



KRESTON

Knowing you.

Academies Benchmark Report

2021



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PAM TUCKETT

Chair - Kreston Academies Group

Partner and Head of Academies - Bishop Fleming LLP

Introduction:

2021 Academies Benchmark Report

Welcome to our 2021 Academies Benchmark Report. This year the report includes over 300 Trusts representing nearly 1,400 schools.

2020 has been a year like no other. The education sector has shown immense resilience, and has risen to the challenge of partial and full lockdowns whilst coping with constant uncertainties around exams, free school meals, deep cleans and other operational areas.

On the surface the financial position shows that Trusts have managed to control their budgets, resulting in surpluses across the sector. But if we dig deeper we can see that it is not that simple. The movements in income and expenditure are complex, with reductions in other income and savings on certain costs such as supply staff. We are also mindful of the difficult period since August 2020 and would expect to see a strain on the finances within the sector with further lockdowns.

▼ *The good news is that there are fewer Trusts showing a cumulative deficit position, 5% in 2020 compared to 8% in 2019.*

The most significant surpluses have been recorded by secondary schools at an average of £144,000, due to them being 'closed' for longer than primary schools, which have in turn reported average surpluses of £25,000. MATs are heavily biased towards primary schools and have also been affected by the loss in other income, albeit managing to also make significant savings, and have reported average surpluses of £221,000.

The sector has invested heavily in IT and our clients tell us that there will be further significant investment by Trusts themselves, in addition to the commitment from the DfE to issue laptops to support disadvantaged pupils.

The growth of the sector has slowed, with 7.8% growth in 2020, compared to 10.8% growth in 2019 and 14.1% in 2018. Centralised Trusts have grown whilst decentralised Trusts have got smaller. There has also been a fall in rebrokerage, indicating that perhaps the sector has been occupied on more operational matters.

Due to COVID the performance of the sector is being compared to that of the independent school sector. Whilst independent schools have been able to concentrate on delivering what their customers require, the Academy sector has many more stakeholders to consider which has, to some extent, hindered the necessary changes to the delivery of education in the desire to satisfy all stakeholders.

Decision making during the pandemic has been challenging, with MATs having the opportunity to demonstrate their strength in dealing with the daily changes in guidance. The strongest Trusts will continue to lead the sector by sharing best practice across all areas of operation. It will be crucial that Trusts can approve budgets that enable them to be agile, to cope with the constantly changing demands on the sector. We believe the data in this report will help Trusts with that difficult task.

Pam Tuckett

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

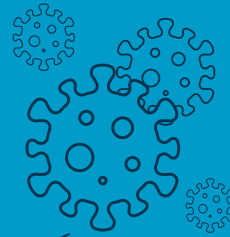
January 2021

Key Highlights:

2021 Academies Benchmark Report

2020 has been a year like no other. On face value, our ninth annual survey of over 300 Trusts and nearly 1,400 schools has shown that Trusts have managed to control their budgets resulting in surpluses across the sector. Dig deeper though and the picture isn't so straightforward...

The impact of the Coronavirus



The education sector has shown immense resilience and has risen to the challenge of tackling the impact of the Coronavirus whilst coping with constant uncertainties around exams, free school meals, deep cleans and other operational areas.

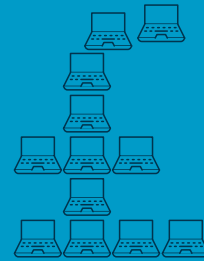
70% of surveyed schools had saved money on supply staff due to COVID.



Closed schools resulted in:

- Fewer** maintenance costs.
- Reduced** property costs.
- Energy and utility **savings**.
- Fewer** educational supplies.

The movements of income and expenditure this year are complex and uniquely impacted by COVID. Trusts have had to balance the needs of multiple stakeholders.



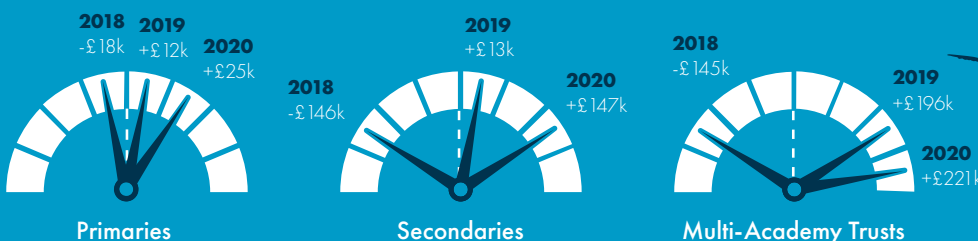
However... Most MATs have invested heavily in technology to limit the impact on the disruption to pupils' education.



...and schools have had reduced income by being unable to rent out facilities.

Financial performance

The most significant increases in financial performance have come in secondary schools where the average in-year surplus has increased by £130,000, reflecting the fact that these schools were 'closed' for longer than primaries, resulting in greater savings. MATs have not fared as well due to having a higher proportion of primaries and due to losing other vital income sources, such as renting out their facilities.



Deficits

8% → **5%**
2019 → 2020

Fewer Trusts are showing a cumulative deficit position in 2020.

GAG Pooling

100% has more than doubled in 2020.

The future...

85% of those surveyed say they will increase spend on IT to build resilience into the teaching model or to provide greater flexibility.



Although things will return to normal in the future, the likelihood is that **the way in which education is delivered will change forever**, with a greater reliance on technology.



MATs are still growing albeit at a slower pace, but it is primarily the fully centralised MATs that are being allowed to grow.

The impact of lockdowns since August 2020 are likely to place further strains on finances in 2021 and beyond.



Authors & Contributors:

Executive Author

David Butler

David is a Partner and the Head of Charities and Not for Profit sector at Bishop Fleming LLP, who advise 900 schools in over 200 Academy Trusts, and audit the largest number of Trusts in the country. He has been involved with education benchmarking for over 15 years and has co-authored this report for 8 years, leading Bishop Fleming's team of authors. David uses benchmarking to help his clients to identify ways in which they can improve their financial performance, and to use this information to formulate their strategic planning. David advises over 30 Academy Trusts and independent schools, at all stages of their development - from single unit Academies, to large and rapidly growing MATs.

Authors

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Chris is a Partner with Clive Owen LLP and is Head of their Not for Profit department, which has worked with Academies for over 12 years. The firm acts for over 100 educational establishments, including converter and sponsored Academies, free schools, independent schools and University Technical Colleges (UTC). Chris is a Trustee and Chair of the Finance Committee at a local Multi-Academy Trust and has delivered seminars at National Association of School Business Managers (NASBM) and Independent Schools Bursars Association (ISBA) events.

Tim Godson

Tim is a Director of Duncan & Toplis Limited. He holds a leadership role in the firm's specialist Academies team and has over 30 years' experience in the education and charity sectors. Acting for Academies, Multi Academy Trusts (MATs), special schools, and free and independent schools across the East Midlands. Tim is also Trustee and Chair of the Audit Committee of a further education college.

Contributors

Philip Allsop

Philip heads BHP's Academies team which acts as external auditors and advisors to over 30 Academy Trusts, many of which were MATs on 31 August 2020. He has 5 years' experience as a school Governor and is Chair of its Finance Committee. His other clients include a range of charities, social enterprises and commercial organisations.

Judith Cplowe

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

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Philip is a Partner at Mitchell Charlesworth and has over 25 years' experience. He specialises in the Charity, Schools and Not For Profit sector with a significant element of his client base within these sectors. He is a member of the ICAEW Charity and Voluntary Sector Group and the ICAEW Audit & Assurance Faculty and also holds the ICAEW Diploma in Charity Accounting (DChA).

Darren O'Connor

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

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"The way in which education is being delivered has changed fundamentally."

Section 1: Financial Position

2020 is a year that we will never forget, even if we wanted to. The impact that COVID has had on society cannot be underestimated and will be felt for many years to come. The education sector has been prominent throughout, having to deal with the seemingly conflicting demands of minimising the damage to the life chances of young people by continuing to provide education, whilst also playing a role in protecting their physical and mental wellbeing.

The way in which education is being delivered has changed fundamentally as we have moved in and out of lockdowns. The changes have happened at great speed, with the state sector provision now looking very different to what it did at the end of the 19/20 academic year. However, these changes have not happened quickly enough for some. A lack of access to the right technology has become a major barrier to providing remote learning for all, and has highlighted inequalities within society. It takes time to deal with these challenges and consequently there has been significant differences in the educational experiences received.

Nevertheless, there have been many examples of good practice, innovation and creativity. Many schools were able to move to an online delivery of lessons very quickly – in some cases almost overnight. Typically these were schools that had previously invested in equipping all of their students with technology. The Oak National Academy was up and running within weeks of the first lockdown, providing high quality online learning that supported schools and parents. However, this service never seemed to get the promotion that it deserved – possibly due to the lack of access to technology and broadband for some - but lessons can now be accessed via the BBC, and through X Boxes and Playstations. So improvements to access are constantly being sought.

Despite this, these changes have not been enough to stop a clear difference emerging between the state and independent schools sectors. The independent school sector has been able to react to change far more quickly than the maintained sector which has resulted in their students receiving significantly more hours of lessons. There have been numerous news articles since the start of lockdown highlighting the emerging educational gulf, and this has resulted in many independent schools turning new children away as they cannot cope with the extra demand. An article in the Guardian stated that “middle-class parents are planning to desert state schools over anxieties that their children have fallen behind private school pupils.”

This different response, in part, reflects the distinct cultures, stakeholders, financial reserves and commercial necessities of the sectors. Whereas the initial response of independent schools has been focussing on what the parents say they want – because ultimately, they are the customer and they need them to keep paying the fees – the maintained sector gives far more weight to the needs of its staff.

One approach resulted in more rapid change, whilst the other required time to consider the needs and views of a much wider group of stakeholders which, could be argued, achieved a more balanced position.

The different approaches to the transition to remote learning highlight how outcomes diverge depending on who an organisation considers to be its key stakeholders. Whereas the independent school sector had no option but to change, some in the maintained sector needed the stick of a change in the law to ensure they provided quality remote learning.

The unrelenting pace of change has resulted in a very tough year for the Academy sector, as it has been forced to deal with issues that very few would have foreseen. Trusts are operating in different ways, with constantly shifting priorities and guidance. The circumstances during 2020 have presented more challenges than ever before, not just to the education sector but to all organisations, and so the pressure on the leadership teams has been immense.

At the start of the first lockdown schools were having to consider issues around their suppliers, caterers and other contractors. Who should they pay? Should any staff be furloughed? These decisions inevitably took up a lot of management time. The Government introduced Procurement Policy Note (PPN) 02/20, which was designed to protect suppliers directly affected by the pandemic. The unintended consequence of the PPN was that many Trusts had to enter into lengthy discussions with their caterers over whether they should be paid or not. Many instances were identified where suppliers were initially claiming furlough income for staff and also seeking to make claims through the PPN, and these needed resolving.

It has been issues of this nature, non-educational, that have highlighted some of the benefits of being in a MAT – particularly some of the larger MATs. Having a central leadership team that has the time and expertise to consider events outside of running a school (which is demanding enough on its own) facilitates the quick decision making that is needed in such times, which in turn can improve the impact that the Trust can make.

So although the operating environment has been incredibly tough for Trusts, the one positive is that the first lockdown resulted in many schools saving money, which has improved the financial position of the Academy sector, as we have analysed below.

How we measure financial performance

Before we dive into the detail, it is worth explaining how we measure financial performance, as there are a number of ways in which it can be done. If you just look at the Statement of Financial Activities (SOFA), you are unlikely to get a clear picture of a Trust's financial health, and may in fact get a contradictory view – the sheer length, complexity and difficulty in understanding Academy accounts is a discussion for another day.

In this report the in-year result is the underlying surplus or deficit of the Trust after adjusting for items that distort the result – which can include non-cash items, such as depreciation and non-recurring transactions. This is shown in the table below.

Example	£'000
In-year deficit for the year from the SOFA	(400)
Add back depreciation	700
Add back pension service charge (less contributions)	200
Deduct non-recurring income e.g. on conversion	(250)
Adjusted in-year surplus for the year	250

We have cross referenced this to the movement in free reserves as this should equal the adjusted result above, and we consider this to be the most reliable way to identify the true financial performance of a Trust.

If we look at the table below we can see that for all Trust types, they are making an in-year surplus on average, and that this position has improved on the prior year, which itself was a strong financial year.

Average surplus/deficit excluding capital income (£)

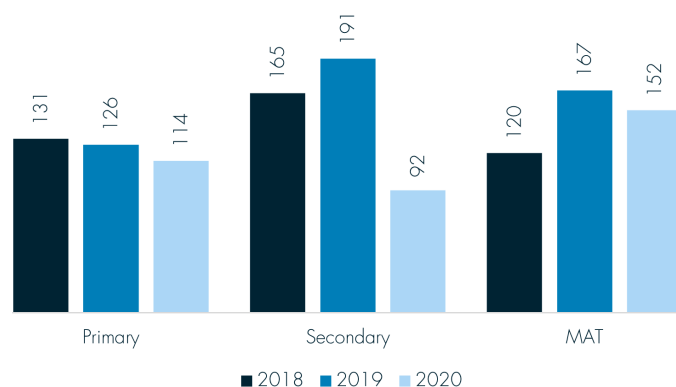
	2018	2019	2020
Primary	(17,544)	11,531	25,141
Secondary	(145,889)	13,011	147,064
MAT	(144,600)	195,867	220,970

The most significant increases have come in the secondary schools where the average in-year surplus has increased by around £130,000 to £143,761. This reflects the fact that secondary schools were closed for longer than the primaries and therefore the savings were greater. For the MATs (many of which have a majority of primary schools in them) the closure also resulted in greater losses of other income. Historically, MATs have been better at generating additional income from renting out their facilities, and so were more impacted by the lockdown.

When we were writing last year's report we commented on the significantly improved financial health of the sector, which was due in part to the 'little extras' funding. Therefore we struck a note of caution, warning that without additional funding these financial improvements could be lost. However, it turns out that closing a school can have an even larger positive financial effect.

Closing schools meant that they saved money on energy costs, educational supplies and other property costs – but the biggest saving for many came from supply costs. We surveyed our clients just before Christmas 2020 to gain further insight into the financial position of the sector. Almost 70% of clients said that they had saved money on supply. Whilst some of these savings were modest, some Trusts saved tens of thousands per school. This has also prompted a number of Trusts to reconsider how they manage supply costs in the future, with 14% of those surveyed saying they are now planning on employing their own cover.

Supply costs per pupil (£)



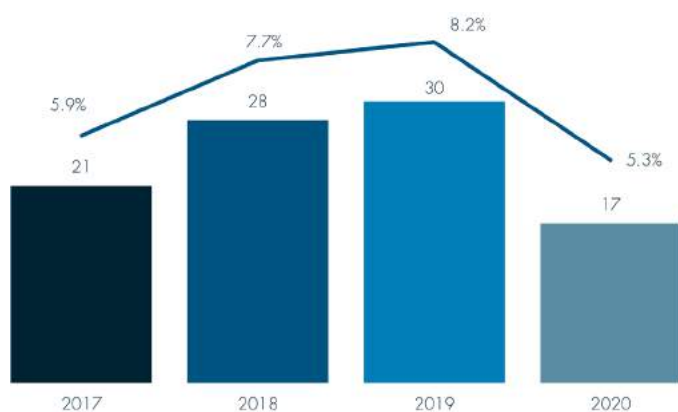
When we look at the table above we can see that the supply costs per pupil have fallen for each school type. The figure has almost halved for secondary schools, which correlates with their increasing surplus. Hanging on to these savings may be a lot harder though, as discussed later.

The impact of COVID has also had a significant impact on future investment plans, with almost 85% of clients surveyed saying that they will increase spend on IT in 20/21 to build resilience into the teaching model, or to provide greater flexibility. So although we are hoping that things will return to normal in the near future, the likelihood is that the way in which education is delivered will change forever, with a greater reliance on technology.

This is supported by a comment from Nick Gibb, Schools Minister, who said in January 2021: “we are exploring options for a strategy to create a more resilient education system, built on firm digital and technological foundations...”

The in-year surpluses have also had a positive impact on the number of Trusts that do not have any reserves at all. It can be seen in the table below that there are now only about 5% of Trusts in a cumulative deficit compared to approximately 8% in the previous two years.

Number and percentage of Trusts with cumulative deficits



This improvement in the financial health of the sector is one of the few positives emerging from the 19/20 academic year. However, this data should not be taken in isolation. For many, the last academic year was something of a financial summer holiday but it has been followed by a bleak winter.

From conversations that we have had with many of our clients, it is clear that most of the savings that were achieved in the 19/20 academic year are unravelling in the 20/21 year.

With schools fully reopening in September 2020, Trusts were immediately faced with the costs of extra cleaning, and as the pandemic has progressed many schools have experienced higher levels of staff absence, resulting in increased supply costs. They have also been spending money on computers and software to build resilience into the teaching model.

Extra funding has been made available for some of these costs but many have not been able to access these funds, either because the claim criteria is too narrow or Trusts have positive reserves, and so are expected to use these up first. In 19/20 a school only had to be forecasting an in-year deficit to be able to claim. Based on our survey, nearly 60% submitted claims for the 19/20 academic year – albeit the majority of claims were small, at under £5,000 per school. It has become harder for Trusts to make claims for exceptional costs in the 20/21 academic year due to the inclusion of the rule on reserves (a claim can only be made if free reserves are less than 4%, which equates to about 2 weeks’ worth of income/costs). To date £102m has been paid out but we know from our clients that very few have successfully claimed other costs through this process.

In an article posted in Schools Week in October 2020, they quoted an NAHT survey estimating that the cost of COVID safety measures were almost £400 million up to that date, but that only 16% had been successful with their claims. Furthermore, of those who made successful claims, 52% said that it reimbursed less than half of the additional spend. Therefore, the Trusts are having to absorb the majority of the additional costs – and these costs are ongoing until the pandemic is over. This picture is consistent with the experience of our clients.

The full financial impact of the pandemic will not be known for a while yet. As schools went back in to another lockdown in January 2021, then the savings made in the first lockdown can perhaps be expected to recur, although as there are much higher numbers of key worker children in schools post Christmas, these savings are likely to be more modest. Where this leaves the Academy sector finances for the current academic year is anyone’s guess. The length and frequency of lockdowns, the criteria for allowing children into schools, and the education provided will all have an impact.

Given the upheaval and all the changes that have been going on, it is perhaps not terribly surprising that Trusts are continuing to view the future somewhat negatively – although a little less negatively than in the prior year.

The future

When we look at the data in the Budget Forecast Returns (BFR) and the three year budgets (BFR3Y) it is clear that many Trusts still consider there to be significant risks to their financial stability, and this is not withstanding the additional income that the sector has been promised, as discussed in Section 2.

What the table below is showing is a comparison between the 3 year Budget Forecast Return (BFR3Y) submitted in 2019, the actual results for 2020, and the 3 year budget forecasts prepared by our clients in 2020. It also shows the percentage of Trusts that were forecasting in-year deficits in each of the years being considered.

Percentage of Trusts forecasting in-year deficits and change from BFR3Y 19 to BFR3Y 20

	2019 BFR3Y		2020 BFR3Y & Actual		Increase compared to 2019 BFR3Y (£)
	%	£	%	£	
2020	44.5	23,949	24.7	167,134	143,185
2021	47.1	(26,207)	40.9	15,523	41,730
2022	52.4	(75,832)	40.9	6,215	82,047
2023	-	-	41.5	(56,904)	-

We have commented in the past that budgeting by Trusts is typically overly pessimistic by a significant margin. This can clearly be seen when we look at the 2020 results. In the 2019 BFR3Y, Trusts in our survey were predicting an average surplus of £23,949, but this compares to an actual surplus of £167,134. We can also see that 44.5% of Trusts were forecasting in-year deficits whereas the actual results show that only 24.7% did so. This means a lot of Trusts got their budgets wrong.

What is interesting, is when you look at how forecasts have changed for future years. In the 2019 BFR, Trusts were forecasting significant deficits for 2021 and 2022. In the 2020 BFR, largely the same group of Trusts are now predicting surpluses for the same years – albeit fairly modest ones. It is not until you get to 2023 that Trusts expect an average deficit. It will be interesting to see if these changes reflect a less pessimistic approach taken to budgeting, or whether Trusts really think that they will be more financially secure over the coming years.

It is likely that part of the less pessimistic budgeting will be down to the greater certainty that the Government has been able to provide, through the NFF, teachers pay grants and pension grants. Where there is more certainty it is easier to budget.

How long this period of relative predictability continues is the great unknown. COVID has wreaked havoc on Government finances and at some point the books will need to be balanced. However, that is a worry for another day.



“COVID has wreaked havoc on government finances and at some point the books will need to be balanced.”

Section 2: Income

▼ *Our £1 billion COVID catch-up package, on top of these increases in per pupil funding, will help headteachers support those who have fallen behind while out of school, and deliver a superb education for all children across the country."*

Boris Johnson - 20th July 2020

During the past 18-months the Government has made a number of headline-grabbing promises of additional funding for the sector.

- In August 2019 the Prime Minister promised a 3-year £14bn funding boost for English schools.
- In June 2020, an additional £560m (£315m for the Academy sector) of capital funding was announced.
- £1bn COVID catch up package was promised In July 2020.
- £426m of Teachers' Pay Grant funding for 19/20.
- Fully fund the 19/20 rise in pension contributions via the Teachers' Pension Employer Contribution Grant (TPECG) estimated at £830m.

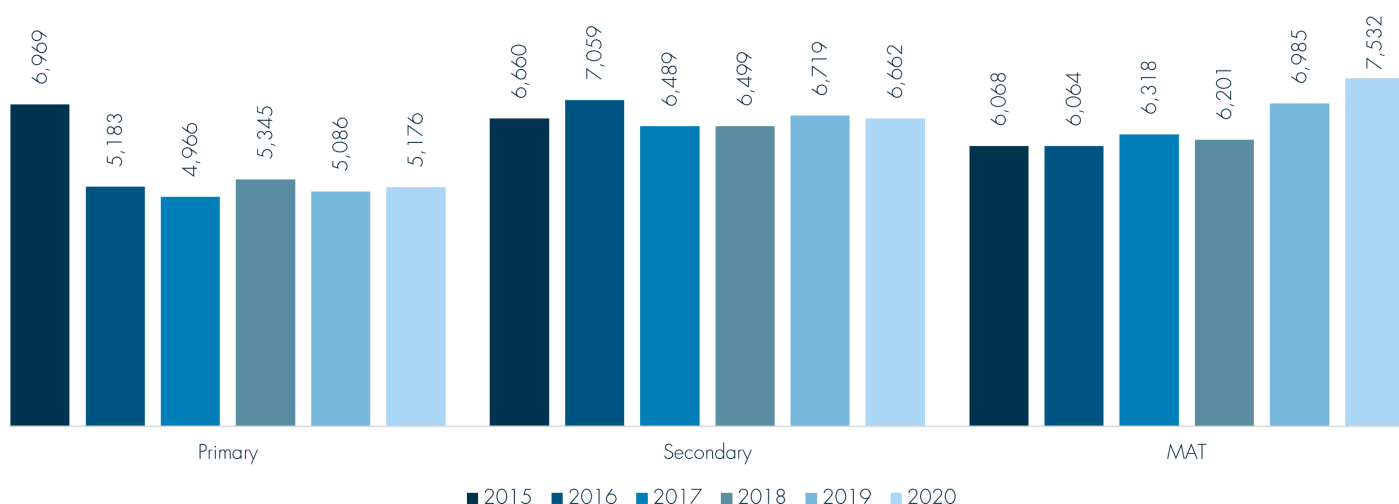
We also cannot ignore the Government support in respect of COVID, through both claims for exceptional costs and furlough grants, which we will consider in more detail later.

So, considering the above, you would anticipate a good year for funding, but is this the case based on our actual data? In short the answer is yes, however the answer is never completely straight forward.

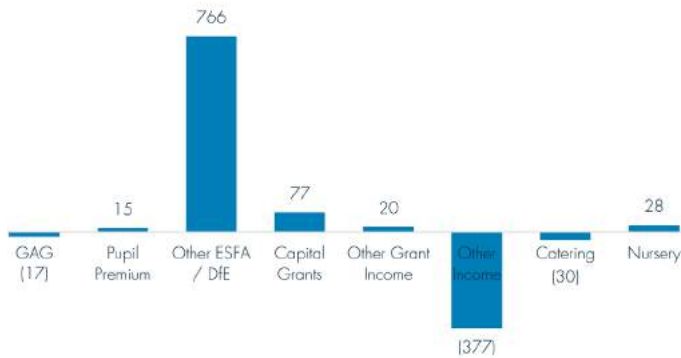
It is important to remember the table below includes all sources of income, including capital funding. This shows that for MATs there has been a significant increase in total income per pupil (partly driven by special schools joining MATs and the extra capital funding), primaries have seen a small increase, with secondaries seeing a small decrease.

Given the above announcements, you may have expected an increase for all Trusts but COVID has resulted in lost income, mainly for MATs but also some secondary schools. When you analyse the data, it is apparent that schools being 'closed' from March 2020 has had a significant impact on their ability to generate ancillary income (described in financial statements as 'other income'). There are many sources of income impacted including catering, hire of premises, income from sports facilities and school trips. Some of these will have a corresponding reduction in expenditure but others, such as hire of premises and sports facilities, will have little cost savings to offset. MATs have historically generated the highest amounts of other income, but as can be seen from the graph on the next page, their other income in 2020 has been slashed.

Average total income per pupil (£)



Changes in MAT income between 2019 and 2020 (£'000)

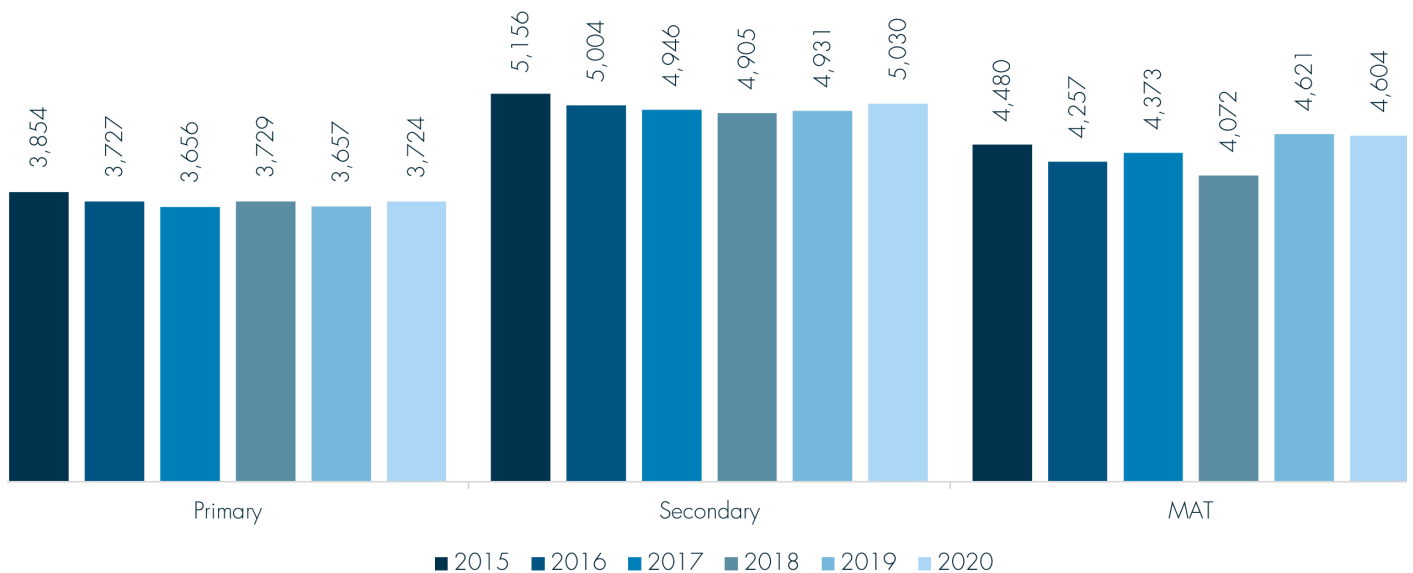


However, it is not all bad news. The Teachers' Pay Grant (TPG) and the Teachers' Pension Employer Contribution Grant (TPECG) have helped generate a significant increase in other ESFA/ DfE income, but the effect of this is simply to fund the increasing costs of teachers' pay and pensions.

GAG income

When we consider GAG income, on a per pupil basis, the core funding of primaries and secondaries have both increased, albeit by very small amounts, but MATs have very slightly decreased. MATs are however impacted by the ratio of primary, secondary and special schools in the population, so their average per pupil is more volatile. Secondary Trusts will be pleased with an increase for the second year running, which has arrested the decline experienced over the previous 4 years.

Average GAG income per pupil (£)



Capital income

Turning our focus to capital funding, based on the extra £315m for the Academy sector announced by the Government on top of the normal capital funding, it would be reasonable to anticipate a significant increase in capital funding in our year. Of this extra funding, for Trusts which qualify for Condition Improvement Fund (CIF), additional projects were funded totalling £182m. The larger MATs who qualify for School Condition Allocation (SCA) funding (those MATs with 5 or more open schools at the start of September 2020 and at least 3,000 pupils in the spring 2020 census), were each granted an additional 46% of their 20/21 standard allocation, which totalled £133m. The additional SCA has been received in equal instalments in August and September 2020. However, given how late this was announced in the academic year, and the general difficulty of procuring and undertaking capital projects in a COVID environment, the majority of successful Trusts will not have had the opportunity to spend this funding prior to 31 August 2020.

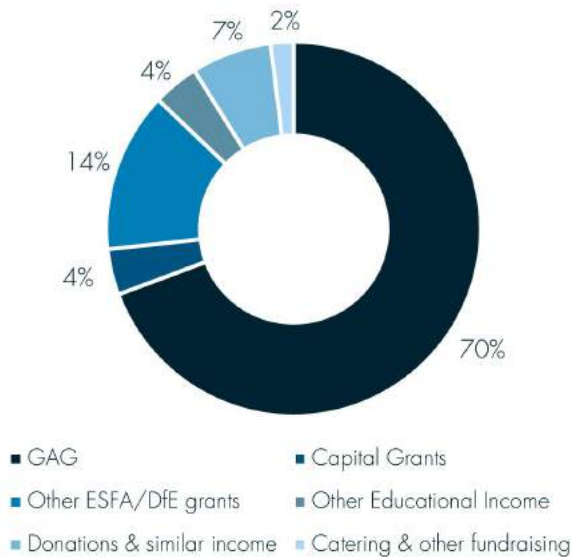
Exceptional costs grant

The additional exceptional costs many Trusts faced dealing with COVID resulted in further funding being announced in April 2020 for certain exceptional COVID costs, for the period from March to July 2020. However, claims were only to be submitted where a school (not Trusts) forecast in year deficits. Unfortunately, no support was available for any school or Trust which expected an in-year surplus. Even though the Government has stated it has to date paid out £102m, many did not receive any additional funding, as discussed in Section 1.

Free school meals income

In addition to the above, there has been financial support to provide low income families with free school meals whilst schools were closed. Initially, this was due to cease at the start of summer 2020, but largely due to a campaign led by Marcus Rashford MBE, this has now been extended through to when schools return from lockdown 3.0.

Summary of Trust income



Future funding promises

Above we have considered the funding impact on the year, but what future funding has been committed to by the Government?

The funding package announced in August 2019 continues with additional funding committed of £2.6bn for 20/21, £4.8bn for 21/22, and £7.1bn for 22/23. This will bring the schools' budget to £52.2bn in 22/23 and will result in a minimum funding guarantee of £3,750 per primary pupil and £5,000 per secondary pupil for 20/21. To put this into context, the total education budget is the third largest Government budget, behind the Department for Work and Pensions, and the Department for Health, and is larger than the Defence, Justice, Home Office and Transport budgets combined.

For 21/22, the DfE will require all local authorities to pass on at least £4,180 per primary school pupil, and £5,415 per secondary school pupil, although there may be exceptions to this requirement.

But a word of caution here as these figures include the Teachers' Pay and Pension funding (TPG and TPECG) and so cannot be directly compared with the 20/21 minimum funding guarantee without adjustments.

During the pandemic the Government announced a further delay of the hard NFF to 22/23 at the earliest, meaning the sector continues to be at the mercy of the local authorities' own funding formula for at least another year. Only 42% of local authorities closely mirror the national funding formulae.

After adjusting for the TPG and TPECG, the Government has calculated in 21/22 the annual real terms increase in the primary school per pupil minimum is +4%, and for secondary school pupils it is +1%.

Pupils in England are set to benefit from a £1bn COVID "catch-up" package announced by the Government, to directly tackle the impact of lost teaching time. £650m will be shared across state primary and secondary schools over the 20/21 academic year where headteachers will decide how the money is spent, but the Government anticipates this will be spent on tuition for whoever needs this. The remaining £350m will focus on a National Tutoring Programme, that is aimed to increase access to high-quality tuition for the most disadvantaged young people over the 20/21 academic year.

In June 2020 the Prime Minister launched a 10-year rebuilding programme where schools will benefit from substantial additional investment. The rebuilding programme will start in 20/21 with the first 50 projects, supported by over £1bn in funding. Investment will be targeted at school buildings in the worst condition across England – including substantial investment in the North and the Midlands – as part of the Prime Minister's plan to level up opportunity for all.

In December 2020 further funding was announced, the 'Coronavirus (COVID-19) workforce fund' to support schools with costs of staff absences from 1 November 2020 to 31 December 2020', again there are qualifying conditions to be met, which will result in many Trusts being unable to claim.

Whilst these additional income streams are welcomed by the sector, it makes it impossible for Trusts to budget accurately. As a result it is difficult to predict the financial outturn for 20/21, and with so many moving parts it will be a complex exercise for Trusts to forecast with any certainty.



“What is of utmost importance is how Trusts make these decisions, how their resources are spent and how effective their decisions are.”

Section 3: Costs

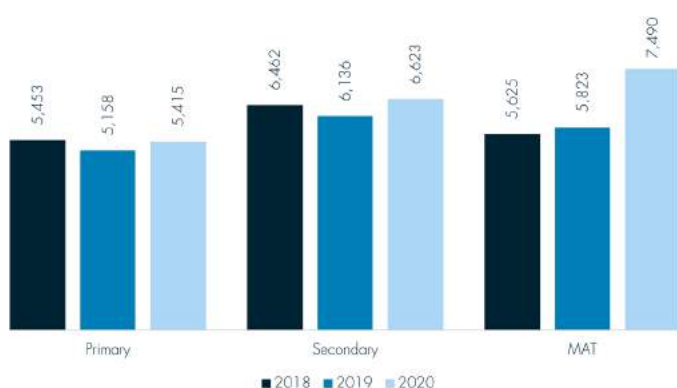
This has been a year where a lot of difficult choices have been made, and there are still plenty more tough decisions ahead. What is of utmost importance is how Trusts make these decisions, how their resources are spent and how effective their decisions are. Even before COVID Trusts were focussed on ensuring that they were spending their budget as efficiently as possible. Trusts will have reviewed their staffing levels and the need for potential cutbacks in what are considered non-essential expenditure, in areas such as building maintenance. In this section, we discuss some of our data findings and what lies ahead.

As expected, staff costs remain the most significant cost for Trusts. In July 2020, the Education Secretary accepted the recommendations made by the School Teachers' Review Body to raise the starting salary for new teachers by 5.5% and to increase the upper and lower boundaries of the pay ranges for all other teachers by 2.75%, this being a 3.1% increase in salary costs. We have been aware for some time that the Government has made a commitment to increase teachers' starting salaries to £30,000 by 22/23. It is estimated that these salary increases will take up a significant proportion, an estimated one third, of the extra £7.1bn in funding set out for 22/23.

However, in November 2020 the Chancellor Rishi Sunak announced a pay freeze in his spending review for all public sector workers which may cast doubt on the Government's ability to meet its commitment to raise teachers' starting salaries to £30,000 within the planned time frame. This will leave many wondering what the future holds and how they are to prepare meaningful budgets.

The effects of funded current pay and pension increases are clearly shown in the table below for total staff costs per pupil. What can be seen is the significant increase in staff costs per pupil in 2020 compared to the relatively consistent, if not falling, levels in earlier years. The increase in costs per pupil has also been affected by the increase in average staff numbers for all types of Trusts when compared to last year.

Total costs per pupil (£)



Trusts will be affected differently by the teachers' pay settlement. For those Trusts that rely on new or less experienced teachers, they will face higher costs as salary increases for these teachers rise more quickly, and this will place more pressure on budgets.

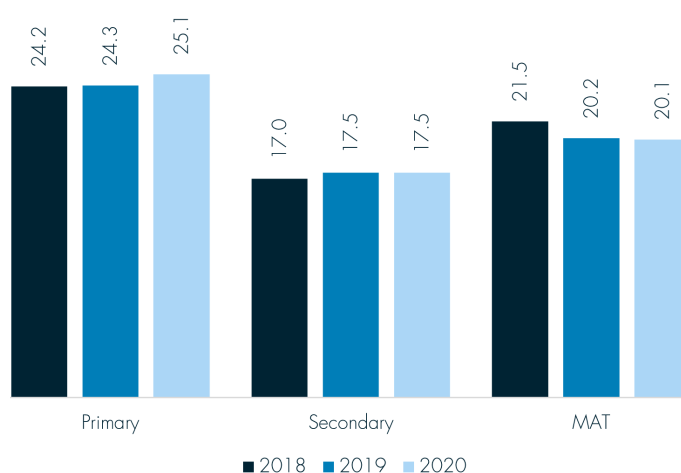
Reducing staff costs potentially remains the only real place where significant cost savings can be made if balanced budgets are to be achieved by Trusts. It is expected that all Trusts will be closely reviewing their teaching requirements as they look to balance providing as broad a curriculum as possible to prepare pupils for modern life, against the cost of doing so. It may be the case that specialist teachers might not be replaced when they leave or retire, or if they are replaced then it might be by teachers who have less experience.

Trusts appear to be wanting to manage teacher workloads by controlling pupil contact, as well as ensuring that experienced teachers have time to mentor less experienced teachers. The benefits of mentoring have been recognised by the Government as it recently announced a further £22m of funding to allow experienced teachers time away from front line teaching to mentor new teachers.

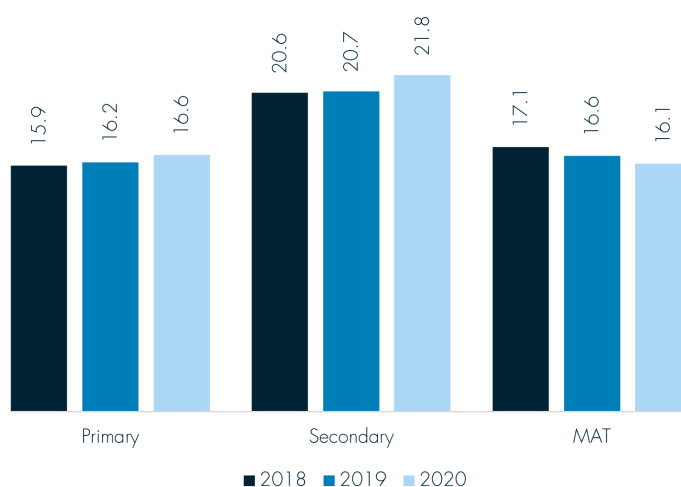
A key ratio we focus on in assessing the financial position of a Trust is the pupil to teacher ratio. If the figure is too high then teachers might be over stretched due to higher class sizes and if it is too low then a Trust may not have enough pupil income to cover teacher costs, or indeed it may be over staffed.

What we have not seen this year, as evidenced below, is any significant change in the average ratio of either teaching or non-teaching staff to pupils.

Average pupil:Teacher ratio



Average pupil:Non-teaching staff ratio



So although the key ratios have remained largely unchanged, the total employment cost figures have increased due to pay rises and pension cost increases. Where cost has been saved is on supply costs. We have highlighted this as an area of focus in previous reports, however the significant reduction in cost per pupil seen below is all driven by the impact of COVID.

Lockdowns have meant that there has been a much lower need for supply cover, and this has particularly been the case with the secondary schools, with a fall of almost £100 per pupil. These costs are likely to increase again in the future - but it is currently hard to predict when this will be.

Supply (and agency) costs per pupil (£)

	2018	2019	2020
Primary	131	126	114
Secondary	165	191	92
MAT	120	167	152

A constant theme has been getting staff structures right, which can be both difficult and expensive. Restructuring costs remain a sensitive issue as Trusts attempt to demonstrate value for money when paying compromise agreements to staff as part of any restructuring process.

Average restructuring costs (£)

	2018	2019	2020
Primary	1,855	2,560	1,117
Secondary	15,520	10,589	5,705
MAT	40,076	39,103	24,182

We can see from the table above, average settlement costs have continued to decrease and remain at relatively modest levels for all Trusts. Falling restructuring costs are consistent with the restructuring activity we have seen with our clients. We anticipated in previous Benchmarking Reports that as the sector matured there would be less restructuring activity as it becomes more difficult to reduce staff costs.

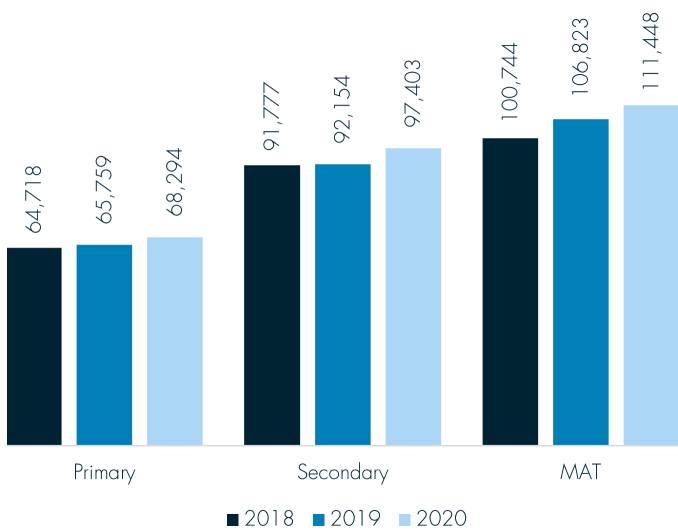
Restructuring costs are highest for MATs as they continue to increase in size, often through taking on a failing school, and this provides the opportunity to make cost savings where roles are duplicated. In our survey this year, there is one large MAT that spent nearly £482,000 on restructuring costs, but this is considerably lower than the £874,000 spent by an individual MAT last year. Our data shows that for all Trusts the highest total spend, or highest individual spend per settlement, continues to decrease year on year.

Headteacher (CEO) pay

There is the continued scrutiny of headteacher's pay and some Trusts may be challenged by the ESFA on their justification and rationale on the setting of executive pay. Where this is the case, the Chair of Trustees may be asked by the ESFA to justify the salaries paid to the senior leadership team. This can be a lengthy and time consuming process; if salary levels cannot be justified then a Trust can be 'named and shamed' which can lead to unwanted press attention.

The table below shows the average salary for headteachers; for all Trusts the average salaries have increased, this is perhaps after some restraint in prior years. Our data showed that the percentage of headteachers earning over £150,000 increased from 5% last year to 6% this year.

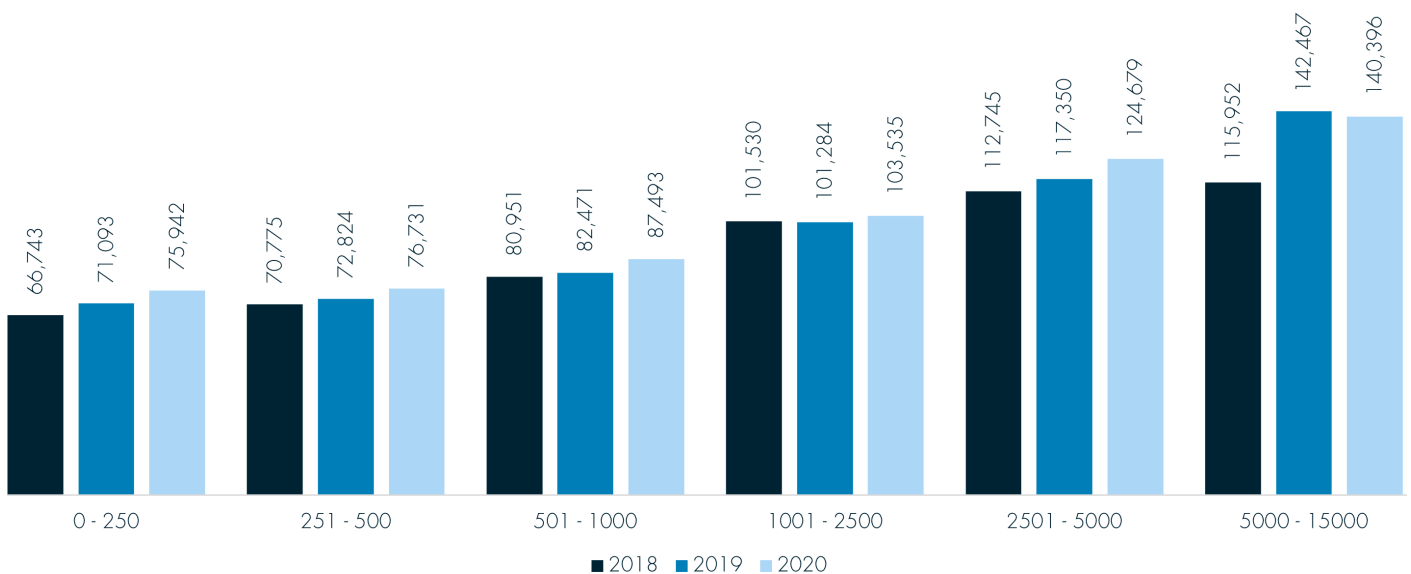
Average headteacher remuneration (£)



All Trusts should follow the guidance for setting executive pay as set out in the AFH, which states that the process must 'follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities'. The Board must discharge its responsibilities effectively by ensuring that processes are transparent, proportionate and justifiable. In setting executive pay levels they will need to consider data from a variety of sources, but what is evident is that Boards should consider the performance of the headteacher and not simply what peers are earning. The setting of executive pay, especially in larger Trusts, can be both complex and challenging and it is for these reasons that the Boards should consider using external advisers where considered appropriate.

Our data continues to show that headteachers' salaries remain closely linked to pupil numbers; in all cases as the number of pupils increases then the headteachers' salary also increases. The smallest percentage change in headteacher' salaries was in the larger Trusts, which was in fact a decrease, and may reflect an awareness that their salaries are being closely monitored.

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



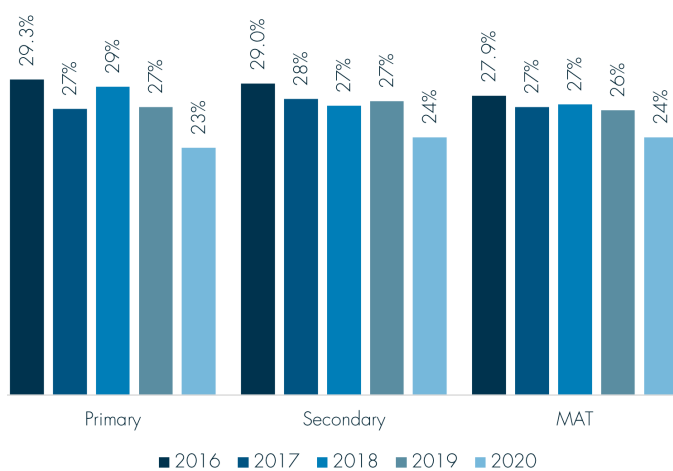
Non-staff costs

To put it mildly 19/20 was not the year that was originally budgeted for. The onset of COVID meant that Trusts had to adapt very quickly to the challenges that they faced. Our data, has shown a majority of Trusts reporting decreasing costs. Areas where costs have increased are cleaning and costs to ensure that schools are COVID compliant when it comes to teaching bubbles, signage etc.

The table below summarises the average non-staff costs as a percentage of total cost. All types of Trust are showing a reduction. What we are seeing is that the percentage of spend on all categories of expenditure, are either down, or at levels consistent with last year.

One of the factors impacting this percentage is that the total costs have risen as a direct result of teacher pay rises and the significant pension contribution increases. Consequently if non-staff costs were unchanged from the prior year the percentage would still fall, as the total cost used in this percentage is higher. Explaining the rest of the reduction is a little harder. It is not clear whether some of this reduction is down to good cost control or potential COVID savings due to school closures. One area where savings have been made is in catering costs as a result of less pupils attending schools during lockdown.

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



All Trusts are familiar with the requirements of the AFH to produce management accounts monthly and to prepare balanced budgets. In these increasingly challenging times it is crucial that reliable management accounts are produced as this aids the decision making process when considering the future.

Trustees should be prepared to robustly challenge both the management accounts and budgets as there is the need to understand any options that are available to ensure the delivery of educational objectives in as cost effective a way as possible.

When speaking to CFOs we are aware that there is considerable pressure in managing limited finances. The advice that we give our clients when preparing budgets is to avoid falling into the trap of automatically placing incremental increases on actual costs incurred in the previous year, but to remain focussed on the financial challenges as this can lead to a fresh approach in thinking and the consideration of alternatives. In addition, we advise budgets to be based on the Trust Improvement Plan to ensure resources are deployed in the most effective way.

Linked to an effective budgetary process is School Resource Management Advisers (SRMAs), which we wrote about last year. Subsequently the ESFA issued their report on the pilot programme following their visits to 72 schools or Trusts during the 17/18 academic year. Key findings included 94% of Trusts rating their experience of working with SRMAs as either good or very good; SRMAs being generally well respected; the identification of £35m of opportunities for either income generation or cost savings that had not been previously considered. The report concluded that the largest savings related to the 'optimal deployment of teaching and leadership, together with the consideration of expenditure in such areas as premises maintenance, catering and energy.

However, of the Academies taking part in the pilot it is predicted that they would be making savings of £10m over the subsequent three years, which only amounts to 48% of the value of opportunities identified by the SRMAs.

As the DfE considers that the outcome of the pilot was successful they have now implemented a full roll out of the programme and in fact more SRMAs are in the process of being trained. Visits to Trusts have continued and some of these Trusts are re-directing the realised benefits into spending on priorities or helping the Trust return to a healthy position.

When considering cost control and value for money the DfE continues to advocate the 'buying for schools' initiative. The guidance it has issued is for the purpose of obtaining better value and we encourage all Trusts to look at buying groups or networks to see if there are cost savings to be made.



"To put it mildly 19/20 was not the year that was originally budgeted for."

Section 4: Balance Sheet

Whilst the financial position of a Trust is important, Trustees are now acutely aware of how little control they have over the major numbers in the balance sheet, being land and buildings and the Local Government Pension Liability. Instead their review and challenge is directed towards the more important balances of cash and reserves.

Most readers now appreciate cash and reserves are not the same thing, with cash typically being significantly higher than reserves. Whilst cash might be easier to understand, the financial strength of a Trust is measured by its reserves. It is possible to reconcile from one to the other, but this has been complicated in the current year due to higher levels of cash and accrued income that are ring-fenced for capital projects.

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

	2017			2018			2019			2020		
	Cash	Free	Ratio	Cash	Free	Ratio	Cash	Free	Ratio	Cash	Free	Ratio
Primary	380	246	1.5:1	360	248	1.5:1	322	264	1.2:1	365	291	1.3:1
Secondary	857	562	1.5:1	787	500	1.6:1	824	530	1.6:1	968	762	1.3:1
MAT	1,728	1,093	1.6:1	1,866	980	1.9:1	2,048	1,171	1.7:1	2,454	1,443	1.7:1

As discussed earlier in this report, most Trusts achieved a surplus in 19/20 and this is confirmed in the above table, where the average balance of free reserves for all types of Trust has increased. The ratio of cash to reserves has improved at primary Trusts and decreased at secondary Trusts. At primaries, this returns them to the same ratio as in 2017 and 2018. At secondaries this probably reflects the loss of other income, in particular catering and lettings, together with the timing of capital grants and pandemic related income and costs – grants, trips and exam fee refunds. The increase in the MAT balance results from a combination of in-year surpluses, additional capital grants and continued expansion, which the pandemic may have slowed, but has not stopped.

It can be seen from the consistent level of free reserves that primary schools have historically managed balanced budgets, however this year there is a larger surplus. For all Trusts in 2019 there was a slight increase in reserves following the October 2018 Budget announcement of £400m for 'little extras'. For secondary schools, which had seen a significant reduction between 2016 and 2018, they have experienced a substantial surplus this year.

The significant increase in reserves was not, in the majority of cases, a planned one, but a result of changes that occurred because of the pandemic – as discussed earlier.

Schools do from time to time come in for criticism for not spending the funds they receive on the children in the school at that time.

In this instance, though it seems difficult for anyone to apportion criticism to schools given the significant uncertainties they have faced during the pandemic.

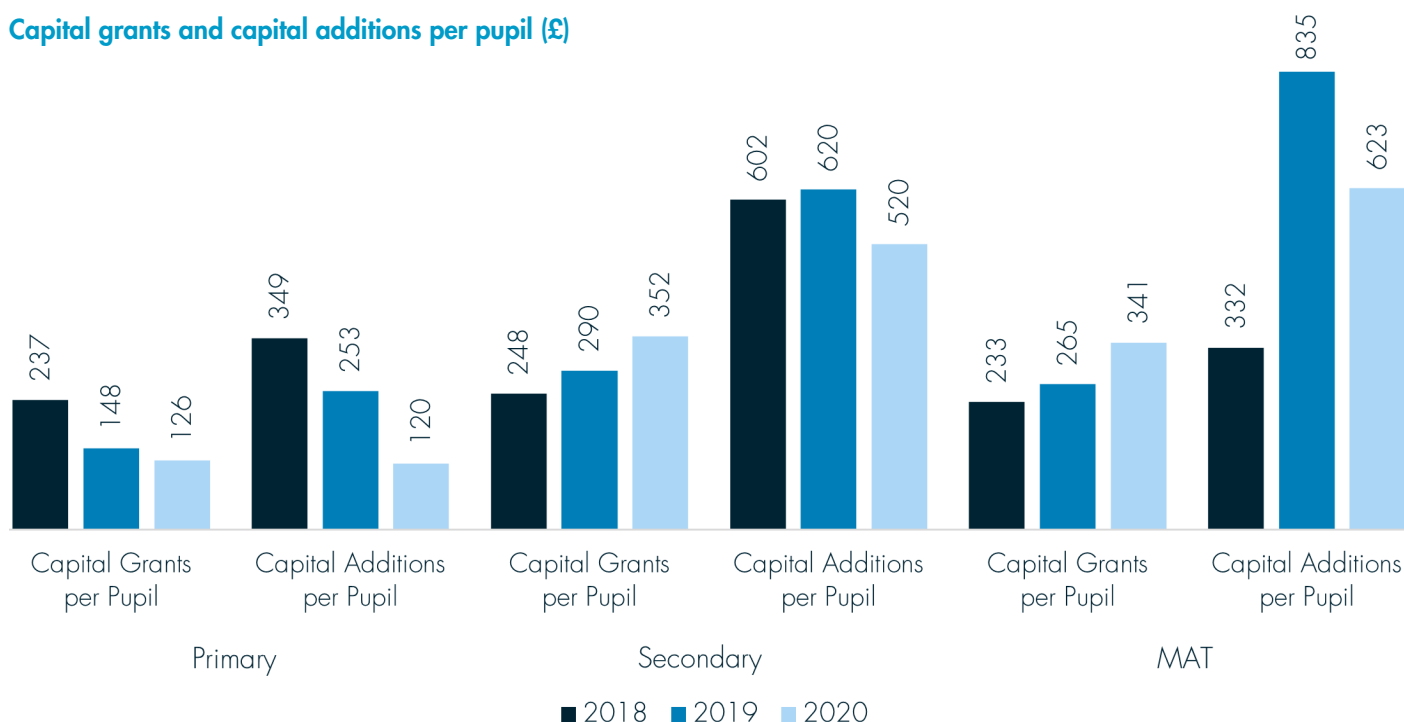
Whilst not unsurprisingly, additional risks have been added to risk registers during the last year; we have seen only a slight change in reserves policies – the number reporting 1 month of income or expenditure has increased from 75% to 78%. We noted last year this equated to £150,000 for a primary school and £560,000 for a secondary school.

Whilst secondary schools held reserves below this last year, they are now comfortably above, as are primary schools.

We also commented last year on the fact that potentially Trusts could look to reduce reserves, if they had more certainty over income and costs. The Government has made some announcements, including in November 2020 the provisional allocations for 21/22, and the outline funding for 22/23 which is a step in the right direction. They have also announced that this will be based on a National Funding Formula (NFF), which will include the teachers' pay grant and the pension funding. Unfortunately, this still does not provide the clarity required to undertake long term planning, especially if that involves capital expenditure, including IT.

One of the reasons Trusts hold reserves in excess of the reserves policy is so it can meet capital costs, be that in respect of buildings (for which there may also be School Condition Allocation (SCA) or CIF funding available, or for investment in IT which these Government grants do not fund).

Capital grants and capital additions per pupil (£)



As can be seen above, grants per pupil has increased whilst capital expenditure per pupil has dropped significantly from 2019 to 2020. There are two key reasons for this:

1. The initial CIF allocation of £434m for 1,476 projects at 1,243 schools was not announced until the end of June 2020 (usually early April), thus leaving little time for projects to be commenced. This goes a long way towards explaining the increase in cash balances across the sector.
2. Where projects could be started, additional preparation was usually required to ensure the relevant COVID safeguards were put in place.

In addition to the initial CIF allocation of £434m, further funding of £315m for repairs and upgrades was subsequently announced by the Government in June 2020, of which £182m was allocated to 580 projects at 548 schools in August 2020, via the CIF mechanism. Under charity accounting rules, which the Academies Accounts Direction (AAD) follows, these grants should be recognised on entitlement, rather than receipt of funding or completion of the related works. As a result, there is often a mismatch between the receipt of income in one year and the expenditure in the next.

This can be seen in the table below where net current assets has increased by more than the surpluses. This reflects the fact that there is additional accrued income and cash due the unspent CIF - this is all ring fenced for capital expenditure.

Average cash balances as a proportion of net current assets (NCA) (£'000)

	2018			2019			2020		
	Cash	NCA	Ratio	Cash	NCA	Ratio	Cash	NCA	Ratio
Primary	360	286	1.3:1	322	427	0.8:1	365	491	0.7:1
Secondary	787	709	1.1:1	824	1,247	0.7:1	968	1,577	0.6:1
MAT	1,866	1,584	1.2:1	2,048	3,120	0.7:1	2,454	3,646	0.7:1

Given the delay in the announcement of the original CIF (£434m), the additional CIF (£182m) combined with the original SCA (£283m) and additional SCA (£133m), we expect to see a significant increase in capital expenditure per pupil in 20/21.

As those involved in the CIF application process will be aware, the phrase ‘we think there is a strong link between Trusts with a good grip on finance and governance and effective, value for money capital delivery’ has led to points being awarded (or deducted), depending upon certain criteria. It is interesting to note therefore, that for the 20/21 CIF round, which was launched in November and closed on 14 January, two factors that had previously led to a points adjustment have been removed:

- School Resource Management Adviser Visit (SRMA).
- Excessive Executive Pay (EEP).

The latter is interesting given the focus on EEP which has been highlighted elsewhere in this report.

In addition, the latest CIF guidance notes state that Academy Trusts that have signed up to a master funding agreement after December 2014, and those committed and actively moving to the latest model funding agreement prior to announcing CIF by 1 March 2021, will be awarded a bonus point to their overall application score.

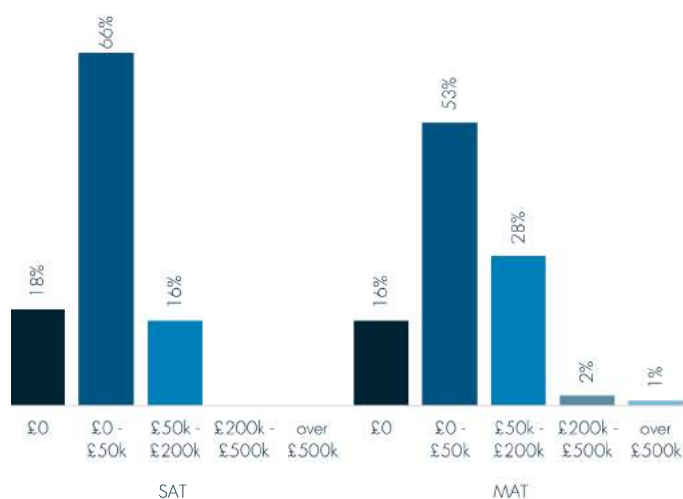
IT investment

The focus so far of this section has been on capital infrastructure. During the pandemic there has been significant press coverage on the effectiveness of online schooling. At one extreme, parents have complained saying there has effectively been no virtual teaching, whilst other schools have continued with the existing timetable with lessons being taught online.

Given this range of experiences, we undertook a survey of our clients to get an understanding of their plans to invest in additional IT hardware/software to ensure resilience if virtual schooling is required again (the survey was conducted prior to lockdown 3.0 being announced).

What this shows is that 84% of MATs and 82% of SATs plan to invest in IT. Of the MATs, 31% are planning on spending more than £50,000, and 3% planning on spending over £200,000 with one respondent planning on spending over £500,000. These are some significant investments that have the potential to significantly upgrade the technology of the sector.

Planned IT investment



Obviously, the investment decisions will differ from school to school. We would expect those schools which are part of a MAT to have a consistent IT strategy across all schools. This consistency will make it easier to implement and update, as well as increasing the efficiency of training and making it easier for staff to work across the MAT.

Historically, funding has been tight, which has probably led to some Trusts focusing on the running costs, rather than investing in future technology. We regularly hear of schools using computers that are over eight years old which, as employers, we would say is far from ideal, and we know schools would agree.

Other hurdles for Trusts include:

- Cyber-attacks. Unfortunately, over the years there have been rumours of colleges paying to get ransomware removed. As advisers, we also hear of businesses being targeted by hackers on a regular basis and that is with limited connected devices, so unfortunately it is a real threat.
- Lack of good broadband connection in some localities.
- Different legacy systems within a MAT.

Whilst the Government provided some additional laptops and tablets during 2020, the feedback from clients was it was very piecemeal and numbers were not sufficient to meet their needs. In December 2020, the Government announced its ‘get help with technology programme’ that is going to provide ‘hundreds of thousands more laptops and tablets – reaching more than 1 million’ during Spring 2021.

The IT dilemma

The use of Xbox and Playstations together with adhoc laptops and tablets from the Government does not however make an IT strategy. For that to occur, significant resource needs to be invested in the design of an integrated strategy where all the IT – computers/tablets, software, servers, network and Wifi works together. The unexpected surpluses some have achieved in 19/20 may result in some investment in a coherent strategy and initial catchup for those schools that may have previously under invested.

The question then is how to fund the rest of the investment programme and/or how to then keep up to date. At some Trusts the laptops/tablets used by the pupils are ‘purchased’ via a scheme which the school organises, but which the parents pay for. This is obviously not an option for all pupils or all schools, and care needs to be taken as there are many regularity issues at play here.

Under current rules Trusts are not allowed to borrow money , other than for a few exceptions. As a result, Trusts cannot enter into hire purchase agreements, to do so would be a regularity breach, and therefore this limits the options to finance an IT strategy. The other options are either to buy outright or to enter into operating leases. In our experience of reviewing these latter agreements, some so called operating leases are in fact hire purchase agreements, so care needs to be taken when considering this option.

As Trusts can borrow monies for CIF and Salix projects, it would seem sensible for the DfE to consider setting up a fund, which Trusts could borrow from for IT projects. This will give Trusts the flexibility and financial resources to design and fund a coherent IT plan.

Pension schemes

As discussed in previous reports, there are two pension schemes – the Teachers’ Pension Scheme (TPS) which is an unfunded scheme (hence only the payments are reflected in the financial statements), and the Local Government Pension Scheme (LGPS) for support staff which is a funded scheme.

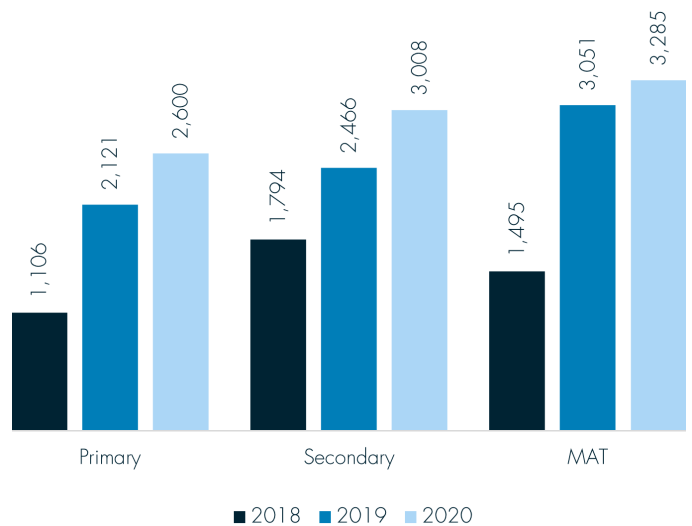
Not unsurprisingly, given the stock market turmoil following the pandemic, the value of assets has fallen in a number of schemes. Coupled with some changes in assumptions made by the actuaries, this has resulted in a further increase in liabilities in the LGPS scheme.

The graph shows that the liability per pupil has nearly doubled for all school types over the last two years.

Trustees should remember that whilst this is not an immediate liability, it is something that is expected to brought back into balance over the long term – 20 years plus.

Whilst the increase is significant it should also be remembered that it is the tri-annual valuation, which is done on a different basis, which dictates the contribution rates. The next tri-annual valuation is not due until April 2022, and this will not feed into contribution rates until 2023.

Average LGPS deficit per pupil (£)



In respect of the TPS, the increase in employers’ contribution rate from 16.48% to 23.6% on the 1 September 2019 was significantly more than most had expected.

Given the implications for the sector it was not surprising that the Government introduced a grant. Obviously, independent schools did not qualify for the grant, and as a result there has been a significant increase in independent schools leaving the scheme. (This is not an option for Trusts as the funding agreement includes a condition that the Trust must remain with the scheme).

One question that Trustees are starting to ask is which staff should be involved in which scheme. This is particularly relevant for the Accounting Officer. Historically, they will have been in the TPS, given most at present are former teachers, but given their new role, is that the correct pension scheme?

We are also getting questions from some highly paid Members of the executive about whether they should continue to pay into a pension scheme given the tax implications around the life-time limit. Some Accounting Officers have decided to take additional salary in lieu of the employers’ pension contribution.

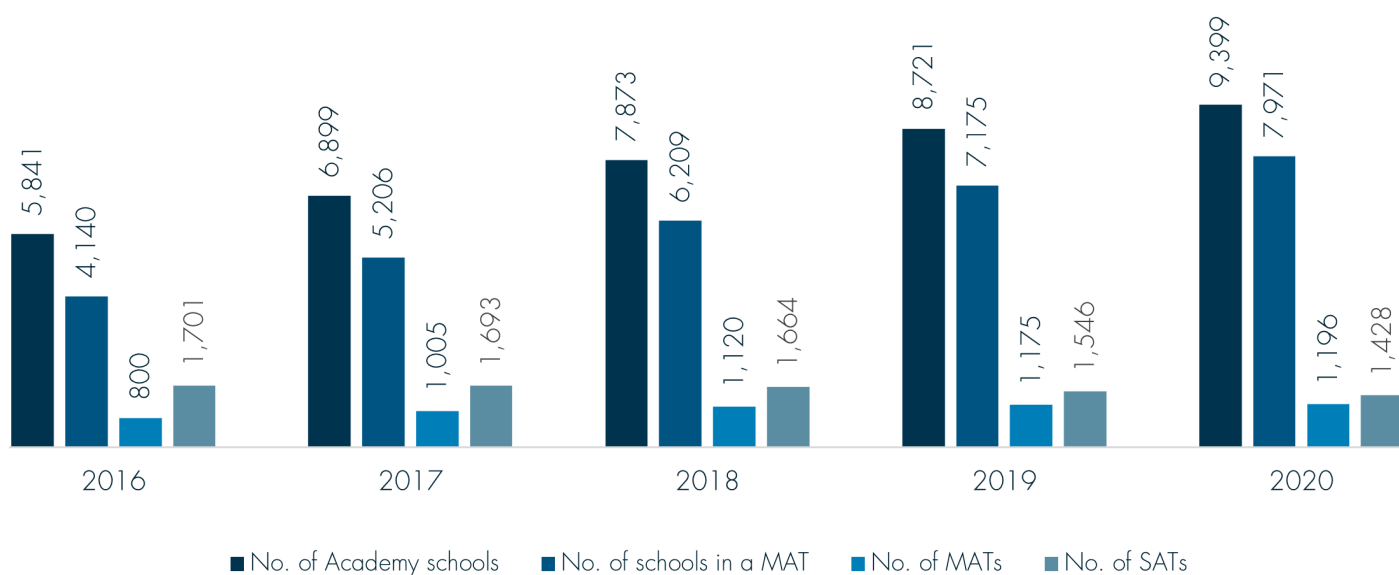
“The most centralised Trusts continue to grow and take on problem schools.”



Section 5: Multi-Academy Trusts

The growth of the sector has slowed despite the Conservative manifesto promise that it will build more free schools, expand alternative provision and support innovation, such as maths schools. The ESFA and RSC continue to encourage schools to join a Trust, but growth has mainly been limited to the more centralised Trusts. The annual rate of sector growth has slowed from 10.8% in the year to December 2019, down to 7.8% to December 2020. The slowdown is not unexpected under COVID conditions as Trusts have focused on operational matters, resulting in the delay of strategic decisions.

Total number of Academy schools and MATs



Across the sector, the average size of a MAT has marginally increased from 6.1 to 6.6 schools.

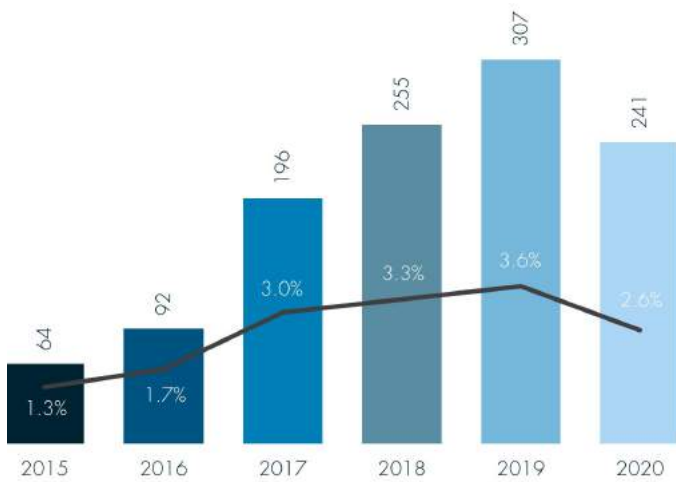
Rebrokerage

Rebrokerage is when a school moves from one Trust to another. This typically happens when a SAT chooses to join a MAT, or when there is an intervention by the ESFA/RSC, and a move is mandated. This intervention can be due to either educational or financial failings, or both. As can be seen from the graph below, both the percentage of schools being rebrokered, and the absolute numbers have dipped to below 2018 levels. This data is based on DfE financial years, and so covers the period up to March 2020. Therefore, the period of COVID lockdown is not represented in this data.

Whilst it is not possible to identify the reasons behind the decrease, the following are possible explanations:

- The DfE have already dealt with many Trusts that have had issues in the past, and as such there are fewer requiring intervention?
- The pressure on Government resources as a whole due to Brexit planning, where staff from all Government departments were reallocated, might mean these interventions have taken longer to complete due to resource pressures?
- The appetite for schools to voluntarily move Trusts has decreased?

Number of rebrokered schools



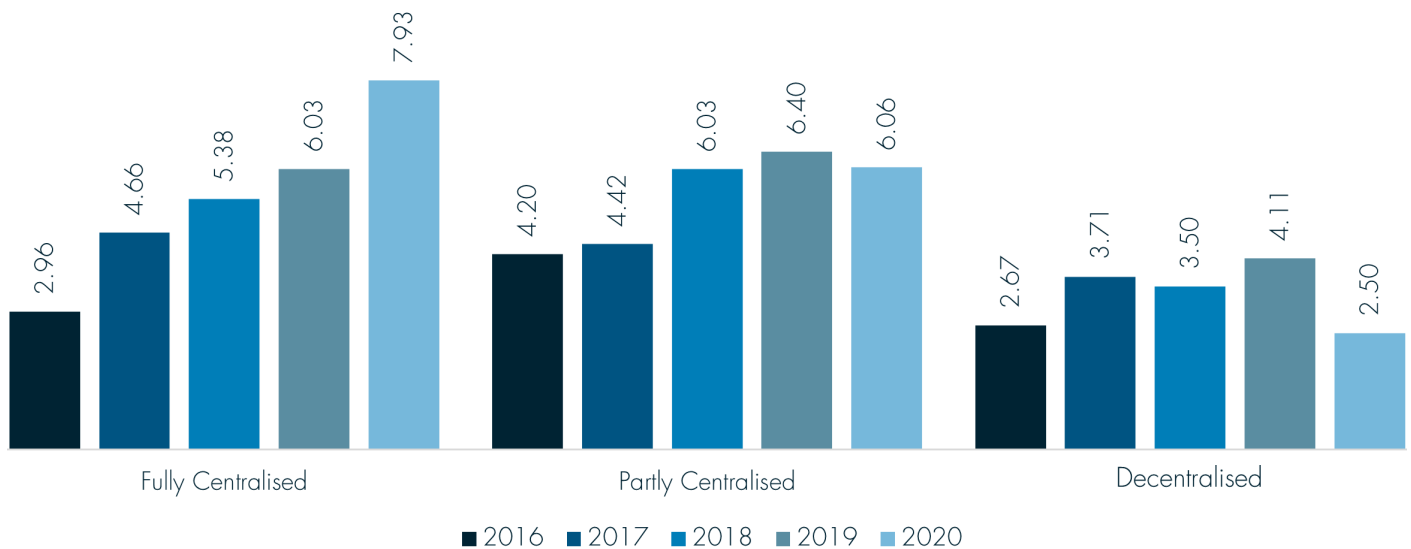
Centralisation

Centralisation of back office functions typically allows much stronger financial governance in a MAT, and the sector has continued to see a move towards full centralisation.

In line with previous years, we have classified MATs on a scale of fully centralised, where finance, HR, school improvement etc. is all managed centrally, through to fully decentralised, where these functions are still managed by individual schools within the Trust. What is clear is that MATs are still growing, but it is primarily the fully centralised MATs that are being allowed to grow, whilst the fully decentralised Trusts have decreased in size – indicating that a number of these Trusts have either rebrokered individual schools, or in some cases the whole Trust has been rebrokered.

This is consistent with the messages clients give us that a move to a more centralised model is often part of the conditions applied to a business case by the Head Teacher Board.

Average number of schools per MAT by centralisation level



MATs with a school in a deficit

We have previously discussed how the sector deals with individual schools that are failing financially. These schools are typically re-homed in a well-run, centralised MAT.

67% of Trusts with at least 8 schools had 1 or more schools in an individual cumulative deficit position. Compare this with Trusts with 4 or fewer schools and the level drops to 29%. This is consistent with the expectation that these smaller Trusts would find it more difficult to support a school in a deficit position, whereas the larger MATs can manage cash flows and resources across the whole MAT far more easily, allowing them to take on more challenging schools in a deficit position. The larger centralised MATs will also have the financial specialism in the central team to be able to support these challenging schools.

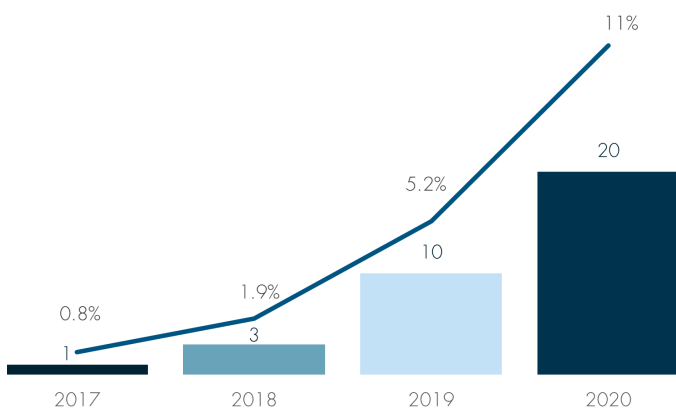
So why do MATs take on financially failing schools if it makes their financial position more vulnerable? Our clients tell us it is because they have a moral obligation to ensure that every child receives the education they deserve, and this occasionally means taking on a high-risk school. The skill is to ensure that the risk taken on does not put the whole MAT at risk of financial failure. Sadly, we do still see some examples of this in the sector.

	Number of problem schools			
	2019		2020	
	None	1 or more	None	1 or more
Average in year surplus	218,128	167,582	236,880	199,688
Average Trust size	4.3	8.3	5.1	9.3

GAG Pooling

One way a MAT can manage its reserves in individual schools is by adopting a policy of GAG pooling. MATs put such a policy in place typically to combine certain streams of funding, including GAG allocations, of individual schools and then allocate the funds in accordance with agreed budgets based on local need. There has been a clear increase in the number of MATs adopting a GAG-pooling policy in 2020, though the shift to this approach remains slower than was originally expected.

Number and percentage of MATs GAG pooling



One barrier to allowing central management to have full control of these funds is the feared loss of autonomy in individual schools or hubs within the MAT.

This is even more prevalent where there are schools within a MAT holding significant levels of reserves and which also have a history of achieving in-year surpluses.

In fact, this may also be a barrier for any new schools looking to join a MAT. Any MAT wishing to adopt a GAG-pooling policy will need to demonstrate the benefits in order to get individual schools and local governing bodies to fully support this transition. The MAT should be clear what it intends to achieve by GAG pooling, which might include:

- Eliminate current inequalities in funding between schools.
- A needs-led approach to budgeting.
- Providing financial security to individual schools in the event of an emergency.
- Allow Trust Improvement Plan priorities to be delivered.

All concerns need to be addressed in order to ensure the process of moving to GAG pooling is open and transparent. There are significant change management issues that you will encounter on your journey, so this must be a well planned project.

There has been a varied approach to GAG pooling in the sector with Trusts adopting a variety of different policies. The main differences have been in relation to the treatment of reserves brought forward as well as how under/overspends are treated, both approved and unapproved.

The policy on whether brought forward reserves are pooled or not should be agreed by each school and should reflect the existing plans of the school in relation to these funds. The reserves policy should clearly reflect how these existing funds, as well as any later additions, will be used to ensure that there is no confusion later.

It is vital that the wording of the policy accurately demonstrates how the Trust intends to deal with these. Will a school which underspends be able to retain those funds? Will a school which has unapproved overspends have to repay the overspend or will it be covered by the central reserve? What will be the incentive or deterrent of not meeting the agreed budget?

Regardless of whether or not a MAT operates a GAG-pooling policy in the way it operates, the fact still remains that the reserves are legally owned by the MAT and not by each individual school; a fact that is often overlooked by schools joining a MAT.

There is live discussion about whether Trusts can continue to GAG pool, with the House of Commons Education Committee raising questions about the introduction of GAG pooling and its interaction with the National Funding Formula (NFF) in its ten-year plan for school and college funding. The ESFA responded in October 2019 reminding MATs that if they are GAG pooling, they must be clear and transparent about the method and that MATs must consider the needs of each constituent school. The ESFA has stated it will also consider, in consultation with stakeholders, if any amendments are required to rules in future, to ensure a smooth introduction of the NFF.

Reserves targets

The method of setting reserves policies in MATs is also likely to evolve in the future. Arguably as reserves get pooled, the level of free reserves required is reduced. Free reserves are needed to cover working capital requirements, risks and opportunities. So a single Academy may set it at one month of income, which is fairly common. If a MAT were to do this whilst pooling reserves, they may be holding more reserves than the risk profile would require. For example, in a large 15 school MAT, it would be highly unlikely that all 15 schools would require these reserves at the same time, so a lower level of free reserves might be appropriate due to the risk profile.

Linked to reserves targets, there may be specific projects that reserves are intended to be used towards, and we have seen an increase in the number of Trusts designating reserves in their accounts – so that they are separately identified and do not form part of the free reserves.

Top slice percentage

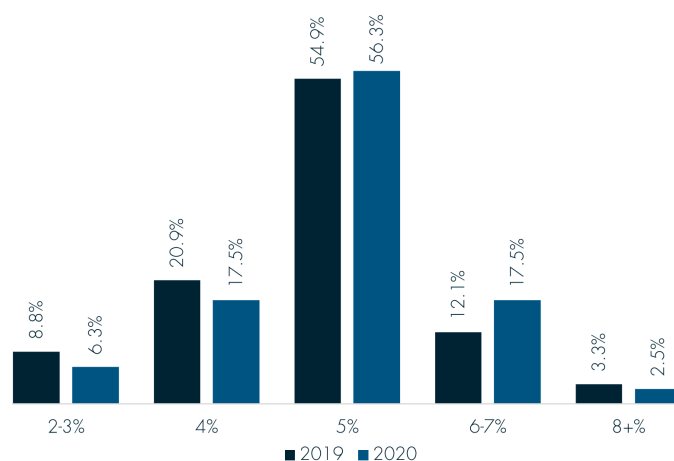
For those Trusts not adopting a policy of GAG pooling, the most common method of funding the central function is by applying a top slice to each school. The proportion of Trusts charging their central costs based upon a percentage of income has decreased slightly in 2020 to 73%, and the number of Trusts who use pupil numbers to determine the charge has increased from 12% in 2019 to 17% in 2020.

Basis used for central services recharge	2018	2019	2020
Percentage of income	70%	77%	73%
Amount per pupil	13%	12%	17%
Flat charge	2%	0%	0%
Time apportioned	3%	2%	3%
Other	13%	9%	8%

For those MATs using a percentage of income to calculate their central charge, 56% are now using a rate of 5%, up from 46% in 2019. Fewer MATs are now charging less than 5%. Is this because it is a more accurate reflection of the costs of central services or simply because it is consistent in the sector? Any unspent top slice becomes the central reserve and is then available for use as the Trustees see fit. Care needs to be taken to ensure the central reserve does not simply continue to increase without a plan that is supported by the reserves policy. Included within our data is a MAT applying a top slice percentage of 5% which has a central services reserve of £3.7m.

Whilst the trend continues for MATs to calculate central services charges as a percentage of income received by schools, MATs must ensure that this is the most appropriate basis considering the requirements of the MAT as a whole and the individual schools, as well as ensuring they can demonstrate that the rate being charged accurately reflects the costs of the services being provided centrally to any potential new joiners. At the end of the day, no one knows the specific needs as well as the MAT itself.

Top slice percentage





“The challenge for Trust Boards to deliver effective governance during a pandemic is immense.”

Section 6: Governance

The challenge for Trust Boards to deliver effective governance during a pandemic is immense. Boards have needed to shift priorities and adapt quickly, while being bombarded with guidance, information and, at one point, almost daily changes. The skills and knowledge required to be a Trustee in this educational landscape continue to increase. Trust Boards are required to be far more effective in the way that the business of governance is undertaken. They must understand their legal as well as moral responsibilities, as the employer, whilst also offering support to leaders under extreme circumstances, and that's a tough ask.

Effective governance practice

With recruitment of Trustees, Governors and Members proving challenging, validating existing practice to ensure every Trustees' contribution is relevant and valuable must remain a priority. Despite the difficulties of COVID, the obligations of compliance with the regulations and law remains.

The management of risk is at the forefront of all decisions and while Boards have felt the weight of responsibility falling heavily, they have risen to the challenge with 54% reporting in our survey that there has been no change in decision making arrangements in principle, with meetings held largely virtually. Interestingly, there were a very small minority of Boards within our own survey replies who have retained meeting solely in person.

Whatever the medium of meeting, the fundamental principle of separation of responsibilities to ensure effective oversight remains, and it is absolutely crucial for all those charged with governance that they understand their role, boundaries and accountability, and manage conflict.

COVID governance

The joint research by the NGA and Ofsted published in September 2020 covering governing in unprecedented times covered the period between 21st April and 26th May 2020, and as such represents governing practices during the earlier stages of the pandemic. It confirms that those who were part of governance in MATs often felt better supported in decision-making processes than those in schools not in a MAT. The advantages of more centralised decision making has been welcomed by many schools who have been able to concentrate on the provision of education itself and not be bogged down by the decisions and implications of reopening.

What was also identified was how important information sharing has become, and the value of opportunities to talk to other leaders in similar situations to share concerns and challenges.

The move to virtual governance has had a mixed reception, yet it is clear there are many advantages as well as some disadvantages. Benefits such as time saving, increasing inclusion and accessibility are widely welcomed, yet poor internet connections and the risk of feeling more detached can be very real. Whatever your view, the challenge for Boards will be to retain the good practice and discard the bad where possible, to allow virtual governance to feature in the continued quest for more effective governance.

In our experience, most Trusts operate within a structure that includes a Trust Board, committees, and local governing bodies as appropriate. The DfE's published research into school and Trust governance (October 2020), confirms this and also reports that just under a fifth of MAT Trust Boards are using a cluster or hub approach. Our own survey shows that the size of the Board itself has remained fairly consistent with previous years. The MAT Boards are smaller, having the opportunity to delegate to the LGBs, where in a SAT clearly the entire governance function sits with the Board.

Trust Board size by Trust type

	2018	2019	2020
Primary	11	11	11
Secondary	13	13	13
MAT	9	9	9

Understanding the roles

The publication of the Academy Trust Role Descriptors in October 2020 has been helpful to give an outline of the role and responsibility for people in Academy Trust governance. The benefit of clear separation of roles ensures accountability at all levels. In our experience, governance becomes less effective where there is a mis-understanding of what the individual is there to do, as evidenced in the findings of many external reviews of governance we have undertaken.

The emphasis on the role of the Members has moved from light touch to requiring to be kept informed, and with good continuous knowledge of the activities of the Board.

In truth, the member role has always been crucial in safeguarding governance, and far more than previously undertaken in practice for many Trusts. With clearer references in the AFH and Governance Handbook, there can be no doubt about the importance of Members being well informed about what part they are to play in today's Academy Trusts, what their powers are and how to use them.

Members powers include:

- Appointing and removing Academy Trustees.
- Appointing and removing Members.
- Directing Academy Trustees.
- Amending the Academy Articles of Association.
- Appointing and removing auditors.

In our experience, the Members play a necessary part in effective governance and particularly when there are issues at Board level. Sadly we have seen in some Trusts that governance practices have become destructive or dysfunctional and the Members have had to step in and act to resolve the issues.

Recruitment, succession and skills

Succession planning should form part of robust governance and risk management, as changes in Chairs of Board, chairs of committees and key link Trustees can destabilise good governance.

It is reassuring to see from the report that many Boards are undertaking skills audits to identify gaps to form the basis of any recruitment process. In our experience the Trustees with financial expertise, knowledge and skills are the most difficult to recruit and this is endorsed by the School and Trust Governance Investigative Report from the DfE issued in October 2020.

Skills/knowledge rated as difficult to fill	SAT	LGB MAT	MAT
Financial management	30%	32%	19%
School improvement expertise	27%	20%	18%
Local, regional & national policy priorities	21%	23%	16%

* Source School and Trust Governance Report

The role of Chair is reported as being a difficult role to fill, but only 1% of MAT Boards and no SATs reported a vacancy in the DfE report.

External Reviews of Governance (ERGs)

Both the AFH and the Governance Handbook dictate that Trustees must apply the highest standards of conduct and ensure robust governance. An external perspective is a powerful diagnostic tool and can be an objective way to review the effectiveness of governance, alongside a Board's own self-evaluation. The Charity Commission recommend an external review every three years, the Governance Handbook highlights the value of an ERG at points of significant change or development of a Trust, and increasingly the ESFA and DfE seek ERGs where there are areas of concern.

It is for the Board to decide how an ERG will take place, to commission it and pay for it, taking reference from the published advice on the nature of such reviews issued by the DfE.

It can be difficult for Trustees to be open to external critique. However, a well performed ERG is a far more valuable exercise. In our experience, most Trusts know where their weaknesses lie in general. Progressive Boards who genuinely seek to elevate their practices are embracing the collaborative ERGs, to develop action plans to work through, to develop increasingly effective governance.

Key features of an effective ERG:

1. Chose the right governance professional to undertake your review, ensuring the appropriate level of technical Academy specific knowledge. Many ERGs require a focus on financial governance so it is important to appoint a reviewer that has detailed and appropriate knowledge of the AFH and the wider financial governance requirements.
2. Work closely with the reviewer to agree the scope and required coverage in line with your Trust's needs.
3. Fully engage with the reviewer – the journey of review is as valuable as the final document.
4. Agree an action plan from the recommendations arising to focus on improving effectiveness.
5. Ensure the action plan gives rise to genuine change – consider using internal audit to validate the process.

Key findings from our own ERGs have been validated by the DfE investigative report which was published in October 2020. It is interesting that the findings in the report echo our own key themes below:

- Most Trustees are confident in their ability to challenge leaders and hold them to account
- Educational performance monitoring is most commonly happening at local school level
- The Scheme of Delegation is not always reviewed as often as it should be to reflect the needs of the Trust
- Clerks/governance professionals are key to effective governance and are potentially underutilised assets, perceived as minute takers
- The Members' role has not been clearly understood and valued to date
- There is a gender imbalance towards more women in governance
- A good diversity of Trustees is rarely achieved successfully and ethnicity is underrepresented
- Trustees with financial management, data analysis and local, regional and national policy knowledge are most challenging to find
- There is a mismatch between the skills the Trustees think they have and those which the executive leaders think the Trustees have
- MAT Boards are more positive about their skills and effectiveness than LGB's or single school Trusts but are also able to identify areas for improvement and development
- Time pressure remains a challenge for Trustees.

Common themes from FNtIs and investigation reports and impact on governance

During 2020 the ESFA published 17 FNtIs to Trusts and also published 5 investigation reports. Not all investigations resulted in FNtIs and similarly, not all FNtIs began from such investigation reports.

There are some common themes emerging from these which highlight that certain areas of financial governance are still proving challenging for some Trusts to address.

- Related party transactions.
- Senior executive performance management and pay decisions.
- Independence of Trustees from Members.
- A reluctance to move from 3 Members to at least 5.
- Procurement and authorisation of expenditure processes.
- Internal financial control weakness.
- Lack of Board oversight in financial management and budgeting.
- Failure to take corrective action from internal or external audit recommendations.

The Accounting Officer (AO) role is a challenging one, that includes a personal responsibility to Parliament, but Trustees must not lose sight of the fact that the appointment of the AO does not remove their responsibility for the proper conduct and financial operation of the Trust. The challenging role of the Trustees on financial governance is not limited to the finance, audit and risk committees, but a responsibility of each and every Trustee equally.

From our experience, financially experienced and confident Trustees are in short supply. The shortcoming in financial governance practice of both executives and Trustees can result in FNtIs and it is clear that financial governance remains a challenging area for some Trusts and remains an area for developing skills further.



“Use your internal auditor across the Trust to help you answer: How do I really know everything is okay?”

Section 7: Internal Assurance

▼ Why did the Academy Trust have internal assurance?

Because the financial handbook said so!

Whilst that's a valid response, it has resulted in the sector to date primarily being directed to use internal assurance for confirmation that financial controls are working okay. Internal scrutiny requirements have evolved though, with the AFH now providing greater clarity on the expectations for Trusts to use their internal scrutiny to meet wider non-financial risk management responsibilities, as well as the traditional financial areas. Although a number of Trusts planned to expand the scope of their internal assurance work to meet the expanding requirements last year, the impact of COVID meant in many cases the familiar financial controls programme was the main focus again. These plans to widen the scope though should be progressed in 20/21 as far as possible.

There are still a number of options for Trusts to choose from regarding their internal scrutiny arrangements, with smaller Trusts understandably continuing to opt for an equivalent of the 'Responsible Officer (RO)' checks to be completed. However, given the latest AFH's focus on the need to obtain assurance on all risks and not "just financial" areas, all Trusts should ensure that the scrutiny scope is broad enough to provide at least some of this wider assurance.

Linking Internal Audit with the risk register

Internal Audit is a process that provides independent assurance to the Board that its financial and other controls, and risk management procedures, are operating effectively. The programme of internal scrutiny should be informed by the Trust's risk register, which should be owned by senior management and overseen by the Audit Committee.

Risk assessment and recording is a live process. The findings of the programme of internal scrutiny should inform the risk register. This has never been as important as it is right now, during the pandemic. The key concept here is obtaining relevant and valid assurance that everything is working/is effective as it should be. This assurance can come internally from management or Board or independently from your internal auditor, and should be used to update your overall view on how well each risk is being managed in practice. Internal audit work should therefore be driven by the risk register, but also then complete the loop by ensuring the risk register itself is up to date.

The best use of your internal auditors is to use them to answer your unknowns. You probably know that your financial controls are working well in general, so instead of asking internal audit to spend all their time confirming that, get them to look at something else for you. They can (and should) still do a limited check that key financial controls are operating as well as you think, but not spending all their time in the finance office releases them to be used across the Trust, helping you address other risks.

A key message from the AFH is to use your internal auditors to help you "complete your assurance jigsaw". For many Trusts this was something relatively new to think about last year.

The "unknowns" that internal audit can address on behalf of the Board include:

- The more traditional – are our financial controls operating as well as we think they are?

But the "unknowns" should also be driven by other risk areas, for example:

- Are we appointing the best staff we can? How do we know this? (i.e. does our recruitment and interview process lead to this? Is it also legally compliant? How do we know?)
- Have we got enough staff? How many staff do other similar Trusts have in academic, other classroom based and support functions? What would we do if staff leave? Could we cover and replace? Is there a different answer to this depending on whether it's teaching or support staff? Senior or more junior?
- Does everyone in all our Academies understand their safeguarding responsibilities? How do we know this for sure? How do we know that they actually do what they are supposed to do in practice?
- With regard to our COVID response, do all staff understand their part to play, dependent on role? Have we effectively communicated this to children, parents, the local community, other stakeholders, as required, so that everyone understands our approach and procedures? How quickly are we able to change something if needed? What could cause us the biggest problem or impact with the shortest notice?

These are just a flavour of the wide range of questions that Boards and senior management teams ask themselves on a regular basis – it's all just part of managing the Trust. Internal audit can help by reviewing these areas to provide you with confidence that everyone does know what they are meant to do, and if they do, it will be effective.

Other beneficial ways Trusts use their internal auditors include:

- To follow up/validate that you have completed key actions – for example, internal audit recommendations, external audit management letter points, critical and other actions resulting from Health and Safety inspections, actions included in improvement plans, plus any other set of internally generated actions. In so doing, the management team can provide the Board with assurance that the actions have been completed, and where relevant, the related risk no longer poses a threat.
- Carrying out more bespoke specific advisory reviews to help you answer particular questions, for example to demonstrate regulatory or contractual compliance in practice, or focussing on the efficiency or effectiveness of one of your functions or services.
- Helping set up or tailor your risk register, and facilitating risk workshops and training for Boards and Audit Committees.
- Providing wider governance advisory reviews, including reviews of effectiveness, structure, reporting, culture and accountability, as well as tailored training for your Board, committees and management team.

Impact of COVID on internal assurance work and risk assessment

It has certainly been a challenging year for the sector. For a number of Trusts, one of the many impacts of this “not normal” year was not being able to carry out internal assurance visits either on site as planned or, in some cases, at all.

That said, a great deal of internal assurance reviews were successfully completed remotely. It is true that some Trusts were better able to transfer to remote working. Larger Trusts typically were already sharing information between sites or were maintaining collated electronic information. Smaller Trusts often found the transition harder, in part due to being still more paper-based.

You should reach out to your internal auditors to explore what can be achieved, and to formulate a plan that will enable the Trust to satisfy the requirements of the AFH. In addition, you should carry out a self-assessment (which can also be supported by your auditors) regarding how you maintained visibility over all your risks, those pre-existing as well as emerging risks due to COVID, over the year, and whether this was sufficient.

Nearly two-thirds of respondents to our survey said that COVID had changed their focus on risk management, with more value attributed to the risk register itself. Arguably, a proportion of these were seeking to evolve their risk management arrangements this year in any case, and found COVID and the related lockdown to be a good catalyst. But in many cases, Trusts have indicated that the events of this year have shown that a clear, up-to-date summary of risk and the Trust's related response has provided a focal point for discussions and decisions, which is exactly the intended purpose.

The results of internal assurance reviews over the last year indicate that, in general, Trusts continue to strengthen and improve their core control framework. In particular, core financial controls were operated more consistently and sufficiently across our client base, resulting in fewer recommendations in these areas than in previous years. However, there are several areas that continue to feature in our internal assurance reports, including:

- Retrospective (or non) completion and approval of purchase orders.
- Register of interests not held for all senior staff or those with budget responsibility.
- Compliance points such as websites not displaying the DfE required information (or not being updated in a timely manner) and GIAS not being updated to inform the ESFA of key changes within the 14 day timescale, and contracts/salary information for staff (as well as Right to Work confirmation) not being held on personnel files.

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

Role of the Audit Committee

In governance terms, it's not an acceptable response to say "no-one told me there was a problem so how was I supposed to know?". Trustees and senior management are required to keep asking, checking, and challenging until they have concrete evidence that either everything is okay, or they know categorically that there is a problem (and so can go on to decide what they do about it).

Trustees and senior management must be able to answer both of the following key questions:

- Do I know the risks faced by my Trust?
- AND
- How am I assured that these risks are adequately mitigated in practice?

The Audit Committee has a pivotal role in being the conduit through which all of this assurance is funnelled to the Board. The committee should review the risks the Trust faces together with the assurances that the risks are properly dealt with, providing challenge to management (and auditors) to firm up areas of assurance that are currently patchy. As above, they should also direct the work of internal audit to help provide additional assurance to close any gaps or validate management-provided assurances.

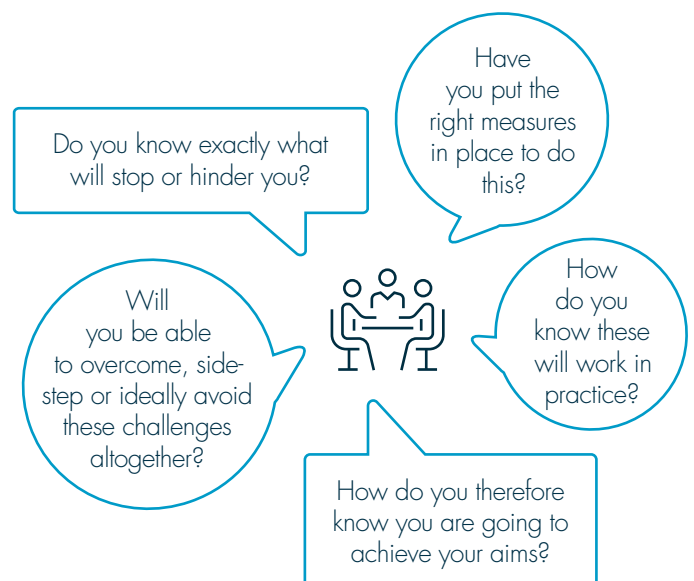
In summary, Trusts that do risk management well:

- Keep it simple, clear and explicit.
- Keep it focused on assurances and actions which are properly addressed.
- Make sure it is kept live by a continual, 2-way dialogue between SLT and Board.
- Continually ask how do we know that the risk is being mitigated.

To end, here are a few key questions for you to think about regarding how you currently (or will in future) use your internal audit service:

- Do you use your risk register when deciding what areas would be best for internal audit to help you review, including any assurances you may get from other external sources, that mean there is less point in internal audit looking at these (unless validation of actions arising from these is required)?
- Do internal audit look at non-financial areas as well as financial? If not, what assurances do you have regarding how well these non-financial areas are operating? Can you use internal audit to look at any of these areas in future?
- Do you track and report the implementation of all your actions, be they from internal audit, external audit, other external sources or internally generated? Do you use your internal auditors to help with this (including for non-internal audit recommendations)?
- To close the circle, do you use the results of internal audits to update to the risk register?

A final question for you as a useful prompt to help prioritise and focus your internal audit: If you had one more day of audit, what would you use it on?



“A final question for you as a useful prompt to help prioritise and focus your internal audit: If you had one more day of audit, what would you use it on?”



Definitions:

Academic year: The data used in the report is based on the 19/20 academic year with comparative data given for the 17/18 and 18/19 academic years. For ease of reference the academic years are referred to as 2020, 2019 and 2018 respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Benchmark Analysis Data:

Primary Academies

	Highest	Lowest*	Average	Median
Income Measures				
Total income per pupil (annualised)	£6,717	£4,130	£5,176	£5,013
Total GAG income per pupil (annualised)	£4,516	£2,971	£3,724	£3,695
GAG income ratio (period)	82%	52%	72%	74%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£6,067	£3,310	£4,111	£4,077
Education costs per pupil (annualised)	£425	£7	£176	£159
Technology costs per pupil (annualised)	£190	£9	£61	£61
Premises costs per pupil (annualised)	£364	£12	£73	£42
Heat and light costs per pupil (annualised)	£167	£27	£55	£49
Insurance costs per pupil (annualised)	£94	£16	£35	£29
Repairs and Maintenance costs per pupil (annualised)	£577	£24	£95	£65
Catering costs per pupil (annualised)	£504	£68	£179	£179
Management, Administration & Governance costs per pupil (annualised)	£889	£124	£330	£314
Depreciation cost per pupil (annualised)	£875	£15	£243	£239
Total costs per pupil (annualised)	£7,249	£4,326	£5,415	£5,266
Staff cost ratio (as % of total costs) (period)	85.2%	59.4%	75.8%	76.4%
Education costs ratio (as % of total costs) (period)	8.4%	0.1%	3.3%	2.9%
Technology costs ratio (as % of total costs) (period)	3.8%	0.1%	1.2%	1.1%
Premises costs ratio (as % of total costs) (period)	5.6%	0.2%	1.3%	0.8%
Heat and light costs ratio (as % of total costs)	2.9%	0.5%	1%	0.9%
Insurance costs ratio (as % of total costs)	1.6%	0.3%	0.7%	0.5%
Repairs and Maintenance costs ratio (as % of total costs) (period)	11.2%	0.4%	1.7%	1.3%
Catering costs ratio (as % of total costs) (period)	8.2%	1.2%	3.3%	3.4%
Management, Administration & Governance costs ratio (as % of total costs) (period)	14.9%	2.1%	6.1%	5.7%
Depreciation cost ratio (as % of total costs) (period)	15.1%	0.3%	4.5%	4.6%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£2,540	£1,265	£1,740	£1,745
Non-Teaching staff salary per pupil (annualised)	£2,805	£660	£1,230	£1,155
Average Teaching staff salary (annualised)	£62,116	£22,443	£39,746	£39,080
Average Non-Teaching staff salary (annualised)	£34,965	£6,640	£21,919	£21,381
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	37.4%	8.5%	28.8%	30.3%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£105,200	£11,914	£48,890	£51,947
LGPS deficit per pupil	£10,085	£742	£2,600	£2,585
Pupil/Teacher Measures				
Pupil to teacher ratio (period)	35.1	18.8	25.1	25.7
Teaching to non-teaching staff ratio (period)	2.8	0.3	0.8	0.8
Pupil numbers for the period (per January Census)	700	97	350	363
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	9%	(7.7%)	1.2%	1.4%
GAG carry forward ratio (period)	40.6%	0.1%	8.9%	5.9%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	58.9%	6.7%	21.3%	18.5%
Net Current Assets / Income ratio (annualised)	0.61	0.07	0.29	0.28
Fixed Assets Measures				
Property value per pupil (period)	£32,681	£65	£8,110	£8,067
Other Fixed Assets value per pupil (period)	£2,038	£35	£251	£135
Capital expenditure in period (period)	£463,781	£500	£48,857	£22,456
Capital expenditure per pupil (period)	£781	£2	£120	£70
Fixed Assets depreciation rate - Property (annualised)	6.1%	0.8%	1.8%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	22%	0.5%	9.8%	10.3%

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

Benchmark Analysis Data:

Secondary Academies

	Highest	Lowest*	Average	Median
Income Measures				
Total income per pupil (annualised)	£15,331	£4,739	£6,662	£6,118
Total GAG income per pupil (annualised)	£8,002	£4,137	£5,030	£4,825
GAG income ratio (period)	91%	32%	78%	81%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£10,986	£3,256	£4,920	£4,761
Education costs per pupil (annualised)	£732	£53	£272	£238
Technology costs per pupil (annualised)	£328	£1	£76	£61
Premises costs per pupil (annualised)	£1,943	£11	£136	£51
Heat and light costs per pupil (annualised)	£255	£24	£86	£77
Insurance costs per pupil (annualised)	£84	£4	£26	£23
Repairs and Maintenance costs per pupil (annualised)	£820	£9	£130	£97
Catering costs per pupil (annualised)	£765	£2	£92	£76
Management, Administration & Governance costs per pupil (annualised)	£1,682	£68	£405	£331
Depreciation cost per pupil (annualised)	£4,833	£16	£422	£319
Total costs per pupil (annualised)	£20,092	£4,979	£6,623	£6,129
Staff cost ratio (as % of total costs) (period)	84.2%	54.7%	75.2%	76.5%
Education costs ratio (as % of total costs) (period)	12.7%	0.9%	4.2%	3.8%
Technology costs ratio (as % of total costs) (period)	4.8%	0.1%	1.1%	1%
Premises costs ratio (as % of total costs) (period)	16%	0.2%	1.8%	0.9%
Heat and light costs ratio (as % of total costs)	2.4%	0.3%	1.3%	1.3%
Insurance costs ratio (as % of total costs)	1.5%	0.1%	0.4%	0.4%
Repairs and Maintenance costs ratio (as % of total costs) (period)	10.6%	0.1%	1.9%	1.6%
Catering costs ratio (as % of total costs) (period)	6.5%	0.1%	1.3%	1.3%
Management, Administration & Governance costs ratio (as % of total costs) (period)	24.9%	1.4%	5.9%	5.4%
Depreciation cost ratio (as % of total costs) (period)	24.1%	0.3%	5.9%	5.2%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£6,371	£1,741	£2,549	£2,467
Non-Teaching staff salary per pupil (annualised)	£2,463	£318	£1,045	£970
Average Teaching staff salary (annualised)	£55,306	£23,433	£41,656	£42,005
Average Non-Teaching staff salary (annualised)	£51,955	£9,660	£24,637	£23,200
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	35.7%	6.2%	25.6%	27.5%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£154,355	£14,233	£70,568	£71,241
LGPS deficit per pupil	£8,397	£392	£3,008	£2,585
Pupil/Teacher Measures				
Pupil to teacher ratio (period)	22.1	7.8	17.7	18.1
Teaching to non-teaching staff ratio (period)	2.8	0.7	1.4	1.3
Pupil numbers for the period (per January Census)	2,248	86	1,082	1,038
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	8.5%	(10.9%)	2.4%	1.5%
GAG carry forward ratio (period)	47.8%	(10.2%)	6.1%	2.2%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	49.7%	0.8%	14.8%	13.8%
Net Current Assets / Income ratio (annualised)	0.72	(0.02)	0.24	0.21
Fixed Assets Measures				
Property value per pupil (period)	£108,093	£664	£13,360	£12,276
Other Fixed Assets value per pupil (period)	£10,019	£15	£434	£207
Capital expenditure in period (period)	£8,793,927	£712	£502,820	£120,065
Capital expenditure per pupil (period)	£9,446	£2	£520	£133
Fixed Assets depreciation rate - Property (annualised)	6.7%	0.2%	1.9%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	80%	1.1%	9.7%	8.1%

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

Benchmark Analysis Data:

Multi-Academy Trusts

	Highest	Lowest*	Average	Median
Income Measures				
Total income per pupil (annualised)	£59,386	£2,982	£7,532	£5,977
Total GAG income per pupil (annualised)	£14,805	£2,171	£4,604	£4,326
GAG income ratio (period)	91%	20%	70%	72%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£37,695	£2,303	£5,553	£4,551
Education costs per pupil (annualised)	£3,609	£32	£270	£199
Technology costs per pupil (annualised)	£952	£2	£96	£75
Premises costs per pupil (annualised)	£2,175	£5	£136	£78
Heat and light costs per pupil (annualised)	£539	£13	£82	£71
Insurance costs per pupil (annualised)	£564	£2	£33	£24
Repairs and Maintenance costs per pupil (annualised)	£3,227	£8	£159	£90
Catering costs per pupil (annualised)	£752	£1	£139	£125
Management, Administration & Governance costs per pupil (annualised)	£13,134	£5	£534	£348
Depreciation cost per pupil (annualised)	£4,792	£22	£382	£297
Total costs per pupil (annualised)	£53,855	£2,839	£7,490	£5,968
Staff cost ratio (as % of total costs) (period)	84.3%	24.4%	75.3%	76.1%
Education costs ratio (as % of total costs) (period)	16.7%	0.7%	3.6%	3.1%
Technology costs ratio (as % of total costs) (period)	3.4%	0.1%	1.3%	1.2%
Premises costs ratio (as % of total costs) (period)	13.2%	0.1%	1.8%	1.1%
Heat and light costs ratio (as % of total costs)	2.1%	0.2%	1.1%	1.1%
Insurance costs ratio (as % of total costs)	1.9%	0.1%	0.5%	0.4%
Repairs and Maintenance costs ratio (as % of total costs) (period)	9.9%	0.1%	1.9%	1.5%
Catering costs ratio (as % of total costs) (period)	7.1%	0.1%	2.1%	1.9%
Management, Administration & Governance costs ratio (as % of total costs) (period)	34%	0.1%	6.6%	5.9%
Depreciation cost ratio (as % of total costs) (period)	47.9%	0.4%	5%	4.7%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£11,008	£1,009	£2,354	£2,093
Non-Teaching staff salary per pupil (annualised)	£19,358	£451	£1,650	£1,228
Average Teaching staff salary (annualised)	£62,585	£16,118	£40,549	£40,976
Average Non-Teaching staff salary (annualised)	£52,424	£7,276	£25,381	£21,800
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	37.8%	6.9%	27.7%	28.7%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£348,750	£71	£48,148	£52,996
LGPS deficit per pupil	£35,143	£3	£3,285	£2,957
Pupil/Teacher Measures				
Pupil to teacher ratio (period)	41.3	5	20.1	20.3
Teaching to non-teaching staff ratio (period)	2.4	0.3	0.9	0.8
Pupil numbers for the period (per January Census)	22,209	160	2,698	2,176
Surplus / (Deficit) Measures				
Surplus/(deficit) ratio (as % total income) (period)	24.3%	(69.5%)	1.5%	1.4%
GAG carry forward ratio (period)	34.2%	(71.9%)	5.9%	3.2%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	44.9%	0.8%	15.7%	14.8%
Net Current Assets / Income ratio (annualised)	0.99	(0.34)	0.22	0.22
Fixed Assets Measures				
Property value per pupil (period)	£183,328	£19	£13,728	£10,765
Other Fixed Assets value per pupil (period)	£2,707	£15	£307	£161
Capital expenditure in period (period)	£35,496,000	£3,000	£1,427,063	£403,140
Capital expenditure per pupil (period)	£10,943	£4	£623	£187
Fixed Assets depreciation rate - Property (annualised)	24.4%	0.1%	2.1%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	26.8%	0.2%	16.1%	12.2%

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Benchmark Analysis Data:

Regional

	Highest	Lowest*	Average	Median
Total income per pupil				
South West	£59,386	£4,175	£7,360	£5,811
Yorkshire and the Humber	£10,536	£3,939	£6,471	£6,359
East Midlands	£38,350	£4,549	£7,762	£6,024
London and the South East	£29,566	£4,337	£7,620	£5,914
West Midlands	£24,423	£4,817	£7,138	£6,203
North East	£12,377	£4,130	£5,832	£5,634
Total staff costs per pupil				
South West	£37,695	£3,265	£5,630	£4,575
Yorkshire and the Humber	£9,830	£3,316	£4,901	£4,705
East Midlands	£27,878	£3,434	£6,005	£4,851
London and the South East	£23,160	£3,145	£5,675	£4,557
West Midlands	£21,653	£3,858	£5,334	£4,686
North East	£6,712	£2,712	£4,342	£4,271
LGPS deficit per pupil				
South West	£47,759	£392	£4,241	£3,109
Yorkshire and the Humber	£4,681	£1,529	£2,994	£3,009
East Midlands	£33,763	£1,351	£4,438	£2,718
London and the South East	£18,720	£1,014	£2,363	£2,411
West Midlands	£17,709	£710	£3,781	£2,884
North East	£5,143	£3	£2,650	£2,627

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