UHY Hacker Young
Chartered Accountants

2024 Academies Benchmark Report

Our 12th annual benchmarking report, developed to summarise the current academy sector trends and to allow you to benchmark your school against others.

Helping you prosper

Welcome to our 2024 Academies Benchmarking Report.

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A summary of our report

This year our benchmarking report once again covers over 1,450 academies, with the sample including a mix of our own clients plus some of the largest MATs that are non-UHY clients, as in previous years, to ensure we cover all areas of the country and improve the data set.

This is our twelfth benchmarking report, this year analysing the 2022/23 financial data of a mix of MATs, secondary academies and primary academies. We have also drilled down further into the MAT data to analyse different sizes of MAT.

Headline stats:

Overall:

- As of 1 March, 2024 90% of academies were in MATs
- 74% of academies are now in a MAT with 6 or more schools
- 71% of trusts reported entering into a related party transaction during 2022/23 (2022: 65%)
- 41% (2022: 36%) of trusts did not enter into a related party transaction above £10,000
- 10% of trusts (2022: 6%) had no flagged observations in their audit findings report
- A small rise in the average Accounting Officer remuneration per pupil
- A slight reduction in supply teacher costs to average £117 per pupil (2022: £120)
- 51% of trusts (2022: 60%) made some form of restructuring payment
- 30% of trusts (2022: 27%) made total restructuring payments of more than £100k
- 24% of trusts (2022: 19%) made a severance payment in excess of £30,000
- A further massive drop in LGPS liabilities with many trusts showing a breakeven position and a minority disclosing a small pension surplus position.

MATs

- 51% of MATs reported a GAG surplus in 2022/23 (2022: 83%)
- 33% (2022: 64%) enjoyed a surplus of more than £250k.
- Unrestricted funds held grew to £357 per pupil (2022: £345)
- Average MAT cash at bank of £1,270 per pupil (2022: £1,282)
- Average AO salary in an 11 – 20 school MAT was £157k (2022: £156k)
- Average AO salary in a 6-10 school MAT was up to £136k (2022: £127k).

Primary academies

- 46% (2022: 75%) primaries reported a GAG surplus
- 27% (2022: 52%) enjoyed a surplus of more than £250k
- Average primary reserves fell to £269k (2022: £284k)
- Cash at bank fell 16% to an average of £487k
- The average primary paid key management remuneration of £840 per pupil (2022: £790)
- The average AO salary is £91k
- The average primary's energy costs for 2022/23 were £42k compared to £23k last year.

Secondary academies

- 67% of secondary academies reported a GAG surplus in 2022/23 (2022: 73%)
- 53% enjoyed a surplus of more than £250k
- Average secondary reserves fell slightly to £1.18m (2022: £1.21m)
- Cash at bank rose to £1.55m on average
- The average secondary had staff costs at 72% of total costs (2022: 75%)
- Average AO salary was £130k
- The average secondary's energy costs for 2022/23 were £173k compared to £106k last year.

Foreword from UHY's academies chair

Welcome to our 2024 Academies Benchmarking Report. Our 2023 Report revealed that a significant majority of academies of all types reported a surplus on core General Annual Grant (GAG) funds in 2021/22, and 72% of trusts had positive movement in overall revenue funds. The picture this year is very different, something we did predict last year.

Just 64% of trusts saw revenue funds increase, and almost half of all MATs and primary academies reported deficits at GAG level. Whilst some trusts reported surpluses, on average these were lower, and there were far more large deficits in all types of trusts than in 2021/22.

It remains clear, though, that there is a significant difference between the financial results across the sector, and within all types of trusts some are struggling whilst others continue to thrive. Part of the reason for the lower number of trusts reporting a positive movement in revenue funds will be the continued investment in the school estate. Many trusts have been forced to dip into reserves to fund essential works or equipment, with capital funds for many schools just not sufficient.

MATs go from strength to strength. We have now reached the point where over 50% of trusts are MATs, and 90% of academies are now managed by a MAT. However, MATs are not necessarily the answer, and we are seeing some smaller MATs struggle to remain viable, while others are joining larger trusts. Many MATs posted deficits for 2022/23 and saw their reserves deplete, so there is work to be done. However, the collective strength a MAT provides continues to make it easier to manage financial difficulties at local school level.

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Balancing budgets remains a difficult task for leaders. Around one in seven trusts have seen a change in Accounting Officer, and a similar proportion have seen a new Chief Financial Officer join during the past year. Changes in leadership can provide opportunities, but changes also pose risk. How many of the changes occur due to the pressures the responsibilities of school leadership bring?

Energy costs soared across the sector during 2022/23, as they have in households across the country, with prices rising in response to the war in Ukraine. Secondary schools spent an average of £146 per pupil on energy costs, a 52% rise. Thankfully prices seem to have settled to a more manageable level, even if they remain high compared to 2021 levels.

There are question marks over what will happen if, as is widely predicted by the polls, there is a change in Government. We can only hope that whichever party wins the general election brings some stability and certainty to the sector, and hopefully we will see the move towards the 'hard' version of the National Funding Formula accelerate.

An invaluable benchmarking page has once again been included at the end of this report with space for you to add your own trust's data alongside the average per pupil results in key areas. **If you would like a tailored report with a graphical representation of your results, we can help – do please get in touch and let us know.**

I do hope that you enjoy our report and find our analysis interesting. Any of our academy specialists around the country will be pleased to help you understand the data, and do feel free to contact me if you wish. Finally, since we are always keen to improve our benchmarking report, we would be pleased to receive suggestions for areas to look at next year.

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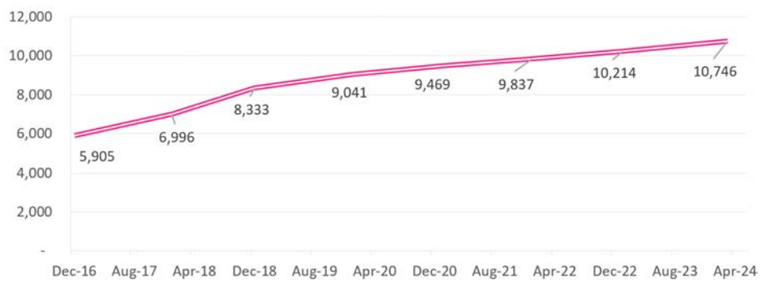
Summary of the sector

The sector continues to evolve, with growth in both the number and size of MATs. The inevitable has now happened and the majority of trusts are now MATs – over 51% of all trusts. Around nine in ten individual academies are part of a MAT.

As of 1 March 2024 there were 10,746 academies. There were a further 851 schools in the pipeline to convert, of which 698 were primaries. Despite this, there are still large numbers of primary schools, in particular, who have yet to convert or begin the process.

We are slowly moving to a world with fewer and fewer SATs and small MATs. The Government made it clear some time ago that they see a future with MATs of at least ten academies, since this is deemed to be a level at which efficiencies and economies of scale can be best achieved. The number of small MATs is already showing a downwards trend, and this too is contributing to the decline in trust numbers. There were 149 fewer trusts in March 2024 than there were in early 2023 (down 6%). There has now been an 18% drop since the height in trust numbers in 2018.

Growth in number of academies



Fall in number of trusts

From speaking with our clients, there are various reasons why small MATs are closing, but it seems clear from the statistics that there has been a realisation that larger numbers often brings strength. In some instances, small MATs have merged with each other, in other cases they joined a much larger MAT. The trigger can sometimes be financial problems, but often there are other reasons. There is a feeling within the sector that some smaller MATs are not being allowed to grow, and consequently they are left with little choice other than to join a larger MAT.

At the other end of the scale, it is interesting that there has been little growth in the number or size of the very largest trusts. Many of the 40+ MATs did not grow in size at all during 2022/23. The largest growth over the past year has been in the mid-sized trusts of 6-10 academies and, to a lesser extent, also those with 11-20 academies.

There continues to be a question mark over where new converters and small MATs can go if some large MATs are showing reluctance to grow further. Perhaps we will see many more of the mid-tier MATs grow. 48% of academies are now in a MAT of 11 or more schools, and 74% are in a MAT of six or more academies (up from 67% in early January 2023).

Trust Size	No. of academies	Trusts	% Trusts March 2024	% Trusts Jan 2023	% Trusts Jan 2022	% Trusts Jan 2021	% Trusts Jan 2020	% Trusts Dec 2018	% Trusts Jan 2018	% Trusts Dec 2016
1	1,119	1,119	48.9%	51.3%	52.8%	54.2%	55.5%	58.8%	62.2%	69.8%
2	396	198	8.6%	8.8%	9.3%	9.6%	10.1%	11.0%	11.5%	10.5%
3-5	1,425	365	15.9%	17.6%	18.0%	18.0%	18.6%	17.4%	16.0%	12.7%
6-10	2,683	348	15.2%	12.7%	11.3%	10.9%	9.8%	8.1%	7.0%	5.0%
11-20	2,686	186	8.1%	7.0%	6.2%	5.3%	4.3%	3.3%	2.4%	1.3%
21-30	867	35	1.5%	1.2%	1.3%	1.1%	1.0%	0.8%	0.6%	0.4%
31-40	940	27	1.2%	0.9%	0.6%	0.5%	0.5%	0.4%	0.2%	0.1%
41+	630	12	0.5%	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%	0.2%

The size of a MAT only tells part of the story. Some MATs are 100% phase dominated, others contain a mix of secondary and primary academies.

A common model is one or two secondaries, with a number of "feeder" primary schools. This can give a trust more control over the flow of pupils from one school in the trust to another, ensuring that the income from a single pupil is kept within the trust from the age of five to 16, at least.

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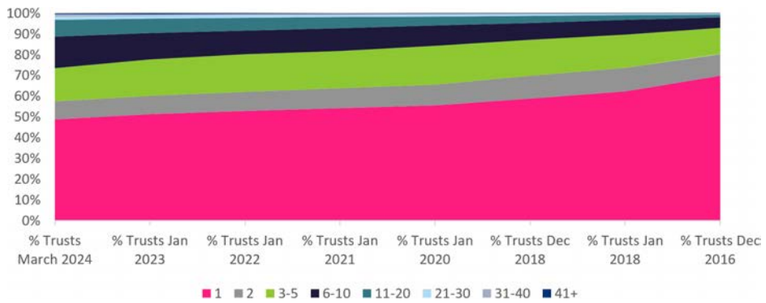
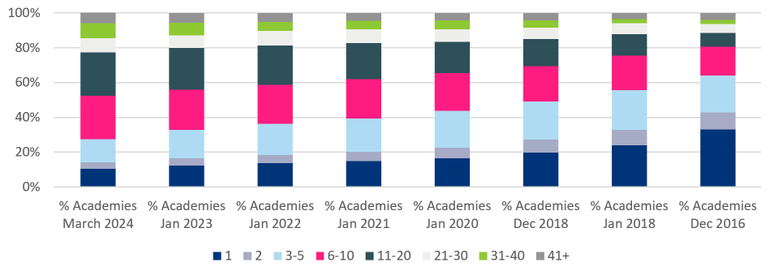
The change in MAT size in past five years



The numbers of academies in MATs of different sizes



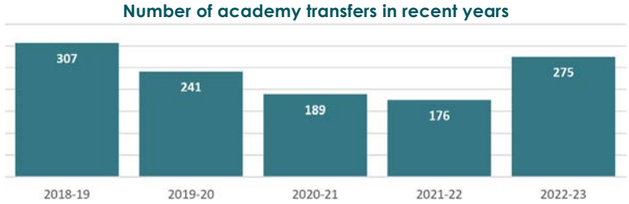
Academy transfers and rebrokerage

As we have explored, SATs and small MATs are joining into larger MATs. There are also sometimes transfers of single academies between MATs, although this is rarer.

During 2022/23 there were 275 academy transfers, defined as any movement when an academy moves from its current trust to another trust. This means 2.7% of academies moved trust during the year, up from 1.8% in 2021/22. Grant funding is sometimes given to academies moving trust on educational or governance and financial grounds.

Of those transfers, 74% were initiated by the trust, with 14% due to intervention, and the remaining 12% occurring due to closure.

Number of academy transfers in recent years



Other sector developments

The looming general election, and the uncertainty this brings over the future Government, hangs over the sector. There has been no suggestion from Labour that, should they be successful, they will radically change the academisation programme, and indeed it was New Labour that introduced the academies programme (although aimed initially at failing schools).

Labour's stance on academies has certainly softened in recent years – there was a time they seemed to have turned against academisation, believing it not to be fulfilling its purpose. There has been a realisation that the academisation programme is now all but impossible to reverse.

So it seems that, whoever wins the election, the dual system is here to stay. What will be interesting is how the drive to larger MATs changes, should there be a change in Government. Labour have previously said they would protect the right of single-academy trusts to continue to stand alone.

One thing Labour have promised is that they would inspect MATs as well as schools themselves, and introduce a new focus on improving schools with new regional teams to drive better outcomes for children.

For now, Labour's focus on the education sector for has been on independent schools, with a pledge to remove their charitable exemptions.

Rising costs across the sector remain a concern. The 2024 Spring Budget did not bring any further good news, with no new funding announced other than the commitment to an initial £105 million towards a wave of 15 new special free schools to create over 2,000 additional places for children with special educational needs and disabilities (SEND) across England. The locations are expected to be announced by May 2024. Whilst welcome in the face of wider issues around SEND provision and funding, one imagines it will be several years before these new schools are built, and 15 schools spread across the country is not many. With 400,000+ pupils across the country with an Education Health and Care Plan, the system continues to strain to cope.

When we published our report last year, the education sector, like many other areas of the public sector, was in the midst of a series of strike actions. 2023 saw a significant number of teacher strikes in schools in England and Wales, with some unions striking across 11 different days from February to July 2023, as a result of teachers campaigning for higher pay and better working conditions. Whilst things have quietened down, the prospect of further strikes later in 2024 cannot be completely discounted. Recently, nearly 150,000 teachers voted for further action in an indicative ballot conducted by one prominent union.

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Staff costs, numbers and teaching staff to pupil ratios

2022/23 was a year of uncertainty surrounding staff costs, with teaching costs being a key area of concern to Trusts. Teachers pay disputes were finally resolved in July 2023 following a long negotiation phase with Unions and the Government, and a number of strikes. The agreed 6.5% increase in salaries came into effect from September 2023.

In addition, employers' contributions to the Teachers' Pension Scheme increased to 28.6% in April 2024; an increase of 5%. The Teachers Pension Employer Contribution Grant (TPEG) is how the government will provide additional funding to cover the increase in the short term.

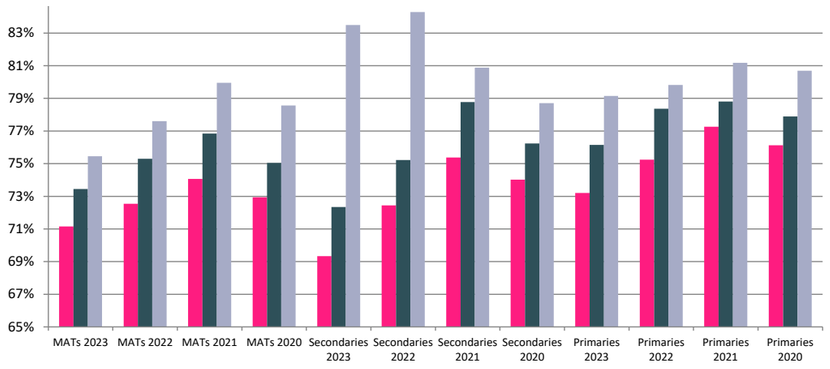
Staff costs make up a large proportion of the budget and, in view of this, all well managed trusts will be keeping a close eye on their most significant cost. To operate both a sound financial model and to provide an excellent education to its pupils, a trust has to ensure its staff offer value for money. This can be difficult at times, with teaching staff automatically rising up through pay spines for most trusts, and regular pressure from teaching unions.

Academy leaders are very aware of what other local trusts may be paying their staff and, with a shortage of high-quality staff in some areas, competition between schools is fierce. Academies near London, but outside the zone for higher pay, face a particular challenge with the risk that teachers living on one side of the threshold will travel to work at a school on the other side.

The starting salary for teachers outside of London of £30,000 is in line with the Governments manifesto commitment. The competitive starting salary is hoped to assist in attracting top quality talent and further raise the status of the teaching profession.

Staff costs make up such a large proportion of any school's budget that it is the obvious area to focus on if it becomes necessary to make savings. At the same time, staff are at the core of the educational activities being provided and it is therefore a constant and difficult balance. This is why ensuring value for money is achieved is so key. Using techniques such as benchmarking and integrated curriculum financial planning (ICFP) can help identify areas where a trust may not be operating as efficiently as possible. The contact ratio is an important part of ICFP since it is vital that teaching staff, including educational leaders, are spending sufficient time in front of pupils.

Staff costs as % of total costs



Taking into account the average, there has been a reduction in the staff costs as a percentage of total costs. However, given the increases that have been announced, it continues to highlight the importance of the continued funding to academies' future budgets.

The average staff costs have reduced a few percentage points across the sector, but secondary academies have seen the largest reduction.

Average staff costs as % of total costs				
	2022/23	2021/22	2020/21	2019/20
Primary academies	76%	78%	79%	78%
Secondary academies	72%	75%	79%	76%
MATs	73%	75%	77%	75%

Trustees should review key performance indicators (KPIs) regularly throughout the year and explain these within the annual report. We would expect some measure of staff costs to be considered as a KPI during these reviews.

The cost of getting it wrong when it comes to staff can result in significant financial costs. Restructuring costs remain common and, when it comes to agreeing severance settlements, this can take up significant management time. Of course, some restructuring costs arise by choice if costs need to be cut, with the short-term cost outweighed by the longer-term savings. Where an employee is not performing, trusts should ensure they manage the process well from the very beginning, taking appropriate HR and legal advice where necessary, and maintaining detailed records.

This can help keep the cost of a settlement down but, with current employment law weighted in the employee's favour, it continues to often be cheaper – when management time is taken into account - to enter into a settlement than deal with a protracted court case.

We continue to see innovative ways of dealing with annual pay reviews and trusts increasingly linking pay rises to performance.

The DfE guide '[Implementing your school's approach to pay]' was updated in October 2023 and this remains a useful resource, with helpful non-statutory advice for schools and governance boards on subjects such as delivering the appraisal process and how to make robust and informed decisions on teachers' and leadership pay.

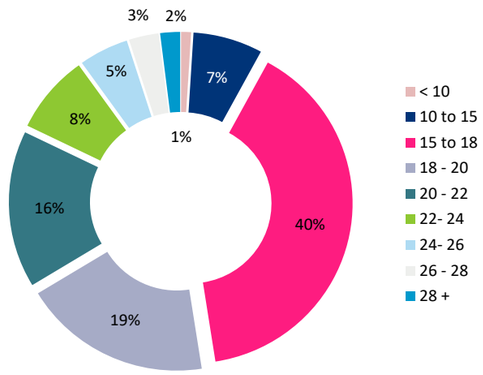
Pupil to teacher ratio

An important part of efficiency can be the pupil to teaching staff ratio (PTR); as noted above this is one of the key components of ICFP.

In 2022/23, 59% (2022: 57%) of academies in our sample had a pupil to teacher ratio (PTR) in one of two most common ranges (15 to 18 and 18 to 20), meaning the majority of academies once again have a PTR of between 15 to 20.

The academies at the lowest end of the scale are generally special needs academies for pupils with very different educational needs. At the opposite end of the spectrum, 2% of academies (2022: 4%) had a PTR of over 28. The number of trusts with a PTR of 20 or more rose to 34% (2022: 31%).

Teaching staff to pupil ratio



Supply staff

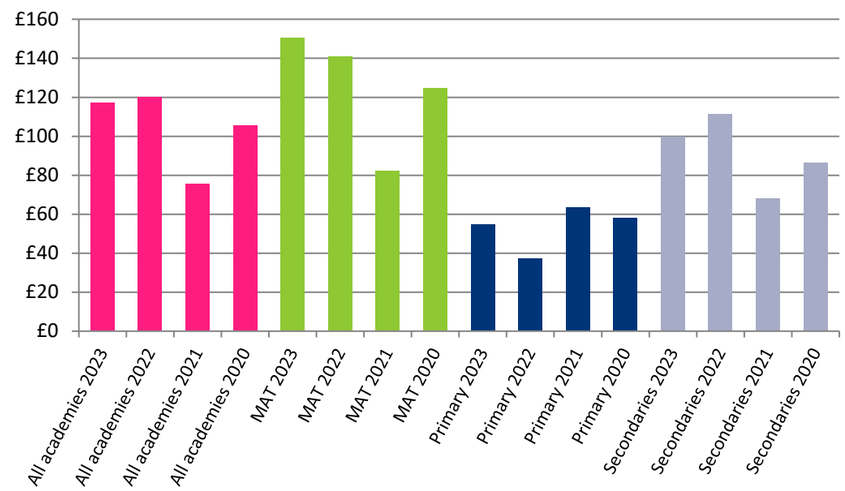
There have again been mixed results with some schools spending more as staff illness rates soar and teacher shortages continue to worsen.

Unsurprisingly, given the sharp rise to £120 per pupil in 2022, the average cost per pupil of supply teachers has reduced slightly to £117 in 2023.

The actual spend behind these per pupil numbers shows that the average primary academy has paid out £12k (2022: £37k) in supply costs, which is much lower than the average secondary average of £129k (2022: £111k).

Staff absence is one of the hardest budget areas to predict and is tricky to manage. One way Trusts can mitigate this is through sickness absence insurance. This is generally more popular in primary schools than secondary schools as they generally have larger pools of staff which provides more opportunity for internal cover. Given the average cost is rising within secondary schools, this could be a consideration to limit financial exposure to staff absence.

Supply teacher costs: £ per pupil



Key management remuneration

Senior leadership pay continues to be a divisive issue in the sector and, rightly, is often an area that comes under scrutiny.

Trusts need to follow the Academy Trust Handbook (ATH) guidance for setting executive pay which requires a "robust evidence-based process and a reasonable and defensible reflection of the individual's role and responsibilities".

Benchmarking against other trusts is worthwhile but differing structures and the decision over who is classed as key management, particularly in a MAT, continues to vary enormously and restricts the usefulness of some comparisons.

Academy trust accounts need to disclose remuneration pay to key management personnel (KMP). This is a term used in the accounting standard FRS 102, on which much of the Academy Accounts Direction (AAD) is based. The AAD makes it clear that key management would be considered to be:

"those persons having authority and responsibility for planning, directing and controlling the activities of a reporting entity, directly or indirectly, including any director (whether executive or otherwise). This definition includes academy trustees and those staff who are the senior management personnel to whom the trustees have delegated significant authority or responsibility in the day-to-day running of the academy trust. In practice, this is likely to equate to trustees and an academy trust's senior leadership team. For trusts with multiple academies, it may also include principals and senior leadership teams of individual academies. However, this will depend on the specific circumstances in place."

The ESFA guidance updated in November 2023 in relation to setting executive salaries continues to be a useful resource which can help boards in making decisions about pay and to be confident about, and accountable for, these decisions. The guidance sets out key factors that should be used by academy trust boards when setting or reviewing executive salaries, so they are set at fair, reasonable and justified levels.

Boards should adhere to the following key principles whilst reviewing salaries:

- they can be justified and are in the best interests of the trust
- they reflect the individual's responsibilities
- they demonstrate value for money.

The DfE has taken steps to challenge and reinforce the message to the sector that there is need for robust evidence-based processes in setting pay, and to ensure in particular that pay of leadership teams in the sector is transparent, proportionate and justifiable.

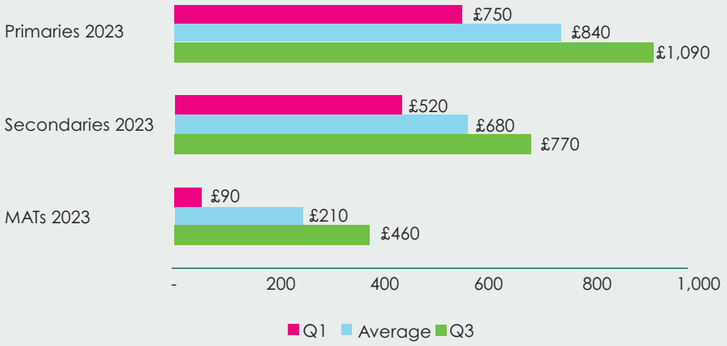
All trusts must publish on their website, in a separate readily accessible form, the number of employees whose benefits exceeded £100k, in £10k bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers' pension contributions, other taxable benefits and termination payments. Where the academy trust has entered into an off-payroll arrangement with someone who is not an employee, the amount paid by the trust for that person's work for the trust must also be included in the website disclosure where payment exceeds £100k as if they were an employee (ATH 2.29)

The Academy Schools Sector Consolidated Report and Accounts (SARA) for trusts 2021/22 year was published by the DfE in February 2024 and reveals why there is such a continued focus in this area. The number of payments of £100k or more continues to increase year on year.

Source: DfE Academy Schools Sector Annual Report and Accounts for 2021/22

	2022/21: Number of ATs paying at least one individual above this	Proportion of ATs in sector	2020/21: Number of ATs paying at least one individual above this	Proportion of ATs in sector	Restated: 2019/20: Number of ATs paying at least one individual above this	Proportion of ATs in sector
Payments of £150k or more	594	22.9%	563	21.1%	473	17.0%
Payments of between £100k - £150k	1,831	70.5%	1,841	68.8%	1,772	63.5%

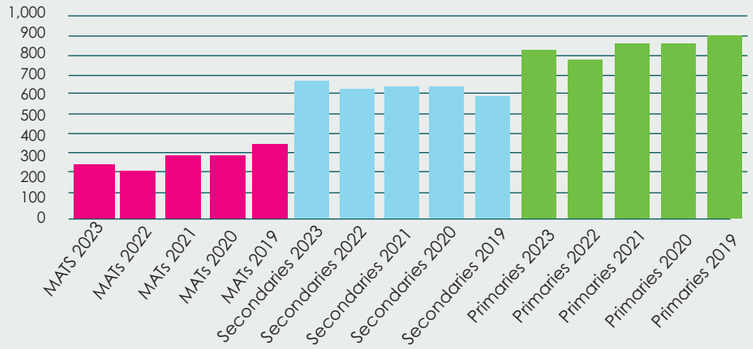
KMP remuneration per pupil



This chart shows quite a range of results in per pupil figures across all types of trust. For MATs in particular the quartile 1 result is a mere fraction of the quartile 3 figure.

If we look just at the average figures, and compare year on year, we can see an increase this year for both MATs, primary and secondary academies.

Average KMP remuneration per pupil (£)



The relative size of the school impacts on the figures here and explains why the primary averages are generally higher. MAT per pupil figures are the lowest as a result of the relatively low number of management staff in the larger MATs compared to pupils.

Further analysis of the MAT data reveals the following:

	Mean average KMP cost per pupil 2023	Mean average KMP cost per pupil 2022	Mean average CEO/AO cost per pupil 2023	Mean average CEO/AO cost per pupil 2022
MAT size				
2 - 5 schools	£531	£481	£84	£91
6 - 10 schools	£331	£356	£47	£51
11 - 20 schools	£234	£292	£37	£28
20 schools +	£80	£69	£16	£14

CEO/Accounting Officer salaries

Trust boards and pay committees should also remember it is not acceptable to pay a certain salary just because another local trust of a similar size does likewise.

Payments to the very highest paid individuals will always attract the most attention. This individual may be titled as the Chief Executive, Accounting officer, or Headteacher but, ultimately, it is the executive leader of the trust responsible for leading the organisation.

It is natural that remuneration packages reflect the responsibility and risk and, as a result, there is often correlation with the size and complexity of the academy trust. In most cases, the CEO of a large MAT will be paid more than the CEO of a small MAT with just two or three academies and, since most secondary academies are considerably larger than primary academies, it also follows that average remuneration for secondary leaders is higher than in primary academies.

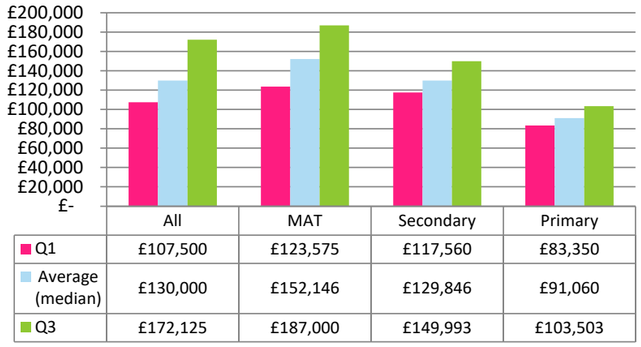
In recent years, the ESFA has issued letters to trusts paying high level of salary to executive leaders, forcing trusts to justify these salaries. In some cases, this has resulted in a reduction in executive salaries where the levels cannot be justified appropriately.

There is a relatively small band of remuneration levels for both secondary and primary headteachers. Secondary headteachers were paid between £117,560 (quartile 1) and £149,993 (quartile 3) whilst primary headteachers received remuneration of between £83,350 and £103,503.

There is a much wider range for MATs, understandably, with the CEOs of some of the larger MATs commanding higher remuneration.

Size of MAT	Average CEO/AO salary
2 - 5 schools	133,000
6 - 10 schools	136,000
11 - 20 schools	157,000
20 schools +	191,000

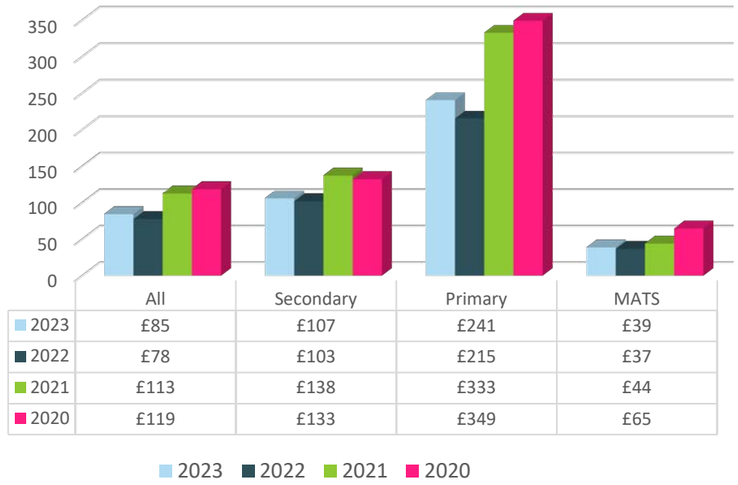
CEO salaries



	All	MAT	Secondary	Primary
Q1	£107,500	£123,575	£117,560	£83,350
Average (median)	£130,000	£152,146	£129,846	£91,060
Q3	£172,125	£187,000	£149,993	£103,503

A fairer comparison can be made when reviewing per pupil salaries:

CEO per pupil



	All	Secondary	Primary	MATS
2023	£85	£107	£241	£39
2022	£78	£103	£215	£37
2021	£113	£138	£333	£44
2020	£119	£133	£349	£65

Primary schools tend to have smaller pupil rolls which in turn results in a much higher CEO salary per pupil than in secondary schools where the pupil roll can be significantly larger.

Restructuring and severance payments

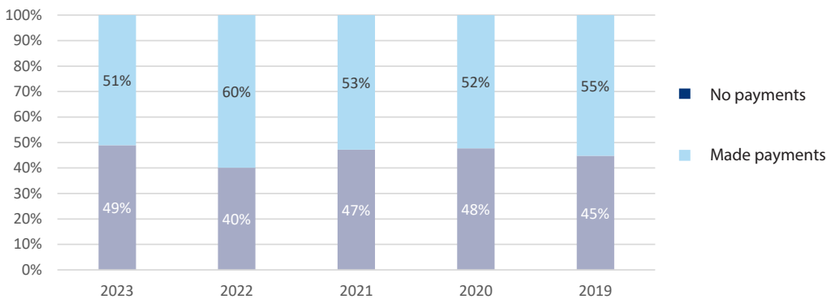
Restructuring payments, including severance, are common in the sector. For a number of years, the number of trusts in our sample making such payments has been slightly more than those trusts which have not.

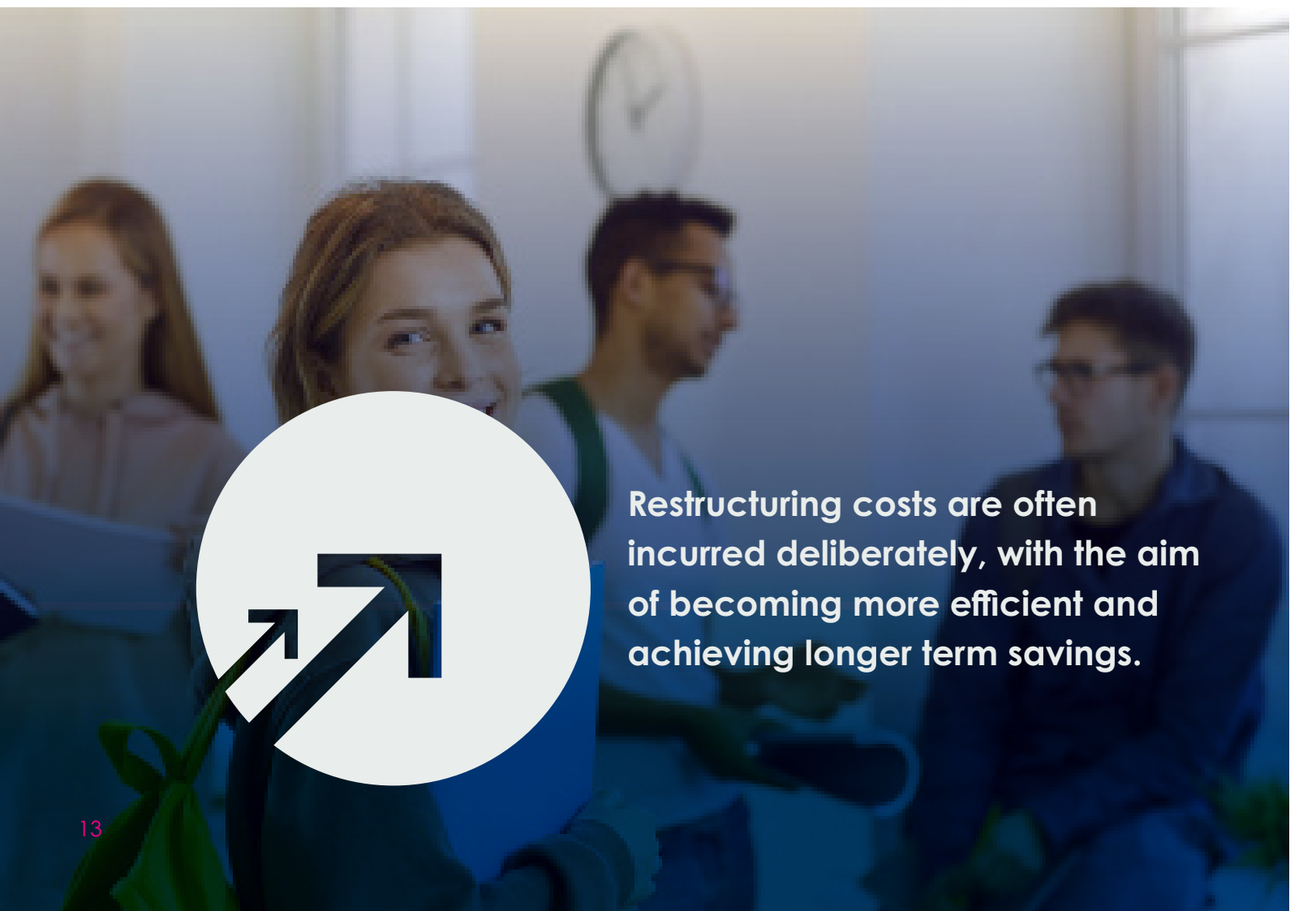
It should be remembered that restructuring costs are often incurred deliberately with the aim of becoming more efficient and achieving longer term savings.

The regular re-brokerage of trusts and mergers between MATs also has an impact, since some degree of restructuring is inevitable after such changes.

Restructuring is sometimes instigated by a financial need. If a trust is struggling in a financial sense, it is imperative that leaders react early enough to ensure that the trust can afford the short-term costs without causing cash flow worries.

Academies making compensation or severance payments



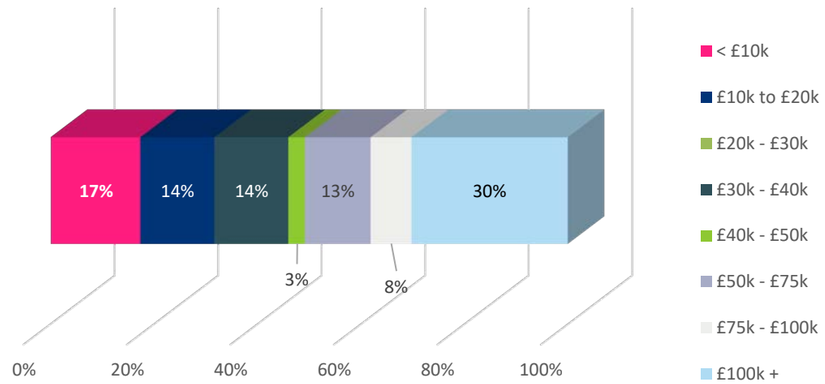


Range of restructuring payments

The level of restructuring payments made is also important. A significant number are relatively small, and this year 17% of trusts making payments paid out less than £10,000. At the opposite end of the scale, 30% of all trusts paid out over £100k in total.

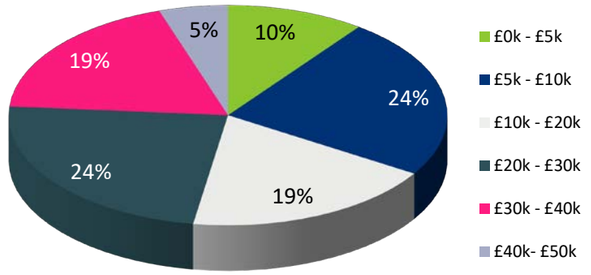
With the MAT figures often spread across numerous academies the high totals should not come as a complete surprise, but it highlights the additional costs that some trusts do face.

Restructuring payments range



Trusts must disclose the individual non-contract severance payments which form part of the total restructuring costs, and this further analysis helps us to understand the total costs. In some cases, the totals comprise several smaller payments, but there are some trusts paying significant individual sums.

Highest non-contractual payments



This year there was a reduction of trusts with the highest non-contractual payment in the lowest two bands (up to £10,000) to 34% (2022: 37%). However, most trusts still have their highest non-contractual payment within the lowest three bands, 53% compared to 64% in 2022. There were no trusts in the over £50,000 band, with the largest individual payment recorded within our sample of £50,000.

Sorted by type of trust, the highest individual payments during 2022/23 were:

	2022/23	2021/22
Primary	£7k	£15k
Secondary	£39k	£29k
MAT	£50k	£83k

Pension costs

Academy trusts and their staff pay into two pension schemes: the Teachers' Pension Scheme (TPS) for their teaching staff and the Local Government Pension Scheme (LGPS) for all other support staff.

Both schemes offer attractive pension benefits to staff, but funding them is expensive. The schemes are defined benefit schemes, which means benefits are guaranteed upon retirement and based on individuals' final salary just before retiring.

Teachers' Pension Scheme

A key change occurred on 1 September 2019 when TPS contribution rates increased significantly. The Teachers' Pension employer contribution rate increased sharply from 16.4% to 23.6%. From 1 April 2024, this rate increased further to 28.7%.

The rises have been funded via the Teachers' Pension Employer Contribution Grant and so there has, to date, been no net cost to academies.

The TPS has over 2 million members and is one of the largest pension schemes in the UK. A full actuarial valuation exercise is completed once every four years to ensure that ongoing contributions from both members and employers are sufficient to meet the obligations of the scheme. The last full valuation as at 2020, which was published in 2023, revealed the scheme was in deficit by around £39.8 billion, up £17.8 billion from the previous valuation, with changes in financial assumptions as the key reason behind the change.

There are different schemes and membership of a particular scheme will depend on when the teacher entered the teaching profession. Until 2012, teachers were enrolled in the Normal Pension Age (NPA) final salary scheme. The CARE, or Career Average Revalued Earnings, scheme replaced the final salary scheme in 2012 and, under this scheme, a retiree's pension is calculated by using an average salary. The new approach was introduced in an attempt to combat the increasing deficit in the scheme and to make this more manageable in the future with an ageing population. This should work, but it will take some time before the impact is seen in the pension valuation.

The elephant in the DfE's room is how long they can continue to fund these large pension cost rises. The rise since 2019 has been enormous – 73% – and impartial observers may question if the cost of funding the TPS is becoming too expensive. As has happened with other funding streams, it is expected that the extra pension funding will be paid as part of GAG in the future. Like all public sector pension schemes the TPS is undoubtedly an attractive scheme, and a benefit that many will believe ought to be considered by unions when campaigning about state of pay in the education sector.

Local Government Pension Scheme

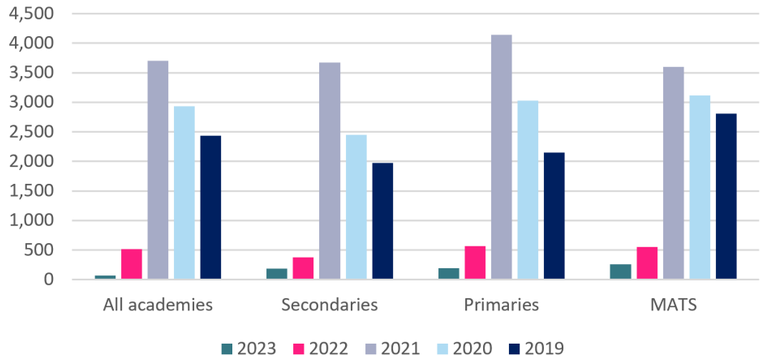
In terms of annual financial statements, the focus has been on LGPS liabilities, as these are shown on academy trust balance sheets and are therefore more visible.

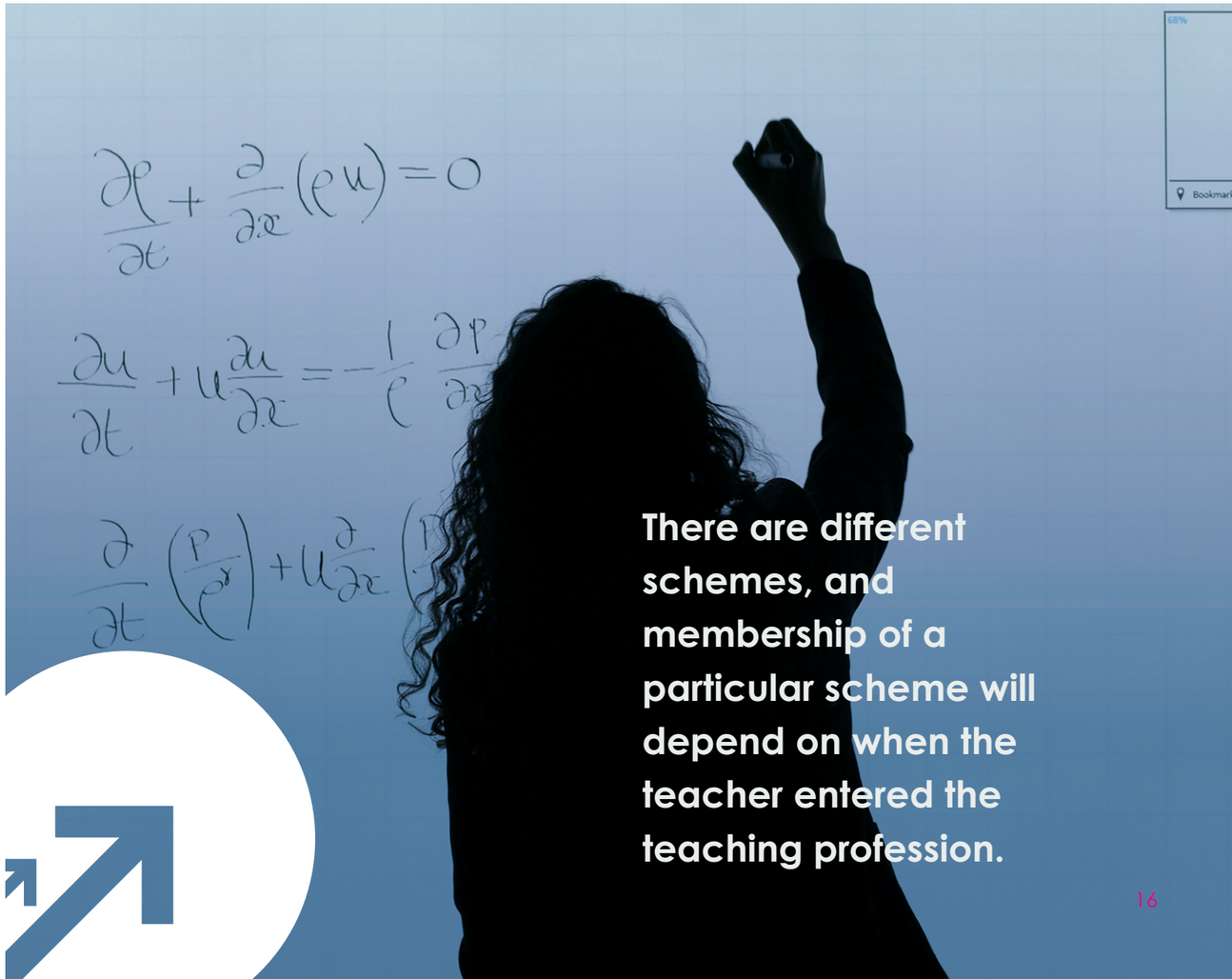
Trustees have become accustomed to the fluctuating nature of these liabilities, and generally accept that a deficit is an accounting deficit with no direct impact on the cash contribution levels paid by their trust. In recent years, some academies have enjoyed a pension asset, given the rise in equity values and the decrease in liabilities as a result of increases in the discount rate, which is closely linked to interest rates.

There is no national LGPS, with each Local Authority administering their own scheme and, as a result, the levels of both employee and employer contributions can vary significantly depending on geographical location.

In 2022, a large number of Trusts enjoyed a pension asset, a feature which was repeated in 2023, indeed becoming more common. However, in common with many other audit firms, UHY Hacker Young concluded that it was not appropriate to recognise the pension asset, on the grounds that there was insufficient evidence that these surpluses would ever result in a repayment or reduction in employer contributions (given that the surpluses are probably only temporary), with a £nil asset/liability approach being adopted. However, there was no sector-wide consistent approach, and some trusts and their auditors reflected pension assets, usually restricted using an 'asset ceiling' approach. Everyone is hoping that some further guidance will be issued before 2023/24 financial statements are prepared.

With many trusts reporting a £nil position, the average LGPS liability per pupil has understandably fallen further. Pension deficits rose steadily between 2019 and 2021 before the sharp fall in 2022, and further reduction in 2023, shown clearly on the average liability per pupil graph below:





Income

According to the Government, schools are now receiving the highest ever level of real terms funding. Though, many will dispute this.

New funding continues to be announced, but there is a feeling that the money is not always new, and is often a reallocation from elsewhere.

The strike action in 2023 was finally called off following the acceptance of a 6.5% pay increase in July 2023. The new pay award began in September 2023 at the start of the new academic year. Funding has been provided by the DfE for the next two academic years, with over £480 million going into schools this academic year, and over £825 million for 2024/25.

There are more positive changes coming for 2024/25:

- £4.7 billion of core school funding (announced in October 2021)
- an extra £2 billion of funding per annum with effect from 24/25 (announced in Autumn Statement in November 2022)
- additional funding, announced in March 2024, to support with teachers' pension rises.

Based on the above, funding for 2024/25 will be 12.8% higher than for 2022/23. Some may argue that much of the additional funding is only covering extra costs, and does not give schools more money to invest in delivering a better education to our children, but it is unarguable that the Government has shown a significant commitment to education funding.

According to the Organisation for Economic Co-operation and Development (OECD), in 2019/20 (yes, a little out of date we know, but it's the most recent data seemingly available) the UK was the highest spender in the G7 on schools and colleges delivering primary and secondary education as a share of GDP.

For 2022/23, the minimum funding level per pupil increased to at least £4,265 for each primary pupil and £5,525 per secondary pupil, up from £4,000 and £5,150 in the previous year.

	2022/23	2023/24	2024/25
Announced at the 2021 Spending Review	£53.8bn	£55.3bn	£56.8bn
Additional core funding announced at the 2022 Autumn Statement		+£2bn	+2bn
Additional funding announced in July 2023 to support with the teachers' pay award		+£480m	+£825m
Additional funding announced in March 2024 to support with teachers' pensions			+£1.07bn
Total funding	£53.8bn	£57.7bn	£60.7bn

General Annual Grant

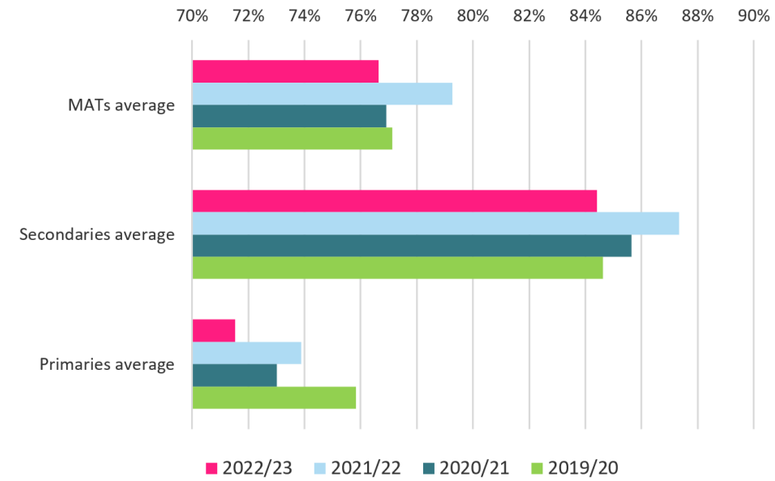
The General Annual Grant (GAG) is the core funding stream for virtually all academies, the exceptions sometimes being Alternative Provision academies who receive a large proportion of their income directly from the local authority.

Previously, this has also included 16-19 core programme funding, where relevant. However, the way 16-19 core programme funding is paid has changed, and it therefore no longer forms part of GAG. We covered this in our UHY Insight article back in July 2023. Strictly, any trusts with secondary academies receiving this funding ought to have shown 16-19 funding separately from GAG, instead disclosing it within Other DfE/ESFA grants. From a review of 2022/23 financial statements, this separate disclosure was not made by a large number of trusts, with many continuing to include the 16-19 funding within GAG. The 2023 to 2024 Academies Accounts Direction, published recently, has now confirmed this treatment.

Because of the inconsistent approach taken across the sector, and because the substance of the 16-19 core funding is the same as GAG, just for further education students, we have continued to show the 16-19 funding as part of GAG for the purposes of this benchmarking report.

Across all the academies covered in our sample, GAG accounts for around 77% of total income on average. This is down compared to 80% for 2021/22. Secondary academies are once again generally more reliant on GAG than primaries; 84% versus 73%; the non-GAG grant funding that primaries received, such as UIFSM, PE/sports grants and nursery funding, is a key factor here.

Highest non-contractual payments



Other income

MATs are usually better placed to maximise their self-generated income because they can take the opportunity to use facilities across the entire trust. A centralised MAT team is likely to have more time to devote to income generation, and possibly even a dedicated business development officer in place to help maximise self-generated income.

As the size of the average MAT continues to grow the likelihood of needing to establish a trading subsidiary for tax planning or risk mitigation. It is always preferable to take early professional advice if you have concerns in this area, or are thinking about commencing a new significant income stream. Planning ahead and putting the desired structure in place beforehand is better than trying to resolve an issue at a later date by which time tax or VAT thresholds may have been breached. Two key thresholds to remember are:

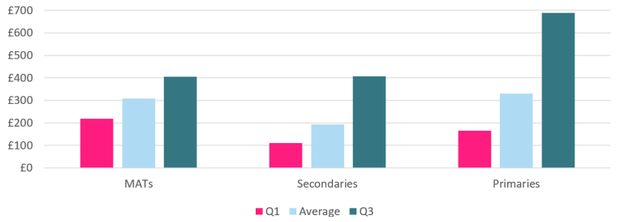
- VAT - trusts are obliged to formally register for VAT with HMRC is taxable income exceeds £90k per annum.
- Corporation tax – all charities have a small scale trading limit. Whilst tax does not become payable on profits generated from primary purpose or ancillary trading (closely related to the primary purpose), a corporation tax liability can arise from other profits on income above the small scale trading limit. Due to their levels of income, the small scale trading limit for academies is the £80k per annum maximum, and income such as secondment of staff, consultancy, some hire of facilities, can be classed as taxable business activities depending on the circumstances.

The other income figures in the table below include all forms of other income and, as a result of varying styles of presenting information in the accounts, not all of this other income is truly self-generated, it can be linked to education.

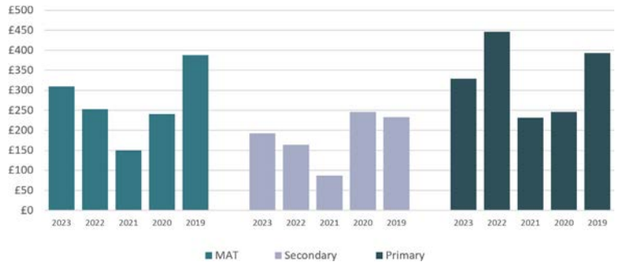
As we've seen in previous years there is a wide variation between the trusts at the top and bottom of the range. The gap is less for MATs, but in both single secondary and primary academies there is a stark difference between the bottom and top quartile results. The gap is most prominent in primaries, where the trusts generating the most self-generated other income have been able to make more than £688 per pupil, more than double the average.

One reason that primary academies are often able to generate more other income because of before and after school club provisions linked to the school.

Other income per pupil



Other income per pupil



Some of the schools with the higher other income per pupil (and 3 schools generated over £1,000 per pupil) benefitted from a high level of the donations.

The Covid-19 pandemic impacted on many trusts' ability to generate additional income through lettings and other self-generated sources in 2020 and 2021. Even now, other income levels have not recovered to pre-pandemic levels (save for primary schools in 2022).

The higher interest rates are one reason for the rise in other income enjoyed by many trusts during 2022/23. Whilst the rapid rise in the Bank of England base rate caused difficulties for borrowers across the country, with anyone not in a fixed rate mortgage in particular suffering as rates increased month by month, it was a different story for savers. Many trusts are sitting on significant cash reserves (see section cash at bank on page 27) and the rise in interest rates provided an opportunity for trusts to generate income for very little work. Some trusts have been able to generate far more in interest than they could possibly have hoped to generate from any other funding, raising or trading activities they seek to carry out. We have seen some trusts take the opportunity by investing GAG funding received at the beginning of the month into higher interest bearing accounts, and earning a return before withdrawing funds later in the month to pay salaries. Likewise, trusts holding significant capital funding have been able to invest, sometimes on longer term fixed deposits, if they know the money is not needed for a period. Investment platforms, providing the opportunity to easily move money around different high interest accounts with no risk, are increasingly used.

Covid-19 funding

Whilst talking about the pandemic, it is a timely moment to mention the specific Covid-19 funding that schools have received in recent years. The 2022/23 year saw funding to support recovery from the pandemic continue, with Recovery Premium and National Tutoring Programme (NTP) grants. These both continue into 2023/24, although the current year will be the final one for both programmes.

A reminder that any unspent NTP funds are repayable to ESFA.

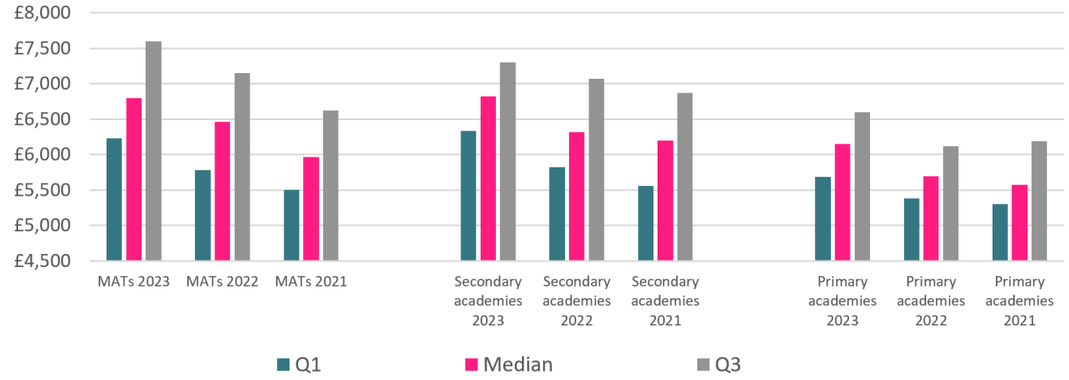
A significant number of schools have not fully utilised their NTP allocations in recent years resulting in clawbacks.

DfE data shows that for the 2022/23 year just 70.8% of schools participated in NTP, down from 87.4% in the year before. It is clear that many schools have shunned the programme. A Schools Week analysis of DfE NTP funding league tables revealed that the amount of unspent cash for school-led tutoring for 2021/22 totalled £114 million – 36 per cent of the original £314 million allocated to schools for that year.

Total revenue income per pupil

The chart below illustrates the data from our sample for all recurring revenue income. There is a clear increase for all types of trusts this year, on the back of the rise in core per pupil funding and some of the additional revenue income streams such as the supplementary graph and recovery premium.

Total income revenue per pupil



Capital funding

Academies continue to receive basic capital funding, the Devolved Capital, which comprises a £4,000 lump sum per school plus a per pupil element. This funding equates to the sums that Local Authority or Voluntary Aided schools receive. This means a typical 1,000 pupil secondary school receives just over £20,000 per annum, which does not go very far when it is the only generally available capital funding. With a constant need to keep IT hardware up to date, it is very common for trusts to use 'revenue to capital contributions' by using revenue funding to top up their capital funding so they can provide students with up to date equipment to use.

In 2022 to 2023, eligible schools and sixth-form colleges received an allocation from an additional £447 million of capital funding to improve energy efficiency. This was part of an additional £500 million of capital funding for schools and further education institutions in England.

In addition to this basic funding, academies are either eligible for School Condition Allocation (guaranteed funding for MATs of a certain size) or can apply to the Condition Improvement Fund for funding for specific projects.

The Government is also providing additional funding through grants, or through the School Rebuilding Programme, to permanently remove Reinforced autoclaved aerated concrete (RAAC) where it is present in schools and colleges in England.

Many in the education sector believe that school buildings have been neglected for far too long, and that too many of our schools need urgent attention. The DfE expect trusts to manage their school estates strategically and to maintain their estates in a safe working condition. Expectations are not set out clearly in the Academy Trust Handbook, and trusts were required to include additional disclosures about estate management in their 2022/23 financial statements. We would encourage all trustees, Accounting Officers and managers responsible for estate management in academies to read the "Good estate management for schools (GEMS)" guidance on developing an estates strategy and asset management plan. The self-assessment tool included can be used to identify estate management priorities.

Further funding has been promised for the coming years. On Tuesday 26 March 2024, the DfE announced £1.8 billion for the financial year 2024 to 2025 to improve the condition of the school estate, bringing the total invested since 2015 to £17 billion to support responsible bodies to keep their estates safe and operational.

The £1.8 billion includes almost £1.2 billion in School Condition Allocations (SCA), including for local authorities, large multi-academy trusts and large voluntary-aided school bodies to invest in improving the condition of their schools.

Almost £450 million is available for 2024 to 2025 through the Condition Improvement Fund (CIF) programme for responsible bodies to invest in improving the condition of their schools.

Following a rigorous assessment of CIF bids, we confirmed 866 projects at 733 academies, sixth-form colleges and voluntary aided schools. This will support schools to keep buildings safe and in good working order by improving building condition, compliance, energy efficiency and health and safety.

We have published details of all successful applications, including a breakdown by region and type of project, which can be found in Condition Improvement Fund.

We have additionally contacted all applicants to inform them of the outcome of their application and set out the next steps, including the launch of an appeals process.

	Per non-boarding pupil	Lump sum per school
Nursery/Primary	£11.25	£4,000
Secondary	£16.88	£4,000
Post-16	£22.50	£4,000
Special/PRU	£33.75	£4,000

These per pupil rates have applied for a number of years now and 2023/24 and 2024/25 are being funded on the same basis. It is about time at least an inflationary rise was applied to these figures.

Condition Improvement Fund (CIF)

CIF is a bidding round with funds paid directly to single academy trusts and small multi-academy trusts, as well as small voluntary aided (VA) bodies and sixth-form colleges. The multi-million-pound annual fund supports three categories of project: condition, condition with expansion, and expansion. The DfE expect the majority of projects supported through CIF to involve the replacement of high priority components such as structural elements, boilers and electrics, fire doors and alarms, roof coverings and windows, and asbestos removal.

The 2023/24 CIF outcome was published in July 2023, and then, in March 2024, the outcome for 2024/25 was published, earlier in the year than usual. The fall in successful projects for 2023/24 and then again for 2024/25 is notable, and the total paid out for 2023/24 was 8.5% lower than the 2022/23 total. Total CIF funding for 2024/25 has fallen only slightly. The average funding per project, however, increased significantly in 2023/24 and then again for 2024/25. The number of successful projects may have been impacted by more trusts qualifying for SCA funding, as they grow, and becoming ineligible for CIF.

	Number of successful projects	Total CIF paid	Average per project
CIF 2024/25	866	£450m	£519,630
CIF 2023/24	1,033	£456m	£441,433
CIF 2022/23	1,405	£498m	£345,448
CIF 2021/22	1,466	£483m	£329,468
CIF 2020/21	1,476	£434m	£294,037
CIF 2019/20	1,412	£433m	£306,657

As usual, a number of trusts appealed unsuccessful applications and, once again, some were successful after appeal in securing funding. For 2023/24, an additional 25 projects at 24 institutions, totalling £11 million, will be funded via CIF after appeal.

The CIF is always heavily oversubscribed and it is important that trusts take the time, and often professional advice, to determine the likelihood of success for their particular project before investing significant time or money writing their application bid.

With competition for CIF funding so fierce it pays for trusts to approach applications in a professional manner, devoting the necessary time to the process and involving external technical advisers.

There continues to be a minimum project threshold (£20,000 for primary academies and special schools, and £50,000 for secondary academies) so small projects cannot be funded via CIF and need to be covered by Devolved Capital and reserves. The maximum funding available via CIF is £4 million. Other drawbacks of CIF include the uncertainty over the funding (making planning difficult) and restrictions on the type of projects which can be supported via CIF, with each round of funding favouring certain types of project which are given priority each year.

School Condition Allowances for larger MATs

The very largest MATs continue to be paid a guaranteed School Condition Allowance (SCA). MATs with at least five academies and more than 3,000 pupils in the spring census qualify for the SCA, which they are free to deploy strategically across their estate to address their priority maintenance needs. Those academies with access to SCA cannot also apply to the CIF on a project by project basis.

Most trusts invite their constituent academies to 'apply' for the funding and then, at central trust level, a decision is made where to deploy the money according to needs.

	School Condition Allocations 2019-24				
	2023/24 Final	2022/23 Final	2021/22 Final	2020/21 Final	2019/20 Final
Total SCA paid	£495.2m (8.8%+)	£454.9m	£405 (42.3%)	£283.3m (20%+)	£236.4m (30%)
No. of trusts	4427 (10%-)	389 (13%+)	343 (18%+)	290 (25%+)	232 (32%+)

Most interesting here is the large rise in trusts that now qualify for SCA. With further consolidation in the sector expected, the merger of some smaller MATs, and expansion of those currently just below the thresholds, will bring further trusts into the scope of SCA.

The average allocation for 2023/24 was £1.160m, similar to £1.169m in 2022/23.

SCA received	Number of trusts		
	2023/24 round	2022/23 round	2021/22 round
Over £5m	4	5	7
£1m – £5m	157	150	125
£500k - £1m	205	179	159
Less than £500k	61	55	52
Total	427	389	343

Note: Academies considering joining a larger MAT that receives SCA funding should be aware that it is important to plan their timing to avoid a scenario where their CIF bid could become ineligible at the point they transfer to the MAT.

School Rebuilding Programme

The School Rebuilding Programme (SRP) is a flagship Government scheme aimed at carrying out major rebuilding and refurbishment projects at school and sixth-form college buildings across England. It was a development to help ensure that all pupils, regardless of where they are from or their background, have access to facilities that will help them maximise their potential.

The commitment to rebuild and refurbish the schools most in need is part of the Government's wider Schools White Paper commitments, to ensure that by 2030 every child will be taught a broad and ambitious curriculum in a school with high expectations and strong standards of behaviour.

All buildings in the School Rebuilding Programme are built to the latest construction standards, designed to be net-zero in operation and more resilient to the effects of climate change. New buildings will provide modern facilities to support a world-class education ranging from classrooms and science labs to sports halls and dining rooms.

Over the course of this decade, 500 schools will benefit from the programme.

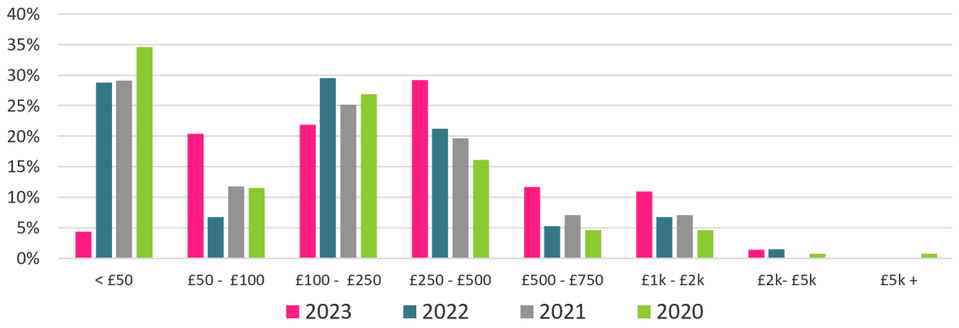
The first 50 schools were announced in February 2021, with a further 50 in 'set 2' in July 2021. In July 2022 another 61 schools were announced before a much larger 243 in 'set 4' in December 2022. Then, in February 2024, a further 110 schools were announced, totalliing 513 schools to date following one withdrawal.

The number of applications received by the DfE for the 2024 round have not yet been published, but in 2022 the high number of applications resulted in a success rate of only 27%. The DfE prioritise schools based on how immediate and severe their need for improvement is. Schools are provisionally allocated a place on the programme, subject to further due diligence, and projects will enter delivery at a rate of approximately 50 per year. It is therefore going to take more than ten years before the 500+ places reserved are complete.

The capital funding per pupil is naturally influenced by the trusts successful with CIF applications. SCA money has less of an impact because this is paid on a per pupil basis anyway.

The most common level of funding for 2022/23 on a per pupil basis was the £250 - £500 range for the first time, helped by the additional capital allocations.

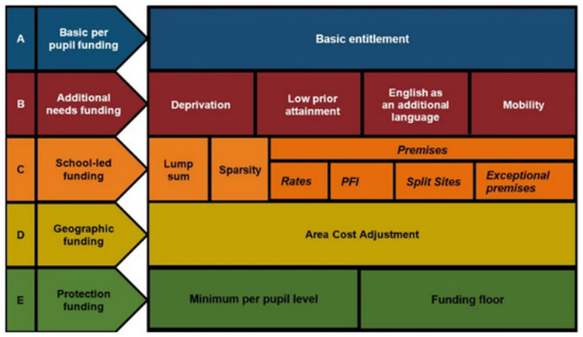
Spread of capital funding per pupil



The future

We continue to progress slowly towards the full National Funding Formula (NFF), which, given the complexity, is probably no surprise.

The NFF, the plans for which were first announced in 2016, can be described as a series of building blocks the DfE uses to work out a school's core funding allocation. The NFF aims to avoid large discrepancies between the amount of funding schools receive in different areas. These discrepancies have built up over years of allocations made by Local Authorities, rather than central Government. It takes into account various factors, as set out in the diagram:



The NFF was introduced as a 'soft' NFF, whereby a formula calculated a notional allocation for every school in England, which the government aggregates for all the schools in each local authority to create a total allocation for that local authority (LA). LAs then set their own local formulae to distribute their total allocation between all the schools in their area. Schools (both maintained schools and academies) receive their budget allocation based on their LA's formulae. This means that while the NFF determines how much money an LA receives, it is the LA's own formulae that determine how much each school finally receives, resulting in continued differences in individual funding levels across the country.

The current 2023/24 year is the first year of transition to a 'hard' or 'direct' formula, under which every school in England's final funding allocation will be determined by the same national formula, removing the need for a further adjustment from one of 150 local authority formulae. The main changes for 2023/24 include:

- Additional support directed to disadvantaged pupils, with 9.8% of the schools NFF allocated according to deprivation in 2023/24
- The core factors in the schools NFF - such as the basic entitlement, and the lump sum that all schools attract - will increase by 2.4%
- Through the minimum per pupil funding levels, every primary school will receive at least £4,405 per pupil, and every secondary school at least £5,715
- The supplementary schools grant, introduced in 2022-23 to support schools to meet the costs of the Health and Social Care Levy for pupils from reception to year 11, has been rolled into the NFF core funding.

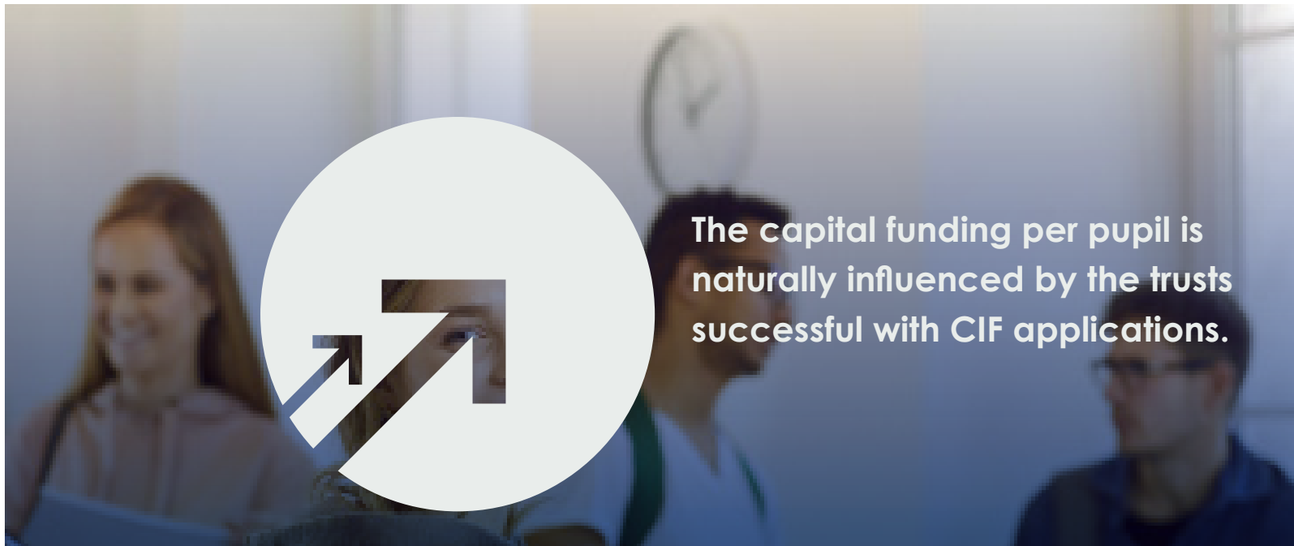
Local authorities are required to move their local formulae factors 10% closer to the NFF values, compared to where they were in 2022/23, unless they are already mirroring the NFF. A majority of LAs do already mirror the NFF:

A majority of LAs do already mirror the NFF:

Barnet	Gloucestershire	Oldham
Bath and North East Somerset	Greenwich	Oxfordshire
Bexley	Hampshire	Peterborough
Birmingham	Harrow	Plymouth
Blackpool	Herefordshire	Redbridge
Bolton	Hounslow	Richmond upon Thames
Bournemouth, Christchurch & Poole	Isle of Wight	Rutland
Bracknell Forest	Islington	Salford
Bradford	Kingston upon Hull	Shropshire
Buckinghamshire	Knowsley	Somerset
Bury	Lambeth	South Tyneside
Calderdale	Lancashire	Southampton
Cambridgeshire	Leeds	Southend on Sea
Cheshire East	Leicester	Staffordshire
Cheshire West And Chester	Leicestershire	Suffolk
Cornwall	Lewisham	Sutton
Coventry	Lincolnshire	Tameside
Cumbria	Luton	Torbay
Darlington	Middlesbrough	Tower Hamlets
Derby	Newcastle upon Tyne	Trafford
Doncaster	Norfolk	Wakefield
Dorset	North Lincolnshire	Waltham Forest
Durham	North Northamptonshire	Wigan
Ealing	North Yorkshire	Wiltshire
East Sussex	Nottingham	Wolverhampton
Gateshead	Nottinghamshire	York

Originally the Government planned to move to the 'hard' direct NFF by 2022/23. This date has now come and gone, and the DfE are yet to propose a fixed target date by which the direct NFF will be in place. It was, however, expected to have moved fully to the direct NFF by 2027/28 at the latest, without the further adjustment for the local authority formulae. This now won't be achieved, and the aim is to fully implement the full National Funding Formula by 2027/28.

It is debatable whether the direct NFF is enough. With costs continuing to rise, most in the sector feel that the levels of funding are not sufficient. This makes it even more important that schools use the funding they are receiving in as efficient way as possible, so that the money stretches that bit further. Whilst most trusts are managed well, the level and quality of financial management varies enormously.



Fixed assets and capital expenditure

By capital expenditure we mean any expenditure that is capitalised and carried on the balance sheet in relation to the construction, improvement or replacement of buildings, but also the acquisition of equipment, computers, office furniture and vehicles.

With the exception of church academies, trusts reflect the value of freehold premises they own, or occupy under long term lease arrangements, in their accounts. As a result, fixed assets will usually be the largest category on the balance sheet but, since they have little bearing on the day to day running of schools, this is also an area that can be overlooked by trustees.

Capital spending

Trusts are free to adopt a suitable accounting policy for capital spending, with purchases over a certain amount capitalised on to the balance sheet. A common threshold is £1,000, or £2,000 for single asset purchases, with a higher limit for bulk or group purchases made on one order, but some trusts have much higher limits.

It is important to remember that in most cases any significant works funded by CIF should be capitalised, even if the nature of the work could be thought to be maintenance. It is difficult to justify an alternative approach because significant investment funded by CIF grants is likely to lead to an enhancement and ongoing benefit.

The CIF guidance has been updated and now requires that, in any bid for funding, schools need to be able to demonstrate that the planned project will add to greater environmental sustainability at the school. Clearly, current trends are aimed at lowering carbon emissions towards net zero, so this must be welcomed in that context. Many schools that we see are looking at upgrading their facilities to include PV panelling, modern lighting solutions and insulation.

The typical spend per annum

Except in the Primary sector, the data shows that overall average expenditure has not increased when compared to 2021/22. However, the spend per pupil, which is perhaps the more relevant statistic, has increased for MATs and primaries, and remaining broadly constant for secondaries.

Hidden within these averages are some larger levels of expenditure, with the top quartile of MATs spending in excess of £5m on average, nearly £700 per pupil.

A problem with accurate interpretation of these figures is that many schools and academies expense some of their expenditure and only capitalise a proportion but, even drilling down into this, the evidence is that overall expenditure per pupil has increased.

	Average Total Spend £ 000,s	Average Total Spend £ 000,s	Average Spend Per Pupil £s	Average Spend Per Pupil £s
	2023	2022	2023	2022
Primaries	51	43	267	145
Secondaries	369	394	317	328
MATs	1,141	1,629	379	321

Accounting treatment

We have commented in previous years that capital expenditure, and how this and associated income is accounted for, can be one of the most confusing aspects of academy trust accounts. Expenditure does not necessarily match to income, with grant and other capital income recognised at the point the trust is entitled to receive it. This can result in large surpluses on the Statement of Financial Activities within the restricted fixed asset fund countered, over time, by the depreciation charges included to write-off the cost of the capitalised assets over their useful lives.

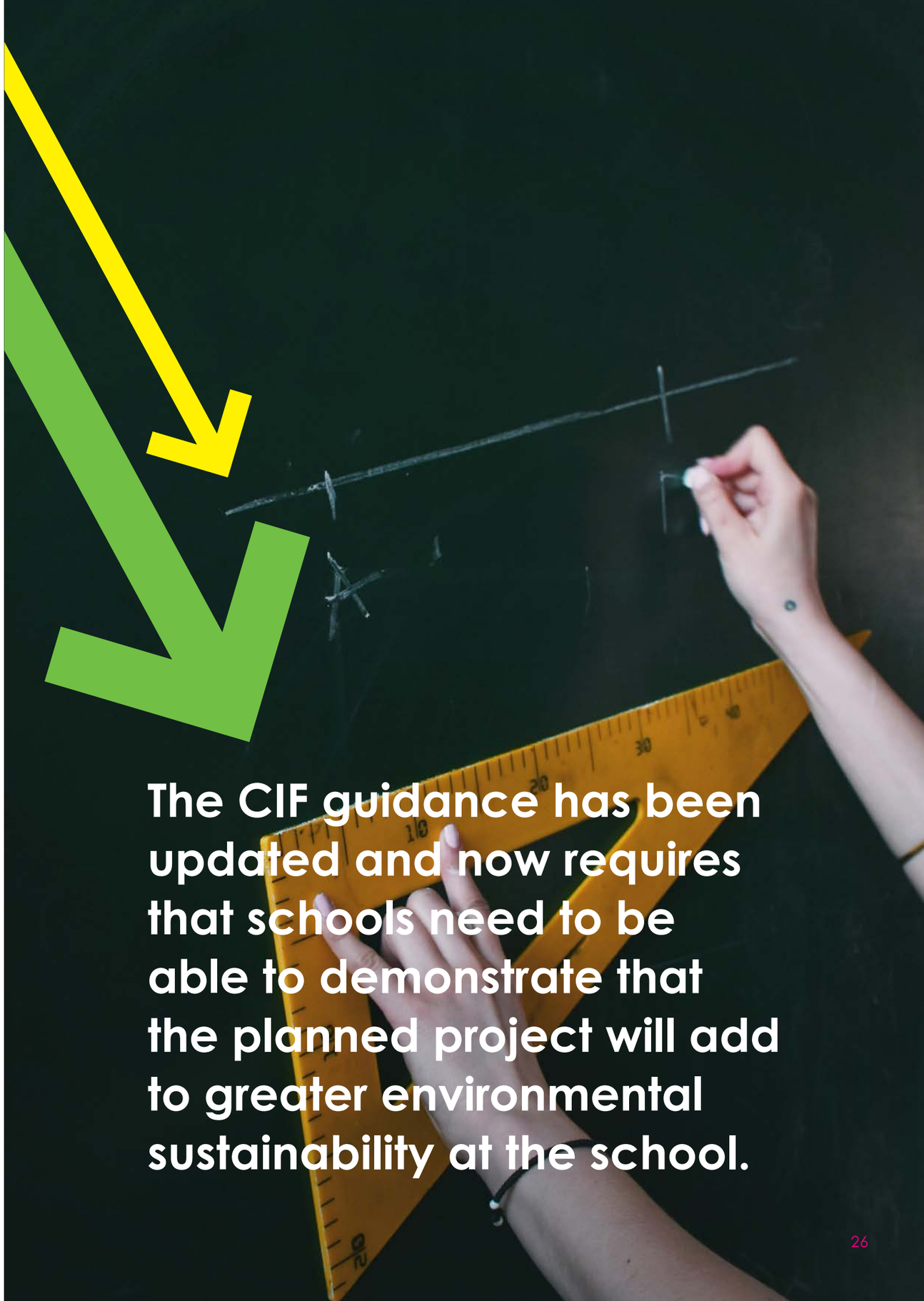
The ATH makes it clear that trusts should draw out their meaningful, operational result on income funds within the financial review section of the trustees' report and capital income, and depreciation charges are some of the transactions that need to be excluded from this operational result.

Regardless of how the expenditure is accounted for, planning for capital expenditure is vital since it is often one of the largest outlays which a school will make. It is therefore good practice to have a fully costed premises development plan that sets out a clear strategic vision for the capital expenditure. The DfE "Good Estate Management Guide" is an excellent resource which sets out the fundamentals of good estate management and explains how you can plan and organise your estate resources. The guide also contains various helpful tools and checklists.

Schools Rebuilding Programme

Many school buildings across the country are in need of a significant upgrade. From 2021 to 2026, the DfE's Condition Data Collection 2 (CDC2) programme will visit every government-funded school and further education (FE) college in England to collect data about the condition of their buildings. This data will provide a comprehensive picture of the condition of the school and FE college estate in England and lead to the School Rebuilding Programme (SRP).

However, progress in rolling out SRP is slow. Only 50 schools per year from a national total of over 21,000 does not bode well for immediate change. This can only be compounded by the high profile problems with aerated concrete, RAAC, which many schools are having to find themselves addressing.



Cash at bank balances

The 2022/23 year saw the education sector continuing the recovery process from the impacts of the pandemic, only to be presented with a new set of challenges caused by the conflict between Russia and Ukraine, which has seen energy prices soar and rates of general inflation increasing.

Trusts have also had to face disruption as a result of strike action in the year and unbudgeted wage rises for both teaching and support staff. Undoubtedly, this has had a knock-on effect on school budgets, not only in 2022/23 but will likely continue to cause financial challenges for the sector in future years. Trusts will need to control costs and maintain financial discipline, budgeting correctly to manage cashflow.

In October 2023 it was announced that the employer contribution rate for the teachers' pension scheme is to increase 5% to 28.68% from April 2024. Whilst it has been confirmed that this will be fully funded for the first year, there has been no confirmation if any subsequent funding assistance will be made available for this. All trusts will be eagerly awaiting further announcements on this as, without it being funded in further years, this will put further pressures on academy cashflows.

The National School Trust Report October 2023 annual survey of accounting officers and, conducted by CST in partnership with Edurio, showed that almost 20% of respondents were either not very confident, or not confident at all in the financial sustainability in their trust. This is up from just 4% in the prior year.

Of the trusts in our review, we have seen an increase across all types of trusts reporting a deficit position, especially in primary academies and MATs where over 50% were in deficit to 31 August 2023. It is therefore not surprising that this can been seen in the level of cash held by trusts.

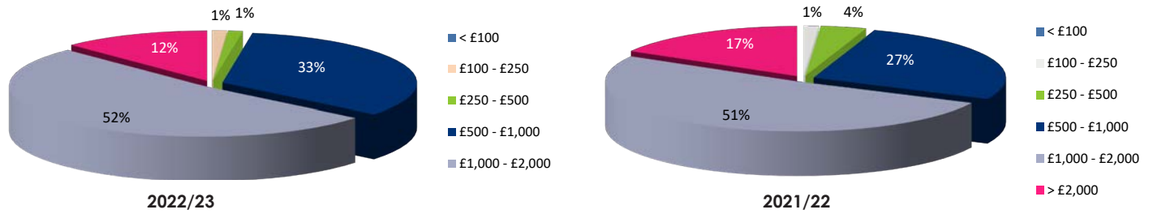
Overdrafts in the sector reported in the 2022 SARA were split between five trusts, this is an increase on the prior year which showed only three trusts operating within an overdrawn position. The sector is encouraged to manage its cashflow carefully to avoid becoming overdrawn, but also not to hold more cash than is required to maintain financial stability so as not to restrict spending on educational activities to current pupils' detriment.

An important point, of which to be mindful, is that cashbalances do not equate to reserve balances and often cash can be higher than the 'free reserves' in academie. A significant proportion of the cash held will relate to unspent government grant funding, such as capital funding which is not required to be spent within the academic year. Similarly, it is important to remember that a cash at bank balance does not typically represent 'free' cash due to timing differences at the reporting date and, at any given time, a trust will be holding cash that will be already committed or allocated to pay its suppliers and other liabilities, which, due to the nature of academy trust funding, tend to be in excess of their debtors.

Cash held per pupil 2023/2022				Cash held per pupil 2021/2022			
	Q1	Average	Q3		Q1	Average	Q3
Secondary academies	1,036	1,395	1,902	Secondary academies	1,014	1,318	1,680
Primary academies	763	1,202	1,544	Primary academies	819	1,445	1,655
MATs	899	1,270	1,595	MATs	891	1,282	1,685

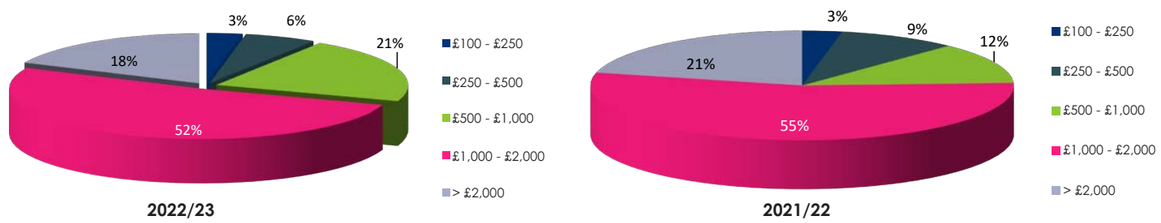
The table above demonstrates that the secondary academies have been the only winners in terms of cash held per pupil this year, with both primary academies and MATs results revealing tighter financial constraints than the previous year. This suggests that the secondary academies have been able to achieve more effective cost control and financial management.

Range of cash balances held (per pupil) - MATs



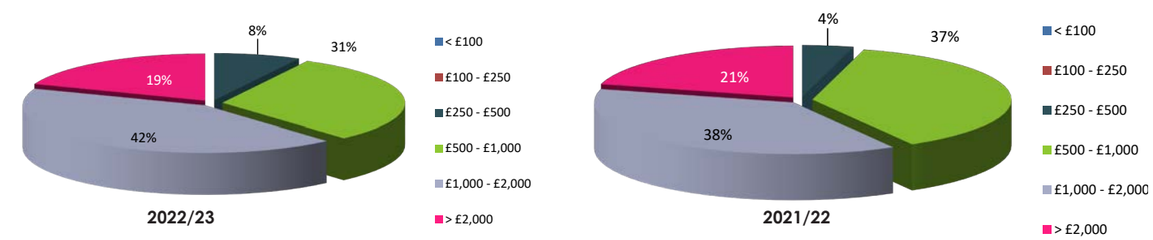
There has been a decrease in the number of trusts in the top two ranges which has fallen from 68% to 64% of all trusts in the sample. There has been a significant increase in the trusts holding £500-£1,000 per pupil which is up 6%. Only 2% are now holding £100-500 (previously 5%).

Range of cash balances held (per pupil) - Secondaries



Secondary academies now hold more cash per pupil on average than any other trust. The percentage of secondary academies in the top two ranges has decreased by 6%. However, at the opposite end of the scale we have seen 3% of secondary schools break out of the £100-250 per pupil range. With now only 9% in the bottom two bandings versus 12% in the prior year.

Range of cash balances held (per pupil) - Primaries



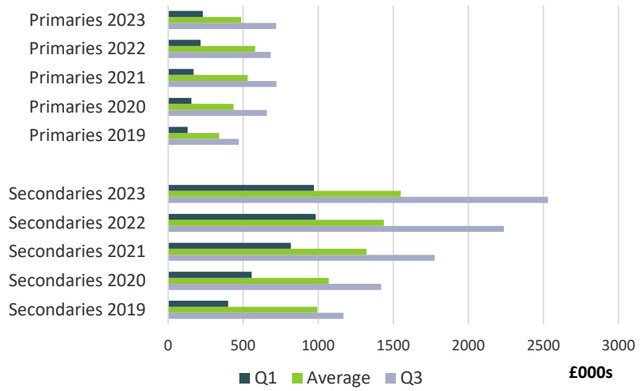
Primary academies previously held on average more cash per pupil than any other trust, however, average cash held per pupil has decreased by 6.8%, seeing them lose this position. It is positive to see however that only 4% now fall into the £250-£500 per pupil category. The percentage of primary academies falling within the top two bands was 61% (21/22: 59%, 20/21: 60%)

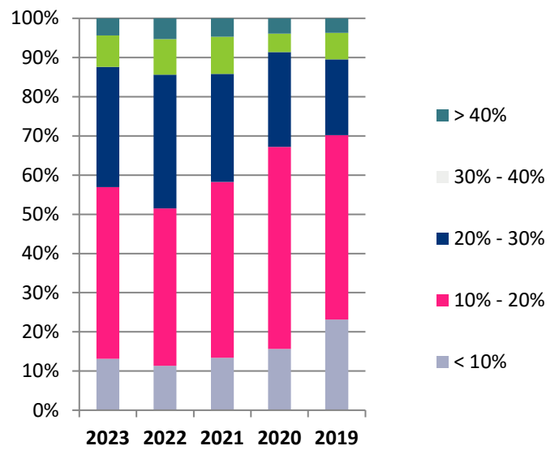
As shown in the chart to the right, there continues to be a steady increase in average secondary cash at bank balances with the average balance held are just over £1.5million, meanwhile the average primary balance has fallen by almost £100k to £487k. The gap between the upper and lower quartile results continues to be vast, however remains stable.

Cash balances vs recurring levels of income

Comparing cash balances against recurring revenue income is an alternative and useful way of reviewing levels of cash. On the 31 August 2023, 44% of trusts held cash of between 10-20% of their recurring income. With cash balances generally decreasing, there was an increase in the number of trusts in the bottom range this year. The percentage of trusts holding a cash balance that equates to over 40% of their recurring income remains stable at 4% (21/22: 5%).

Cash balances per pupil held at 31 August





Reserves

Trust boards are responsible for setting an appropriate reserves policy based on the 'free reserves' requirement of the Trust, they are required to confirm their reserves policy in their annual accounts, stating the level of reserves held and the reason for holding those reserves including details on any designated funds.

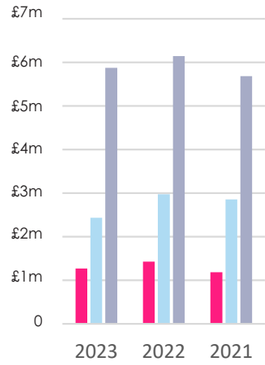
In November 2023, the ESFA published guidance on academy trust reserves, which outlined the principles of setting a reserves policy along with factors to be considered. Within the guidance it stated that trusts holding reserves below 5% of total income are likely to attract the attention of the ESFA. On the flip side, the ESFA are also likely to seek explanations for any trusts holding reserves of more than 20% of total income with regards to their future plans for expenditure. This is something trust already have to explain in their annual accounts.

Whilst the ESFA guidance acknowledges that each trust has its own set of unique circumstances (for example SATs may need to hold a higher percentage of reserves as they don't have the support or structure of a MAT to rely upon) and so there is not a specific percentage of reserves that should be held, what we can draw from the guidance is that the ESFA would deem somewhere between 5%-20% appropriate.

As the average cash at bank balances have decreased in both MATs and primary academies, the graphs on the right show that so to have the level of revenue income reserves. For primary academies this is the second year of declining reserves, which is somewhat concerning.

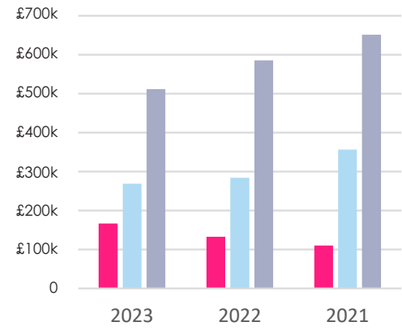
The difference between the lower quartile and upper quartile results again show significant variance between the financially stronger trusts and those who run on much tighter finances and reserves. The top 25% of secondary academies hold just under £1,8million which is a significant rise from the prior year at £1.6million. The lowest quartile hold £780k (2022: £762k). The top 25% of primary academies have experienced a fall in revenue income reserves of £74k, which demonstrates that these primary academy trusts have had in-year deficits and are having to dip into their reserves to make up the shortfall.

Total revenue income reserves at year end (MATS)



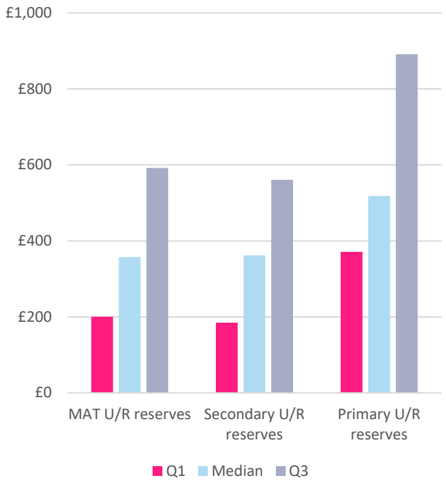
Secondary academies

Primary academies



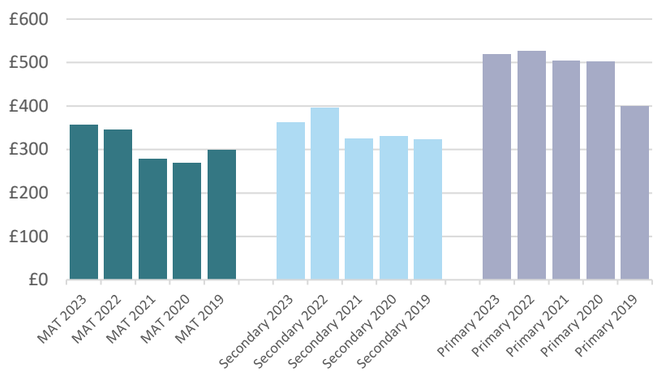
There is a difference between unspent restricted revenue grant money and "free" unrestricted reserves, which the trust is able to spend as it sees fit. Free unrestricted reserves tend to accumulate where trusts generate their own income, which often does not have any, or many, related costs. Whilst the Secretary of State for Education has announced that "schools in England are set to benefit from a cash injection as education funding reaches almost £60 billion in 2024/25 - its highest ever level in real terms", which may offer some comfort, trusts making deficits may need to look at opportunities to increase self- generated income.

Total unrestricted revenue income reserves per pupil at 31.8.2023



The results become more comparable when we consider the unrestricted 'free' reserves on a per pupil basis. These results show that primary school academies continue to hold the highest unresticted reservers per pupil, although there has been a slight decrease from the prior year. This is likley to be due to needing to have relatively higher reserves to cover unforeseen costs that all academies can face, despite having lower pupil numbers.

Total unrestricted revenue income reserves per pupil - average year on year (£)



Comparing the 2023 results to 2022 results, we can see that the unrestricted income reserves per pupil have increased for MATs, however levels at primary and secondary academies have declined, again reiterating the financial challenges faced in the year.

In November 2023 the ESFA published guidance on academy trust reserves, which outlined the principles of setting a reserves policy along with factors to be considered.

Surplus or deficit

The Charities SORP defines reserves as "that part of a charity's unrestricted income fund that is freely available to spend on any of the charity's purposes. These are often referred to as 'free reserves'".

When applying this to academy trusts it is common to consider reserves as being the balance of unspent, unrestricted funds (to the extent that they have not been used for the acquisition of fixed assets) plus the balance of unspent general annual grant (GAG). Although GAG is a restricted fund, any unspent GAG is usually considered as reserves on the basis of its permitted use for the general running of the trust's main activity of delivering education.

The ATH requires trusts to approve a balanced budget which may take into account any brought forward reserves. Brought forward reserves are made up of unspent funds from previous years where income has been greater than expenditure. The reserves may come from several funding streams, some of which are restricted to particular types of spend.

Carried forward funds remain restricted in accordance with the conditions of the funding or grant and trusts must ensure that they use these funds with propriety and regularity. For example, funds derived from GAG could be used for a broad range of activity that support day-to-day delivery of the trust's charitable objects – enabling the trust to provide education to pupils and maintain the school's estate and facilities (in addition to available capital funded projects). Funds derived from capital or other specific funding will be more restricted to future projects that meet the original purpose and any conditions of the funding; for example, capital grant can only be used for capital expenditure. Funding or grant conditions are set out in the guidance or information attached to the specific funding source. As a result of this, the operating performance of a trust is based on the increase in revenue reserves for the year, rather than on any increase in capital reserves or in local government pension scheme adjustment.

Therefore, in order to be able to calculate a trust's operating performance, the following items from the net surplus or deficit in the statement of financial activities should be excluded:

- capital grant income
- capital grant expenditure, such as depreciation
- non operational adjustments such as
  - local government pension scheme and property valuations
  - funds inherited from academies joining the trust.

When these adjustments are made, the surplus or deficit will represent any increase or decrease in the academy trust's restricted and unrestricted reserves from the previous year.

An example of how the operational surplus or deficit can be calculated from an academy trust's Statement of Financial Activities (SoFA) in the accounts is as follows:

	(£000s)
Overall net movement in funds for the year per SOFA	**79**
Decrease /(increase) attributable to fixed asset fund	171
LGPS actuarial (gain)/loss	(193)
LGPS service and interest costs	128
Increase/(decrease) in revenue funds during the year	**185**
Add: Transfers from revenue to capital to fund fixed asset additions	15
Less: Revenue funds inherited from wjoining academy	(100)
Operational surplus on revenue funds before transfers to capital	**100**

In January 2023, there were more than 20,200 state schools in England educating 8.2 million pupils aged 4 to 19 years old. Around 9,554 of these schools with over 3 million pupils were maintained schools funded by local authorities. The remaining 10,746 schools were academies with over 5 million pupils.

A further £2 billion has been earmarked for the education sector for 2023/24 and 2024/25 to cover the higher than expected rises in teachers' pay and energy costs.

GAG income typically makes up over 85% of an academy trust's total income, and this should cover most of an academy's day to day expenditure on:

- staff wages
- pensions
- general school overheads.

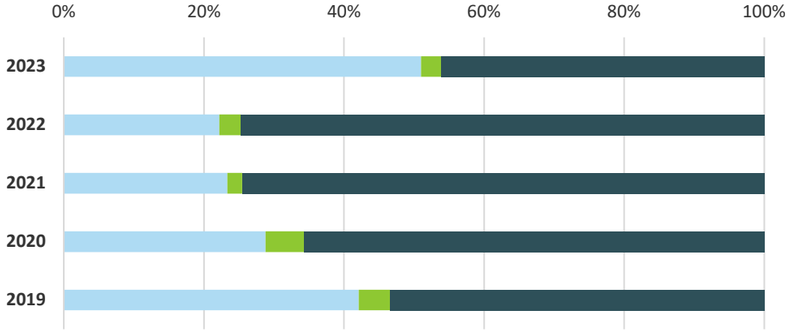
Any trust running a GAG deficit over several years will usually find that its general reserves are depleting and it will require corrective action to be taken to 'balance the books'.

The GAG results shown on the charts below take into account total GAG income, per the statement of funds note, less total GAG expenditure. They do not take into account any transfers in or out of GAG.

Transfers usually arise where:

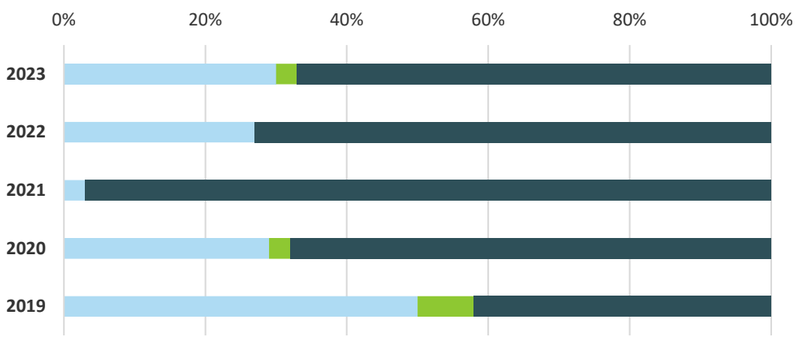
- a GAG deficit is covered by a transfer from the unrestricted fund
- capital items are funded from GAG and are represented by a transfer out of the GAG fund to the restricted fixed asset fund. We have not included such transfers because the choice to fund capital items from GAG was discretionary and does not relate to day-to-day operational matters.

GAG result primaries



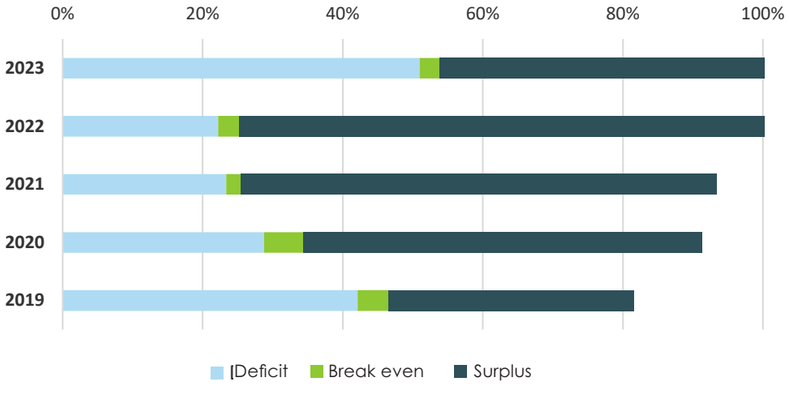
1 in 2 primary academies are reporting a GAG deficit this year compared to 1 in 5 in 2022. This significant deterioration in primary academy finances has ocurred because GAG funding per pupil has not kept pace with increasing costs. GAG deficits are likely to become more entrenched during 2023/24 as wage, pension and energy costs continue to increase.

GAG result secondaires



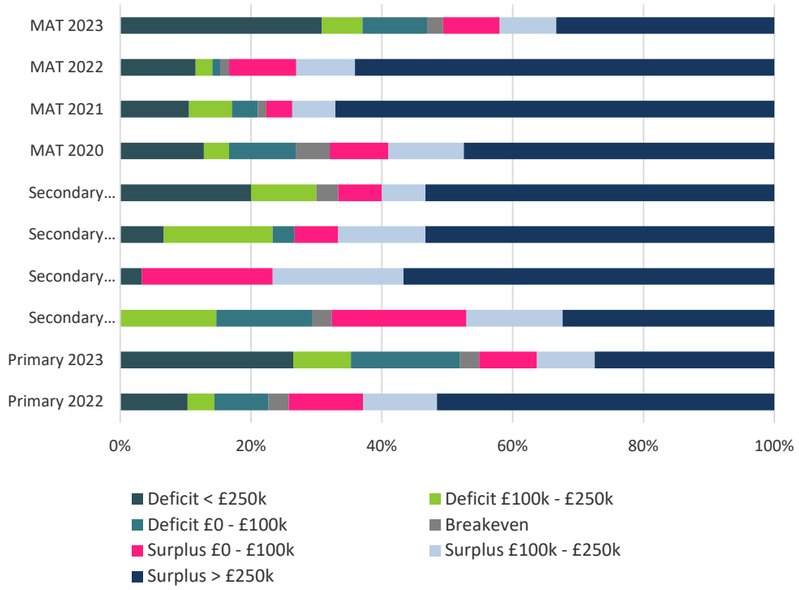
Over 27% of secondary academies reported a GAG deficit this year, compared to 25% in 2022 and less than 10% in 2021. The issue of secondary schools being unable to manage within existing GAG funding is becoming embedded in the sector. This situation is unlikely to change over the next few years despite increased funding provided in the Autumn funding statement because of increases in pay, pensions and energy costs.

GAG result MATs



MATs by their nature are of varying size, although 94% comprise fewer than 20 academies. The number of MATs reporting an in year GAG deficit this year has increased from 1 in 5 MATs in 2021/22 to 1 in 2 MATs in 2022/23. A considerable number of MATs comprise primary schools, so it is really not surprising that the percentage of MATs showing a GAG deficit is not dissimilar to the percentage of primary school single academy trusts which are also in deficit.

Range of GAG results



Across the sector, over 30% of trusts are holding GAG reserves of less than £250,000. Although this level of GAG reserves is not dissimilar to the previous year, the level of GAG reserves maintained is expected to fall during 2023/24 as trust finances come under increasing pressure.

Per pupil GAG result

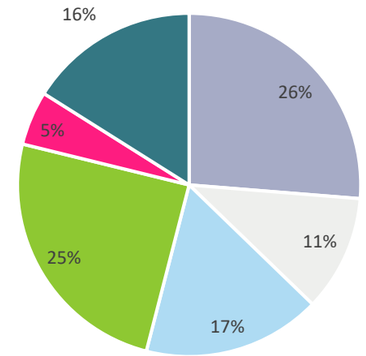
On a pupil basis there has been a significant increase during 2023 in the deficits incurred by primary school multi academy trusts and primary school single academy trusts compared to 2022. There has been little change in the ratio of secondary school deficits in 2023 compared to 2022, although the level of deficit has become embedded within the education system and is expected to continue during 2023/24"

Movement in Revenue Funds

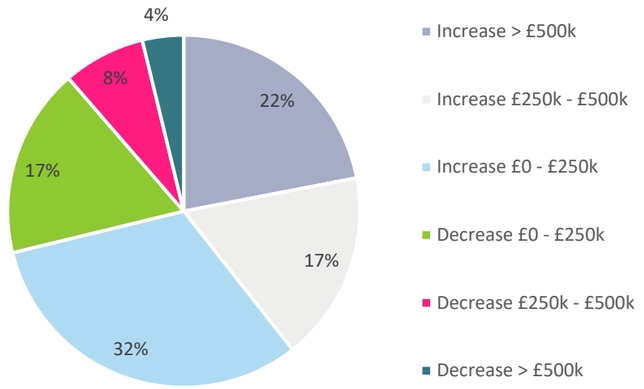
For 54% of academy trusts, revenue funds held have continued to increase, although the number of trusts with increasing reserves has fallen from 71% in 2021/22. The biggest change is in the number of trusts which were formerly breaking even, or who had slightly increasing reserves, which has fallen from 32% in 2021/22 to 17% in 2022/23.

Up to 25% of trusts now have reserves which are, at best, at break even or suffering reductions of up to £250k in their overall revenue position. The reduction in reserves held arises not only because of increasing costs but also for the utilisation of reserves on transfers to long term capital projects. However, this worrying trend in decreasing academy reserves looks set to continue during 2023/24 as school budgets become further stretched.

Movement in revenue funds during 2022/23



Movement in revenue funds during 2021/22



For 54% of academy trusts, revenue funds held have continued to increase

Reason for surplus or deficit

Whilst the majority of trusts were in deficit, 54% remained in surplus during 2022/23.

Most trusts saw a reduction in reserves because of cost pressures arising from:

- coming out of fixed price deals on energy contracts
- increasing pay demands
- increasing non pay cost pressures
- inflation of around 7% to 8% during 2022/23.

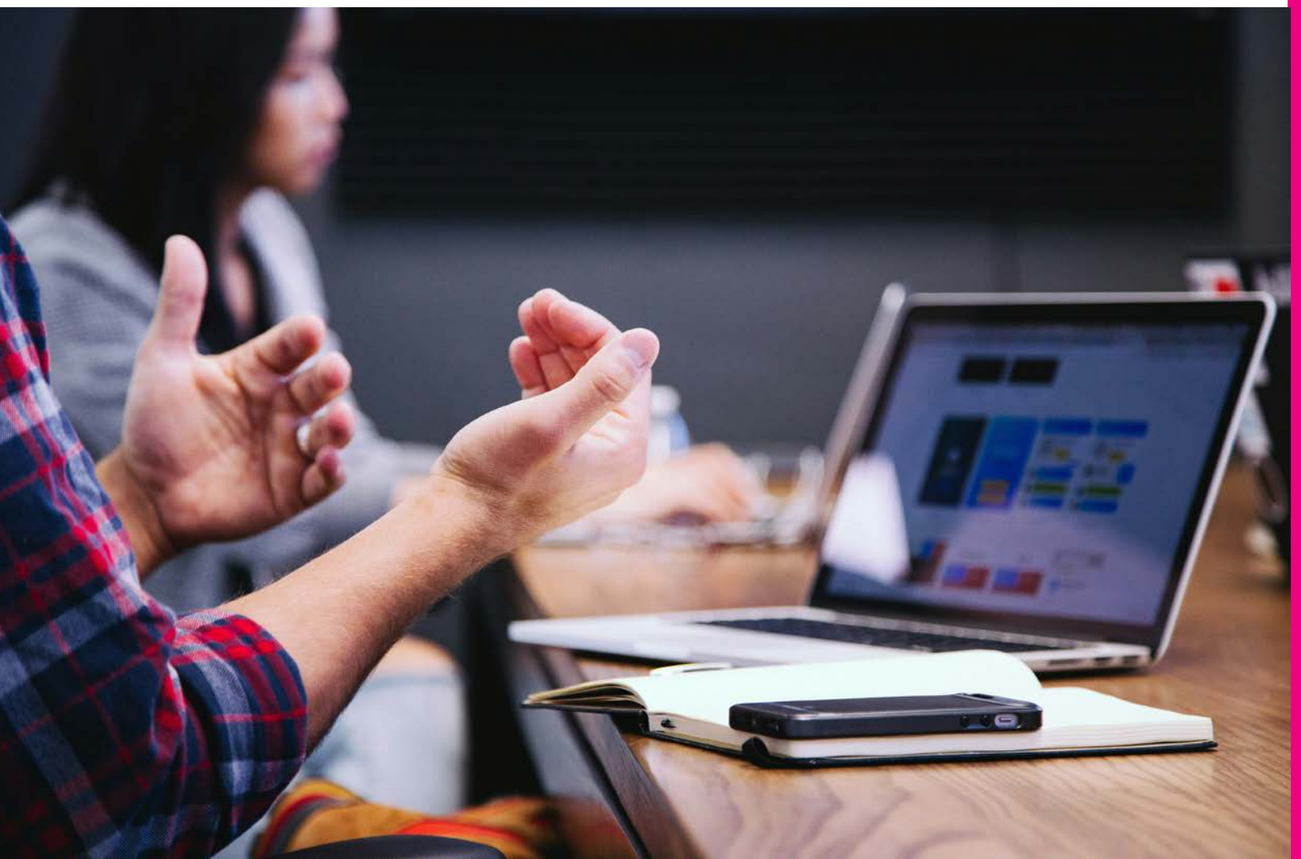
Whilst inflation appears to be easing, and should come down to around 2% to 3% by 2024/25, schools still have to combat increasing costs particularly in relation to increased pay awards and teachers' pension costs, which have increased from 23.68% to 28.68% from 1 April 2024. Both of these costs account for 75% to 80% of an academy's budget.

All of this will result in a continued strain on resources, which are likely to have become even further depleted during 2023/24,' unless significant funding can be found by the next government entering office towards the end of 2024 or early 2025.

The cost pressures that were more acutely felt by primary schools and single academy trusts, because of their reduced budgets compared to larger MATs, are now also starting to affect smaller MATs comprising mainly primary schools which have smaller budgets.

There is therefore likely to be a continuation in the trend of consolidation in the sector, with MATS comprising larger numbers of secondary schools merging with smaller MATS. They will be looking to obtain greater value for money from the centralisation of back office systems and sharing of specialised scarce resources in core school subjects such as in science and mathematics.

Please see the table and discussion on page 4 which details the growth in larger trusts over recent years.



Conclusions

- Cost pressures will continue whichever government comes to power during late 2024 to early 2025, with a significant injection in revenue and capital funding required.

- Larger multi academy trusts will continue to merge with smaller trusts to obtain greater value for money from the centralisation of back office systems and sharing of specialised resources.

- GAG pooling will become more commonly used by all MATs, as it becomes increasingly difficult to balance the budgets of individual schools.

Whilst inflation appears to be easing, and should come down to around 2% to 3% by 2024/25, schools still have to combat increasing costs, particularly in relation to increased pay awards and teachers' pension costs

Governance and audit findings

We also review various non-financial areas, including governance, within our annual benchmarking reports. This includes a look at the results of our analysis of the Audit Findings Reports of our clients, to add further depth to our overall financially based findings.

Changes in accounting officer and CFO

In academy trusts, the Accounting Officer is responsible for the financial management and reporting of the trust. If there is a change in the Accounting Officer the trust must take certain steps to ensure continuity of financial management. It is inevitable that there will be a certain amount of turnover in key roles, and we have seen in recent years a relatively low number of trusts experience a change in Accounting Officer. Accounting Officers leave for a number of reasons, such as retirement, after being headhunted or sometimes by dismissal due to poor performance. It is much the same to report this year, albeit with a slight increase from 11% in 2021/22 to 14% of trusts changing their Accounting Officer during 2022/23. This increase comes from two years of decreasing numbers of Accounting Officers changing at trusts.

A similar number of CFOs tend to leave their positions each year and, in our experience, like many sectors, trusts seeking a new CFO are finding a shortage of good candidates who have both the experience of working in the education sector and the accounting technical expertise required to work in some of the larger trusts.

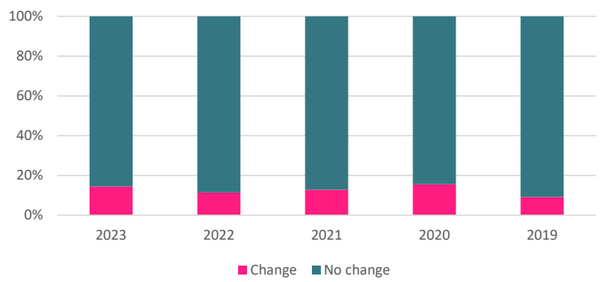
Many CFOs have challenging responsibilities that go much further than finance, and the ESFA expects the CFO to play both a technical and leadership role. The ESFA also now requires the CFO to be appropriately qualified and/or experienced, particularly for those working in larger trusts. The CFO should be employed by the trust and the ESFA encourages larger trusts (for example, those over 3,000 pupils) to consider the range of accountancy qualifications available from professional bodies and to take this into account when filling CFO vacancies. The ESFA also requires trusts to ensure that finance staff have the necessary skills and training to carry out their roles effectively.

All CFOs should maintain continuing professional development (CPD) and undertake relevant ongoing training regardless of whether they are qualified accountants.

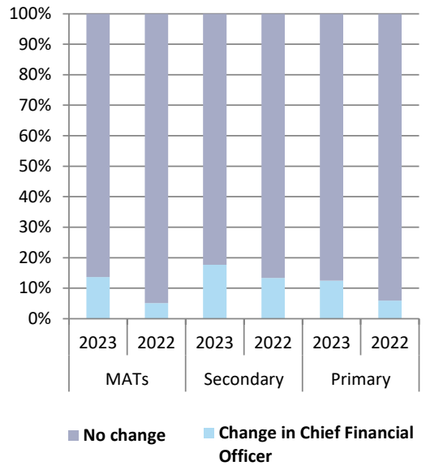
While the ESFA suggests a larger trust might mean one with over 3,000 pupils, there is still no precise definition given in the Academy Trust Handbook (ATH). They do however expect trusts to have a strong financial management and governance structure in place, with appropriately skilled staff in finance roles.

The graph below shows the numbers of CFO changes in trusts in the 2022/23 year by primary (13% vs 6% for 2022), secondary (18% vs 13% for 2022), and MAT (14% vs 5% for 2022) trusts. Overall, all three categories have seen an increase in CFO changes in the year.

Academies with Accounting Officer change during the year



CFO changes



The audit process and audit findings report (management letter) points

A good audit will challenge the finance function and will apply professional scepticism, and often raising observations and recommendations for improvements. A well-run trust with strong control systems, strong financial management and governance structures in place, with appropriately skilled staff in finance roles and good leadership and culture would expect to receive a fairly 'clean' report from their auditors. These Audit Findings Reports are private reports so are not available to the public on trusts' websites but they are provided to all trustees of the trust and are submitted to the ESFA, along with the audited financial statements of the trust.

The board of trustees, taking advice from the audit and risk committee, must ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by external auditors, taking opportunities to strengthen systems of financial management and control.

External auditors are also required to carry out a regularity review as part of the audit process. It should be noted that this is in addition to the normal statutory audit work carried out and is therefore an additional governance review that other organisations, maintained schools, companies and charities are not normally subjected to. The regularity review helps auditors to identify recommendations for improvements and the results must be shared with the ESFA. This is in addition to a separate internal scrutiny review that must also be carried out by all academy trusts on a regular basis and also reported to the trustees and the ESFA.

Sometimes a change of auditor can result in an above average number of issues being identified, with the fresh 'pair of eyes' and perhaps a different approach spotting issues the predecessor firm did not identify. Some audit firms and teams have more experience in the sector and will also be able to add value by providing recommendations on areas or matters of which other firms may not have experience.

This is not to say trusts should necessarily change auditors too regularly. Trusts do need to demonstrate value for money when procuring audit services, in the way they would when buying other goods or services, but cost should not necessarily be the driving factor. The quality of the audit itself, the firm's communication and reporting are all important and need to be weighed up carefully.

The ESFA has a good practice guide aimed at helping trusts choose a new auditor. It aims to provide more detail on the work of an auditor and give best practice on finding and choosing an auditor that will provide a high quality, cost effective and efficient audit.

The ESFA now expect trusts to retender the external audit contract at least every five years; it should be noted this is not a 'must' requirement in the ATH and while it is considered good practice to retender the audit services periodically, it is questionable whether every five years is a good use of resources.

Carrying out retenders too frequently is not the best use of management and trustee time, and is also time consuming for audit firms who at certain times of the year can receive large numbers of invitations to tender. Trusts should only go out to tender if they are genuinely considering a change and not just to benchmark their audit fees. There are other ways of confirming fees are reasonable by researching and looking at fees paid by other local and/or comparable trusts. This might be harder for larger MATs but there is still much data out there.

Tender requests can sometimes be very prescriptive and contain rigid scoring systems. Again, these have their place but are more suited to the procurement of goods than an audit service which needs to be very relationship driven.

There is no right or wrong time for an academy trust to go out to tender. The best practice guide explains that good auditing requires a good understanding of the audited entity, so it can be counter-productive to change auditor too often. To set this in context, the largest 350 listed companies in the UK (the FTSE 350) are required to tender for audit services at least once every ten years, so fairly infrequently. Other public companies, charities and private companies have no time limit. Another option is to rotate the audit partner within an audit firm (in a similar way that listed companies rotate audit partners every five years) which helps ensure that the firm and the audit team remains independent.

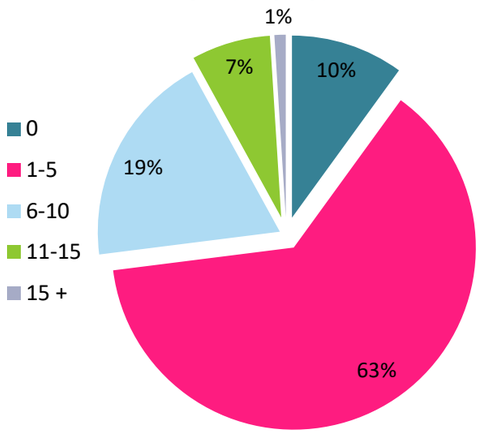
> **A good audit will challenge the finance function and will apply professional scepticism**

Due to ongoing challenges in the audit profession, including a shortage of resources, inflation, increased audit regulation and many firms exiting their more risky or lower recovery audits, trusts will find that audit fees are increasing at a rate higher than expected, and some audit firms have exited from the academy sector due to lower recovery rates than other sectors.

Trustees, Accounting Officers and CFOs remain as keen as ever to ensure the audit process is smooth, and there is a strong desire for the Audit Findings Report to be as 'clean' as possible. This perhaps stems from familiarity with Ofsted ratings and the desire to be seen as 'Outstanding' or at least 'Good'. We are therefore often asked whether the issued findings report is a good one and how it compares to other trusts we act for. Recommendations from the audit firm should not always be seen as a 'telling off' but as constructive advice that will help trusts improve their governance and efficiency with the ultimate aim of improving the level of education provided and thereby helping students in their local communities to prosper.

The number of issues arising this year is broadly unchanged from the previous year, with the vast majority (63%) receiving between 1 – 5 recommendations, although there were slightly less in this category than in previous years. There has, however, been an increase to 10% (from 6% in 2022) for trusts achieving a completely clean findings report with no recommendations. This may be due to the limited number of changes imposed by the ESFA in recent years. 1% of trusts this year received a findings report with a significant number of issues (over 15 issues) which is a slight increase from recent years.

No. of Audit Findings Report (AFR) points 2022/23



	2022/23	2021/22	2020/21	2019/20
No issues raised	10%	6%	11%	5%
1 – 5 issues	63%	74%	75%	79%
6 – 10 issues	19%	16%	9%	10%
11 -15 issues	7%	4%	5%	4%
15+ issues	1%	0%	0%	2%

The audit process should be an invaluable tool that helps build efficiencies and system improvements that can benefit the trust as a whole, and audit recommendations can be an important part of maintaining and developing control systems.

There is an obvious distinction between lower risk points, where any necessary action is not time critical, and more serious issues where there is a risk to trust funds or there has been a significant breach of the Academies Trust Handbook.

Trusts should ideally aim to address all issues arising from audits, however this is not always practical. More serious issues should certainly be resolved in a timely manner and it is never good for an auditor to see points reoccurring year after year. If they do, the trust risks the grading of the issues being elevated further.

It is worth reminding trusts that audit firms are required to state in the annual Accounts Return whether previous years' recommendations have been addressed and acted upon. Where trusts have repeat medium or high level recommendations the ESFA is likely to take action to understand why the trust has ignored the recommendations and this could lead to a more deeper governance investigation by the ESFA.

The ESFA's internal scrutiny requirements have forced many trusts to appoint a new firm for this work. This brings opportunities for a different 'set of eyes' looking at different topics, and for the internal scrutiny provider to get more involved in helping the trust develop its systems and improve its internal controls.

Many trusts now use a recommendation log to keep track of both the external auditors' and internal scrutiny recommendations and to make sure they are dealt with on a timely basis. Such a log should be discussed at every audit committee meeting and will help trustees ensure that the finance team are resolving any issues identified by the auditors and not ignoring them.

It is worth reminding trusts that audit firms are required to state in the annual Accounts Return whether previous years' recommendations have been addressed and acted upon.

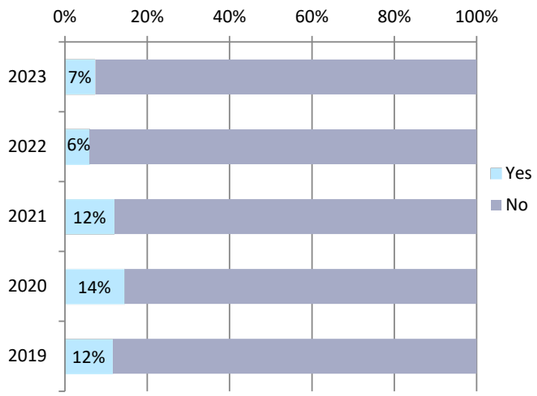
Although 10% of trusts achieved the 'holy grail' of no issues in their audit findings report, this remains rare because of the complex ATH rules and regulations which trusts must adhere to. There are over 100 'must' requirements listed in Annex C of the Academies Trust Handbook (if some of the individual bullet points were to be broken down the number of 'musts' would be much higher), and this is before general UK GAAP accounting rules, the annual ESFA Accounts Direction, the Charity SORP and Charity and Company law are considered.

In our experience, many academy trusts are incredibly well run and have robust systems and controls which operate effectively, and both deter and prevent fraud whilst helping the trust to achieve value for money. Trusts often have far better systems and controls in place than we would expect to see in a comparable by size corporate entity or charity but then, with the public nature of academy schools, this is the way it should be.

The sorts of issues we identified during our 2022/23 audits were the common ones we have found in recent years, including:

- Not fully complying with related party transaction rules, often by not notifying the ESFA on time or before entering into a transaction
- Weaknesses in the management accounting process, the format and contents of the monthly accounts
- Going concern issues, including general concerns over the financial situation and depleting reserves. This area of concern has remained high in 2023 due to sustained high energy costs
- Weaknesses in fund accounting during the year
- Non-compliance with internal procurement procedures (eg. invoices or purchase orders being properly raised or authorised)

Trusts with high risk/priority audit findings report points



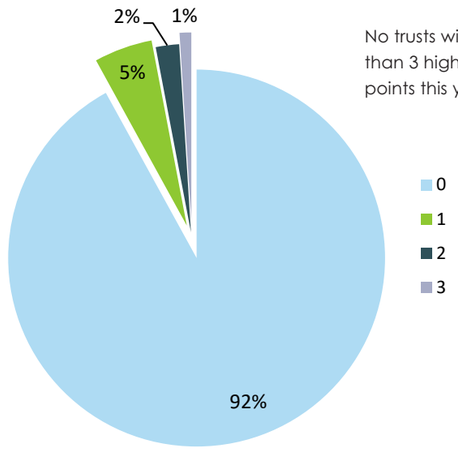
- Trust finance policies being out-of-date or not relevant to the trust's operations
- Insufficient disclosure of business interests on the trust website, including not keeping the register of interests fully up to date
- Not reviewing and updating the risk register
- Issues over monthly reconciliations of sales, purchase ledger or bank control accounts
- Problems with accounting for capital items and maintaining or updating an accurate fixed asset register; and
- Generally weak accounting processes or delays by the finance team in supplying accurate financial records for auditing.

The proportion of trusts whose recommendations contained high risk/priority points has been fairly consistent in recent years but has increased slightly in 2023 to 7% (6% for 2021/22) and it is reassuring to know that it remains relatively rare for a trust to receive 'red' rated recommendations.

Of the 7% of trusts that did have a significant issue raised, the vast majority received just the one high risk point so it really is rare for trusts to have multiple issues that warrant such a severe rating.

The high risk points we identified included going concern or other serious financial concerns, failure to comply with the new related party rules and significant issues adhering to the trust's internal procurement policies and delays in preparing adequate accounting information.

Number of high risk or priority AFR points



No trusts with more than 3 high risk AFR points this year

Related party transactions

The ESFA requires academy trusts to maintain high standards of governance and financial management, including the management of related party transactions. Related party transactions occur when a trust enters into a transaction with an individual or entity that has a close relationship with the trust, such as a trustee, employee, or their family member.

The ESFA requirements for related party rules are complex but one overriding principle is clear:

"Academy trusts must be even-handed in their relationships with related parties by ensuring that..... no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the trust."

Trusts that do not comply with the rules should be held to account because the rules are there for good reason and to protect trusts from individuals with less than honourable intentions. Often technical breaches of the related party transactions (RPT) rules occur when there is nothing fundamentally concerning about the underlying transaction. Related party transactions are not necessarily 'bad' despite the media sometimes portraying them to be so.

Often related party transactions are entered into for good, legitimate reasons where the related supplier can provide the trust with goods or services. It seems counterproductive to invite business orientated people to be trustees and then not let their companies assist where they can, but this is often what the related party rules seem to do. As a result, many trusts do shy away from entering into any related party transactions altogether.

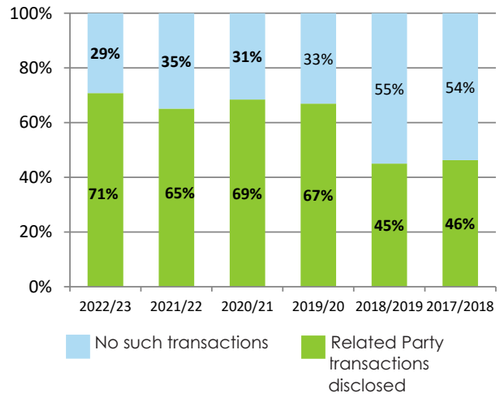
Finance teams working in academies and all trustees need to be familiar with the related party section of the ATH. If you have not read this recently we recommend that you do so as the guidance is clearly set out and it is important that breaches do not occur, even if they inadvertently occur in error.

Trustees need to bear in mind that perceived conflicts of interest are just as important to manage as real ones. A perceived conflict of interest occurs when an individual or organisation has a personal, professional or financial interest that may influence their ability to act impartially or make objective decisions. Even if there is no actual conflict of interest, the perception or appearance of a conflict can still undermine public trust and confidence.

Trustees must manage personal relationships with related parties to avoid any conflicts of interest, promoting integrity and openness and recognise that some relationships with related parties may attract greater public scrutiny.

The statistics from our own data show that the number of trusts reporting transactions fell slightly during 2022/23 with 71% of trusts reporting a related party transaction (up from 65% in 2021/22).

Academies with related or connected party transactions



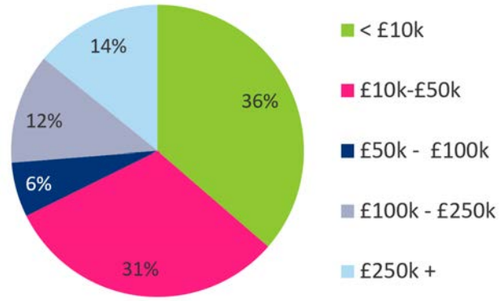
The percentage of trusts disclosing that they entered into related party transactions may, at first, appear high but this figure would fall dramatically once receipts and payments to non-commercial organisations were removed. The transparency over related party transactions in the academy sector is a good thing and is something that does not exist for maintained schools.

If appropriate, a trust's systems and controls should act as a barrier and deterrent to any less than honest related party transactions. Culture, values and 'tone from the top' are equally as important. Often, when an issue does arise, there has been an overbearing individual in a senior position who exerts significant influence. Trusts should have appropriate whistleblowing policies in place so that all staff feel comfortable flagging any concerns that they may have without fear of any repercussions.

Around a third of trusts (41% vs 36% in 2022) which did report entering into a related party transaction did so at a relatively low level, beneath £10,000.

A small percentage of trusts (11%) reported some high value related party transactions but these often include donations from a related entity, costs paid to sponsors for rent and other property costs, remuneration of staff trustees, or payments from local authority schools for support and consultancy in advance of joining the trust more formally.

These examples show how easy it is to misinterpret the overall statistics. We are aware that the ESFA are increasingly asking questions about intended related party transactions notified to them and, in some cases, are not approving the requested transactions, rightly or wrongly.



UHY's final thoughts

We hope that you have found this year's benchmarking report interesting.

Once again, we have included the average data sheet on pages 49-50 to enable you to compare your academy trust against similar trusts. We would be pleased to plot your key data on to graphs against the averages if you would like us to.

We again close our report with some top tips, since we believe it never hurts to be reminded of these:

For trustees

Responsibility to conduct the trust's strategic business sits with the trustees, but they also need to be holding executive leaders to account for both the educational performance of the organisation and its pupils, and also the performance management of staff. They also have responsibility for overseeing and ensuring effective financial performance.

To fulfil these responsibilities, trustees need to ask the right questions and to then be sceptical to the responses. New trustees should read the ATH 'must' requirements in Annex C at the rear of the handbook and we recommend all trustees look at these once a year. The following resources are also worth looking at:

- School resource management: top 10 planning checks for governors
- School resource management: checklist
- School resource management: case studies
- Integrated curriculum and financial planning (ICFP)
- Charity governance, finance and resilience: 15 questions trustees should ask

For CFOs

The CFO has delegated responsibility for the trust's detailed financials, and should play both a technical and leadership role. The DfE provide plenty of data which can be used to compare your trust against others, or even to compare individual academies within your own trust. The following are all excellent resources:

- 'My financial insights tool' comparison of financial performance against statistically similar schools across nine different cost categories.
- Compare school performance service
- Schools financial benchmarking service

Audit Committees

An effective audit committee is a crucial element of the governance structure and operates under the delegated authority of the board. Whilst an audit committee will be concerned with financial control and the external audit process, perhaps more importantly is the management of strategic risks. Mismanagement of these risks statistically lead to the greatest sources of loss, and therefore it is important committees' work embraces strategic, governance and operational aspects, in addition to the internal control framework and financial matters.

An effective audit committee will be focused upon organisational risk and will challenge both the reports of management and auditors to ensure that assurance is robust. It is not enough to merely check the trust is compliant with relevant codes and regulations.

Accounting Officers

AOs have a personal responsibility to Parliament, and to the ESFA's accounting officer, for the trust's financial resources, and must be able to give assurance over the management of the public funds received and the high levels of probity, particularly regularity, propriety and value for money. At all times they must adhere to 'The 7 principles of public life'.

Shortcomings are sometimes found in the following areas:

- Benchmarking – an excellent driver for continuous improvement that can be used to identify early value for money failure
- Conflicts of interest – the related party rules of the ATH mean the requirements in this area are very transparent but problems do still arise
- Senior responsible owners – too few senior responsible owners appointed for large projects
- Commercial expertise - poor commercial awareness and expertise compounded by a lack of key in-house professional capability to engage effectively and successfully with the private sector.

Members

The duty of a member is an unusual one; they play a limited yet crucial role. Members should adopt an 'eyes on – hands off' approach, leaving strategic responsibility with the trustees, but holding them to account. To do this members need to be kept informed by trustees about trust business so they can be assured that the board is exercising effective governance.

Examples of where the members may exercise their right to direct the trustees would be:

- if they believe an external review of governance should be carried out and the trustees have not done so
- where the board has failed to act on child safeguarding
- where the academy trust is in breach of its funding agreement.

One way in which some academy trusts decide to keep members informed and engaged is for one or more members to also serve on the board of trustees. Often the Chair of Trustees will be a member. At the same time, trusts should remember that the ESFA strongly prefer the majority of members to be independent from the trust board.

And finally…

we end on a delicate subject. With Ofsted in the news and a possible reform of the school performance and grading system, after the tragic death of a Headteacher earlier this year following an unfavourable result, maybe by the time we publish our 2024 report next year the inspection process will have been completely rethought. We know from speaking to our clients that the current system does place an enormous amount of pressure on schools, and Headteachers in particular.

Where does your academy fit within the results?

	Your academy	MATs Average 2022/23	Secondary Average 2022/23	Primary Average 2022/23
Non financial data				
Number of teachers		Not included as highly dependent on number of academies in the MAT	68	19
Number of admin and support staff			57	38
Number of management staff			8	4
Number of pupils			1,139	424
Pupil to teacher ratio		18	17	23
Income				
Total revenue income per pupil		£6,797	£6,820	£6,149
Grant income per pupil		£6,455	£6,365	£5,532
Grant income % of total income		95%	95%	95%
GAG income per pupil		£5,169	£5,595	£4,274
GAG % of total revenue income		77%	84%	72%
Other income per pupil		£308	£193	£330
Other income % of total income		4%	3%	5%
Capital grant funding per pupil		£315	£87	£99
Capital grant funding % of total revenue income		4%	1%	2%
Expenditure				
Total expenditure per pupil		£7,337	£7,033	£6,545
GAG expenditure per pupil		5,182	5,391	4,449
GAG % of total expenditure		72%	81%	70%
GAG result		Not included	£278,000	(£34,046)
GAG result per pupil		£3	£256	(£116)
Staff costs per pupil		£5,332	£5,043	£4,906
Staff costs % of total expenditure		73%	72%	76%
Teaching & ed support staff costs per pupil		£4,192	£4,038	£4,136
Teach & ed support staff % of total staff costs		81%	82%	84%

	Your academy	MATs Average 2022/23	Secondary Average 2022/23	Primary academies Average 2022/23
Support/Non-teaching staff costs per pupil		£927	£850	£775
Non-teaching staff costs % of total staff costs		18%	16%	16%
Supply teacher costs per pupil		£151	£100	£55
Supply teacher costs % of staff costs		3%	2%	1%
Light and heat costs per pupil		£119	£146	£117
Light and heat % of total expenditure		2%	2%	2%
Buildings & grounds maintenance per pupil		£49	£67	£64
Maintenance % of total expenditure		1%	1%	1%
Cleaning and refuse per pupil		£40	£17	£38
Cleaning and refuse % of total expenditure		0%	0%	1%
Educational supplies and services per pupil		£293	£244	£304
Educational supplies and services % of total		4%	3%	5%
Examination fees per pupil		£30	£108	£-
Examination fees % of total costs		0%	1%	0%
Staff development per pupil		£17	£19	£31
Staff development % of total costs		0%	0%	0%
Technology costs per pupil		£67	£67	£56
Technology costs as % of income		1%	1%	1%
Balance sheet				
Total reserves held		£2,434,000	£1,182,969	£268,500
Total reserves held per pupil		£681	£1,045	£706
Unrestricted reserves held		£1,378,000	£520,500	£220,143
Unrestricted reserves held per pupil		£357	£362	£518
LGPS deficit per pupil		£262	£185	£194
Capital expenditure per pupil		£379	£317	£267
Cash and bank balances held per pupil		£1,270	£1,395	£1,202

Our education teams within our UHY offices work with more than 500 academies and free schools across the UK, including many large and growing MATs, supporting them through their growth and with forward planning.

Our sector experience

We work with numerous clients in the education sector, including academy schools, free schools and independent schools. We have years of experience in the sector and have a particular expertise with academy schools - our education teams within our UHY offices work with academies and free schools across the UK, including many large and growing MATs, supporting them through their growth and with forward planning. As such, we understand that independence from your LA is likely to require improved internal controls for your school's finances.

UHY are a leading UK firm of accountants and auditors driven by our purpose of helping you prosper. Our academy client base includes old style sponsored academies, new converter academies, and MATs. As the expansion of the academies programme continues our number of clients in this rapidly changing sector has increased significantly.

Our experts enjoy the challenge of this exciting and rapidly changing sector. We keep ourselves up to date with all the ESFA's requirements so that we can keep our clients to you abreast of regulatory and other changes. We also prepare regular Academy Schools Updates on topical issues that affect academies and maintain a dedicated academies blog, which we aim to update weekly.

Our demonstration of our experience to date within the education sector, and specifically with academies, has led a number of established academies to leave their previous adviser to benefit from our breadth of specialist knowledge and support.

A selection of our key academy contacts

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