)	2236	122	1035	1024
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	16.2%	(40.6%)	(0.3%)	0.2%
GAG carry forward ratio (period)	41.9%	(18.7%)	2.7%	0.1%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	51.7%	0.1%	13.8%	11.9%
Net Current Assets / Income ratio (annualised)	0.59	(0.03)	0.20	0.18
Fixed Assets Measures				
Property value per pupil (period)	£57,150	£726	£12,291	£11,922
Other Fixed Assets value per pupil (period)	£14,113	£20	£429	£156
Capital expenditure in period (period)	£20,304,000	£5,929	£641,936	£160,216
Capital expenditure per pupil (period)	£14,080	£7	£620	£153
Fixed Assets depreciation rate - Property (annualised)	26.9%	0.1%	2.3%	1.9%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	27.2%	0.6%	9.1%	8.9%

*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)	£49,946	£2,428	£6,985	£5,740
Total GAG income per pupil (annualised)	£22,455	£1,644	£4,621	£4,216
GAG income ratio (period)	89%	29%	72%	73%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£42,672	£1,692	£5,316	£4,258
Education costs per pupil (annualised)	£2,847	£28	£286	£234
Technology costs per pupil (annualised)	£1,264	£2	£92	£74
Premises costs per pupil (annualised)	£1,137	£3	£128	£84
Heat and light costs per pupil (annualised)	£600	£1	£84	£74
Insurance costs per pupil (annualised)	£518	£1	£37	£26
Repairs and Maintenance costs per pupil (annualised)	£2,841	£1	£160	£100
Catering costs per pupil (annualised)	£922	£2	£162	£154
Management, Administration & Governance costs per pupil (annualised)	£57,431	£34	£797	£349
Depreciation cost per pupil (annualised)	£4,367	£7	£382	£295
Total costs per pupil (annualised)	£53,360	£2,250	£7,255	£5,818
Staff cost ratio (as % of total costs) (period)	85.3%	40.4%	73.3%	73.7%
Education costs ratio (as % of total costs) (period)	12.4%	0.4%	4.2%	4.0%
Technology costs ratio (as % of total costs) (period)	5.4%	0.1%	1.3%	1.2%
Premises costs ratio (as % of total costs) (period)	17.5%	0.1%	1.9%	1.2%
Heat and light costs ratio (as % of total costs)	2.5%	0.1%	1.2%	1.2%
Insurance costs ratio (as % of total costs)	2.2%	0.1%	0.5%	0.4%
Repairs and Maintenance costs ratio (as % of total costs) (period)	11.5%	0.1%	2.1%	1.6%
Catering costs ratio (as % of total costs) (period)	7.5%	0.1%	2.5%	2.4%
Management, Administration & Governance costs ratio (as % of total costs) (period)	148.8%	0.7%	7.7%	6.1%
Depreciation cost ratio (as % of total costs) (period)	42.3%	0.1%	5.1%	5.0%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£15,085	£601	£2,294	£2,016
Non-Teaching staff salary per pupil (annualised)	£16,189	£467	£1,590	£1,164
Average Teaching staff salary (annualised)	£63,715	£15,005	£39,318	£39,637
Average Non-Teaching staff salary (annualised)	£81,387	£6,750	£22,686	£21,601
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	36.9%	4.4%	22.9%	23.3%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£141,683	£2,854	£44,332	£41,936
LGPS deficit per pupil	£34,584	£180	£3,051	£2,493
Pupil / Teacher Measures				
Pupil to teacher ratio (period)	52.6	2.8	20.2	20.2
Teaching to non-teaching staff ratio (period)	4.5	0.3	0.9	0.9
Pupil numbers for the period (per January Census)	12,164	106	2446	2049
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	28.7%	(128.6%)	1.0%	1.2%
GAG carry forward ratio (period)	32.1%	(53.4%)	3.8%	1.6%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	42.6%	0.1%	14.8%	13.4%
Net Current Assets / Income ratio (annualised)	0.85	(0.07)	0.21	0.19
Fixed Assets Measures				
Property value per pupil (period)	£181,147	£8	£13,722	£10,798
Other Fixed Assets value per pupil (period)	£15,045	£12	£458	£171
Capital expenditure in period (period)	£28,356,540	£7,000	£1,849,110	£487,611
Capital expenditure per pupil (period)	£11,613	£4	£835	£243
Fixed Assets depreciation rate - Property (annualised)	35.6%	0.7%	2.1%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	74.7%	0.1%	14.1%	13.0%

*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	47,398	4,174	6,722	5,596
Yorkshire and the Humber	10,300	2,428	6,105	6,031
East Midlands	40,318	3,083	7,552	5,930
London and the South East	49,946	2,428	6,951	5,708
West Midlands	25,834	4,730	7,161	5,895
North East	19,784	3,766	6,008	5,708
Total staff costs per pupil				
South West	39,826	2,862	5,144	4,239
Yorkshire and the Humber	6,440	1,641	4,385	4,277
East Midlands	26,801	2,449	5,428	4,532
London and the South East	42,672	1,641	5,180	4,248
West Midlands	19,902	3,583	5,531	4,382
North East	6,370	2,581	4,195	4,090
LGPS deficit per pupil				
South West	34,584	168	3,420	2,689
Yorkshire and the Humber	6,029	280	2,338	2,401
East Midlands	28,358	1,434	2,228	1,870
London and the South East	34,584	168	2,962	2,374
West Midlands	19,950	363	3,871	2,812
North East	3,983	611	1,832	1,871

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

About the Kreston Academies Group

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 1,500 charities across a wide variety of sectors, including over 750 schools, and numerous other education related organisations.

The UK firms that have participated in this report are as follows:



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



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



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



Tim Godson
0808 169 1196
Tim.godson@duntop.co.uk
East Midlands



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



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



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



Judith Coplowe
01223 728222
jcoplowe@pem.co.uk
Cambridge

Kreston UK is a brand representing firms based in the UK, Ireland and Isle of Man which are each members of Kreston International, a global network of independent accounting firms. Each member is a separate and independent legal entity and as such has no liability for the acts or omissions of any other member firm. Kreston UK and Kreston International provide no services to clients and have no liability for the acts or omissions of any member firm. All data in this report has been collated from clients of Kreston UK firms, not the whole sector.

For all media enquiries, please contact Catherine Lane at Catherine Lane PR
on 020 7117 6015 or catherine@catherinelane.com



Copyright © Kreston UK 2020

All rights reserved