Academies Benchmark Report 2019

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Introduction

Welcome to our 2019 Academies Benchmark Report. This year the report includes over 350 Trusts representing nearly 1000 schools.

The financial position of the sector has been challenging, but 2018 could probably best be described as a steady financial year in uncertain economic times. We have seen a slight decrease in the number of in-year deficits, and this is encouraging. Reserves are still falling but with deficits being lower on average than last year, the sector can now survive for longer than the 2-3 years that we extrapolated last year.

The wide range of surpluses and deficits in the sector make it difficult to generalise but, anecdotally, we have seen a number of academies utilising some or all of their surplus free reserves in 2018, and in some cases this has been planned. Many other Trusts have made hard decisions during this year to make ends meet. The overall financial picture is still one of ongoing hardship.

Trusts are faced with future uncertainty as well. Whilst in the short term the increase in teachers' pay and pensions has been or will be funded by the DfE, there is no guarantee of this income post 2020. There has been little change on non-staff costs, implying that many significant savings have already been made, and many Trusts have made difficult decisions over restructuring, often resulting in redundancies and a reduced workforce.

We have seen some signs of optimism however. The use of ICFP is helping Trusts in a number of areas, particularly staffing, and we have seen a number of actions taken to reduce non-staff costs this year, as detailed in section 6.

Trusts have also looked for ways to generate additional income as summarised in section 4. Trustees may have difficult decisions to make in the future but they are now better equipped to deal with this.

Our report shows Trusts continue to struggle on the current levels of funding:

- Trusts continue to show deficits with 50% showing an in-year deficit before depreciation for year ended 31 August 2018 which is slightly reduced from the 55% in 2017.
- Income per pupil has remained relatively consistent with more than 95% coming from central and local government.
- Staff costs have remained steady at 72% of total costs.

Trusts in this report named changes in government funding and changes in pay and conditions as two of their biggest risks. Uncertainty ahead over income streams such as high needs funding causes significant budget pressure in Trusts, with councils dealing with the allocation of this funding in different ways causing confusion. More certainty over income streams would be welcomed by the sector and would make it easier to budget more accurately.

We continue to see a shift in the way a Multi Academy Trust (MAT) is run with some now operating on a far more commercial basis. Whilst this may feel uncomfortable, it is a necessity if more efficiencies are to be found.

To enable financial governance to continue to improve it is essential that MATs become more centralised. This will, in turn facilitate GAG pooling which will enable MATs to 'look after ' the financially weakest schools in the system. With the weak financial position of schools in the maintained sector, it is likely that more schools and single academies that are failing financially will convert to become an academy as part of a MAT. Fortunately there are many MATs that take this responsibility seriously and are willing to help.

The trend of mergers and rebrokerage is likely to continue until Trusts have achieved a size that enables them to take advantage of the economies of scale of a larger organisation.

Pam Tuckett
Chair of the Kreston Academies Group
Partner and Head of Academies, Bishop Fleming
January 2019

Kreston Academies Benchmark Report

Key highlights

Static funding, rising costs and ongoing uncertainty continue to increase the pressure on the sector and hamper Trusts' financial management and governance.

Funding concerns

No promises of long-term funding which is only serving to fuel uncertainty.

Additional income streams are proving negligible.

£400m for 'little extras' will boost income but this is only a one off.

"

The tough decision that Trusts have made has bought the sector more time but has not solved the problem. At the current level of in-year deficits the sector has 5 to 6 years of reserves remaining.

Positive steps or simply 'less negative'?

5 out of 10

Academies with an in-year deficit, an improvement on 2017.

5.9% → 7.7%

More Trusts continue to show cumulative deficits for 2018, 7.7% up from 5.9% in 2017.

MATs: Strength in depth?

+60%

Average number of schools per MAT has risen from 3.5 to 5.6 in just two years.

£ 2017 → £ 2018

Average cash balances have increased from £1.72m in 2017 to £1.84m in 2018.

+5

20% of MATs expect to add 5+ schools in the next 12 months.

More centralisation of MATs

Larger, more centralised MATs are operating more efficiently, which suggests economies of scale are being realised.

An uncertain future?

"

The ability of Trusts to effectively plan is severely restricted by the landscape of uncertainty within which they operate.

Staffing issues

72%

% Staff costs of total costs, have remained static

Staff Changes

Reductions in staffing more likely to impact non-teaching staff rather than Teachers.

No current guarantee of pensions or salary increases being funded by DfE post 2020.

£

Supply costs are on the increase

Content based on comparison with the 2018 Academies Benchmark Report

Authors and Contributors

The Authors

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David is a Partner and the Head of Charities at Bishop Fleming, who advise over 200 academy Trusts, and audit the largest number of Trusts in the country. He has been involved with education benchmarking for almost 15 years and has co-authored this report for 6 years. David uses benchmarking to help his clients to identify ways in which they can improve their financial performance and to use this information to formulate their strategic planning. David advises over 30 academy Trusts and independent schools, and at all stages of their development, from single unit academies, to large and rapidly growing MATs.

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Nick is a Director of Duncan & Toplis Ltd and heads the firm's academy team which acts for more than 30 academies, and has many years' experience in the education and charity sector. Nick is also a Trustee, and Chair of the Finance Committee of a primary academy, as well as a Trustee and Chair of Audit Committee of a further education college.

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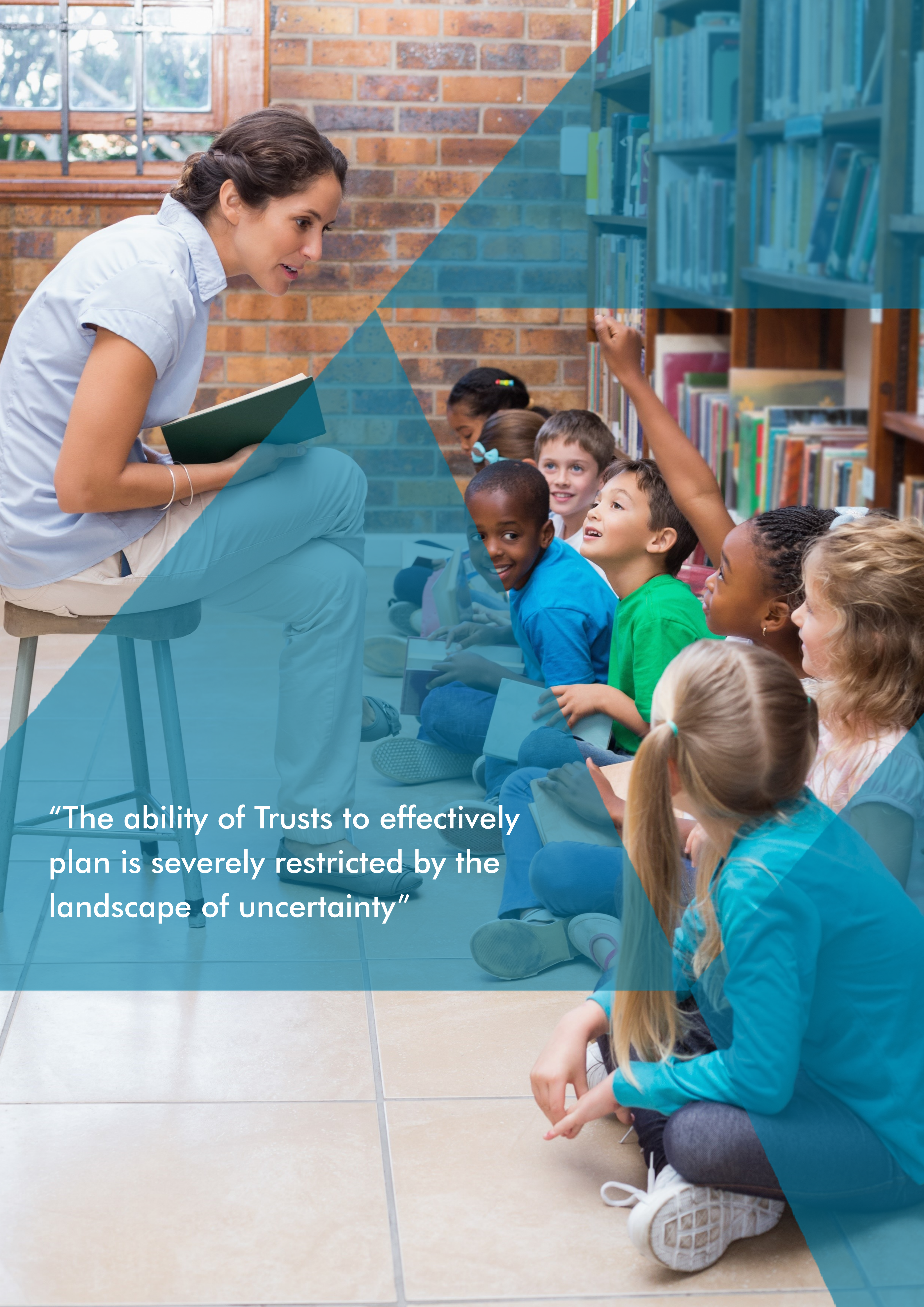
Peter is Partner and Head of Academies and Education at Kreston Reeves. Peter and the team have a great deal of experience advising academies, MATs and independent schools. Peter also holds the ICAEW Diploma in Charity Accounting (DChA).


"The ability of Trusts to effectively plan is severely restricted by the landscape of uncertainty"

1. Financial Health

Writing this section of the report last year was not a terribly uplifting experience. We reported that the number of Trusts in deficit had continued to rise and that without changes being made then the sector was only 2 or 3 years away from insolvency. This was particularly worrying given that the ESFA was only requiring Trusts to submit budgets for 12 months, so assessing the longer term financial health of the sector was all but impossible.

The picture has improved in 2018 with average deficits falling significantly, but the longer term picture is still challenging. Although most Trusts have been preparing 3 year budgets for a number of years, in July 2018 they had to submit 3-year budgets to the ESFA for the first time. We can imagine that, based on the Trusts within our survey, this painted a fairly grim picture of academy financial health. The majority of the Trusts we work with had three year budgets showing cumulative deficits, and this was before Trusts were aware of teacher pay rises and higher pension contributions.

The ability of Trusts to effectively plan is severely restricted by the landscape of uncertainty within which they operate. For example, the funding for teacher pay rises was only announced a week before the budgets needed to be submitted. This was not enough time for Trusts to make changes, so they were inaccurate even before they were submitted.

Trusts also have to plan in an environment where many of the income streams are uncertain. GAG income is predictable but other major income streams: capital funding; Healthy Children Pupil Fund; pupil premium; High Needs funding, amongst others can change on an annual basis. In addition many Trusts are having to cope with the impact of delays in fully rolling out the National Funding Formula. Given that balancing budgets is critical to the livelihoods of thousands of staff, how can Trusts be expected to make the best decisions when they do not know how much income they will have? The finances of the sector are so finely balanced, with most Trust budgeting for break even, that any reductions in income can very quickly push Trusts into a deficit.

Although the messages coming from government more recently have been positive, they have done little to address the uncertainty. Theresa May declared, in October 2018. that 'austerity is over' and that there were 'better days ahead.' This was followed by Philip Hammond announcing that schools would receive a one-off payment of £400m to pay for "little extras." The way in which this was communicated appeared to have irritated many but the fact that there was to be additional money for schools can only be a good thing. However, this is a one-off pot of money and so does not address the long term planning issues.

The impact of the difficult financial climate is all pervasive and consequently managing the finances takes up a disproportionate amount of management and Trustee time. When we asked our clients what their top risks were from their risk registers by far and away the top 2 were:

- Risk of changes in government funding making the school financially unviable
- Risk of changes to pay and conditions that are unfunded

More than 80% of responders had these two items in their top 5 risks, whereas less than 50% had a risk associated with poor exam results. Arguably this focus on the finances takes time away from considering how to improve the educational and pastoral outcomes of the Trusts, which many would think should be the primary focus. Although when you look at the financial results for this year and the last few years it is, perhaps, unsurprising that financial management takes up so much of a Trust's time.

This financial trend is also consistent with what is being seen in the maintained sector. Recent DfE data shows that more than 30% of maintained secondary schools now have in-year deficits, and the size of these deficits has increased by over 16% to an average of £484,000 in the academic year 2017/18.

This would suggest a healthier financial position than the academy sector. However, an even more recent report from the Education Policy Institute suggested that the maintained sector finances were actually in a similar shape to academies and that in the last 2 years, more than 60% of maintained schools had spent more than their income. Given that this was using the same DfE data, it shows the importance of understanding the definition of a deficit!

The table below shows how we calculate the adjusted surplus or deficit. When we talk about an in-year deficit in this report we are talking about the underlying results of the Trust after adjusting for items that distort the results.

	£'000
In-year surplus/deficit for the year	(200)
Add back depreciation	300
Add back pension service charge less contributions	100
Deduct non-recurring capital income	(150)
Adjusted in-year surplus/deficit for the year	50

We add back depreciation because this is an accounting entry that does not have an impact on a Trust's cash balance (although it does reflect the usage of its assets) and then we add back the additional pension charge calculated by the actuary, as this also has no cash impact. Non-recurring capital income should be deducted as this is a one-off income that distorts the results of the Trust, and due to the way it is accounted for in academy accounts you will not have a corresponding cost, as the asset will move on to the balance sheet.

Average surplus/deficit excluding capital income

	2017	2018
Primary	(£155,765)	(£17,544)
Secondary	(£252,982)	(£145,889)
MAT	(£505,836)	(£144,600)

On this basis, we can see that on average the whole sector is still making an in-year deficit. What is a big positive for the sector is that the size of these deficits has significantly reduced after a number of years of increase. The scale of this achievement should not be understated. From what we have seen from our clients this is the result of tough decisions taken to balance staffing levels and also from a clear focus on cost management. However it is unsustainable for the sector to record in-year deficits year after year. Eventually the reserves will run out.

In our report last year we stated that if in-year deficits continued at the 2017 rate then the sector only had 2-3 years of reserves remaining. At current rates reserves will now last for 5-6 years so the tough decisions that Trusts have made has bought the sector more time, but it has not solved the problem.

In our report last year we said that more than 55% of Trusts had in-year deficits. On the same basis this figure has reduced slightly, but is still over 50%. So although the average deficit has fallen significantly, the number of Trusts with in-year deficits is still high, and so reserves are still being depleted and the number of Trusts with a cumulative deficit is increasing. We are now seeing that 7.7% of the Trusts in our survey have cumulative deficits, compared to 5.9% in 2017.

Given the complexity of a set of academy accounts, and the number of ways in which you can define a surplus or deficit, it is not surprising that different organisations report such differing views on financial performance. For the sake of balance we have also looked at the financial performance including non-recurring capital income in the table below.

Average surplus/deficit before depreciation

	2016	2017	2018
Primary	£11,054	(£98,748)	£42,351
Secondary	£110,327	£48,600	£97,245
MAT	£704,968	£14,907	£381,994

The trends are consistent using both methods, but the outlook is significantly different with all classes of Trust showing a surplus and an improvement on the prior year. However this basis still shows 30% of Trusts with in-year deficits.

There is an argument for including deprecation in the analysis as this is a charge that reflects the usage of the assets that will eventually need to be replaced - it is spreading the cost of the fixed assets over useful life. On this basis 85% of all Trusts are showing in-year deficits!

Whichever statistics you use the message is that the financial performance is not as bad as it was last year, but this should not conceal the challenges that the sector still faces.

"Reserves are still being depleted and the number of Trusts with a cumulative deficit is increasing"

2. ICFP

The financial challenges that the sector is facing has resulted in more Trusts failing and being rebrokered. This has forced Trusts and the DfE to look for alternative approaches to financial management to ensure the long-term viability of the sector.

To help the sector the DfE is championing an approach termed Integrated Curriculum Financial Planning (ICFP) as one of the solutions that can assist Trusts to better manage and structure staffing expenditure and staff deployment.

This is evidenced by the DfE's offer of an additional £5,000 to Trusts that were successful with MAT Development Improvement Fund bids to enable Trusts to buy in an independent evaluation of the Trust's financial efficiency, including that of individual academies within the Trust, and to obtain advice on how the Trust can imbed ICFP into its processes.

What is ICFP?

ICFP is a curriculum and finance resource planning tool for Trusts to use whilst designing and setting their curriculum. It assists Trusts to identify the curriculum that optimises the educational progress and outcomes of its pupils as well as ensuring the most efficient use of its funding and staffing resource.

Many Trusts would argue that they already undertake a review of the curriculum and budgets together in some similar guise, however, the sector has now recognised this as a formal process to be undertaken each year, using pre-determined metrics and a more prescribed approach.

Rather than treating the setting of the curriculum and financial budgets for the Trust as mutually exclusive tasks, the ICFP approach is to set and plan the curriculum alongside the financial budgeting process.

So, instead of simply rolling forward the previous year's curriculum plan and staffing structure, a "blank-page" approach is taken, which incorporates the following 5 stages:

1. Use pupil performance data and identify curriculum and educational needs of the pupils
2. Set a curriculum that addresses those needs
3. Determine how many lessons, teachers and other staff are required to deliver this curriculum
4. Cost out this Curriculum Plan
5. Fine-tune the Curriculum Plan to maximise educational outcomes, whilst being affordable, cost effective and providing value for money

As part of the ICFP process, a series of metrics are calculated and should be monitored against benchmarks to identify any areas of concern or indicators for improvement. The key metrics that should be monitored are listed below:

1. Pupil: Teacher Ratio (PTR)
2. Teacher Contact Ratio (TCR)
3. Curriculum headroom/bonus
4. Average teacher cost
5. Cost per lesson

The calculation and review of these metrics facilitates greater rigour and scrutiny from Trust Boards and also provides the basis for challenge, monitoring and decision-making.

How can ICFP help

Setting the curriculum plans and financial budgets as part of one process can be an effective way to facilitate the early identification and resolution of issues, such as:

- Provision of a curriculum that is too wide
- Sub-optimal class sizes
- Expensive staff structures
- Expensive lesson costs
- Inefficient deployment of staff

Whilst ICFP can work well in a Secondary academy, the model is far more difficult to use for primaries, small schools, alternative provisions and special schools. These schools cannot apply the same metrics as they need to be considered on a case-by-case basis.

Case Study

The purpose of ICFP is to present trustees and management with a number of options which would have a positive financial impact. It is then for them to decide the actions they would like to take. To demonstrate its use and how this benchmark report can assist the process, we have set out a case study below.

This is a Trust operating with a mix of primary and secondary academies.

One rural primary academy had 84 pupils and was operating a 4 class structure. The **pupil teacher ratio** identified that by reducing the number of classes to 3, the school could operate with an average of 28 pupils per class, thus identifying a potential cost saving with respect to 1 Full Time Equivalent teacher, which made the school financially viable. Clearly this change could impact on educational outcomes and is therefore not a decision to be taken lightly. The academy would also need to consider pupil number forecasts, as a major change such as this may not be suitable as a short term solution.

One of the Trust's secondary academies, had a particularly low contact ratio of 0.59. This was due to a combination of low average class sizes and excess teachers, which was identified using the **pupil teacher ratio** and class structure data. The Trust was teaching 715 periods with 48.5 FTE teachers. To achieve a contact ratio of 0.78 and an average class size of 27 (industry recognised benchmarking), the Trust would either need to teach 946 periods with the current 48.5 FTE teachers, or teach the 715 periods with 36.7 FTE teachers.

Another of the Trust's secondary academies, was operating with a particularly low average class size. It was identified that this was due to the sixth-form provision. This was identified using the **pupil teacher ratio.** On further review, it was identified that it was running sixth-form classes with numbers as low as 4, which was financially unsustainable for this Trust.

The Trust had taken the conscious decision to provide a wide-reaching and varied sixth-form offering so as to attract greater sixth-form pupil numbers.

A further review of the sixth-form provision in its entirety was proposed, with a recommendation to consider collaboration with other academies within the Trust and also collaboration with academies outside the Trust to determine whether a mutually beneficial relationship could be pursued.

At other academies within the Trust, a number of other issues were identified as summarised below:

- Whilst potentially beneficial and desirable, a number of the academies had a high retention of staff. However, this had led to a particularly expensive staff structure, which had become financially unsustainable.
  Benchmarks used: staff cost ratio (as % of total costs) per pupil, teaching staff salary per pupil, non-teaching staff salary per pupil, average teaching staff salary and average non-teaching staff salary.
- Some academies were operating with a high number of senior leaders, with a high proportion of them actually teaching. This teaching structure was very expensive and financially unstainable.
  Benchmarks used: staff cost ratio (as % of total costs) per pupil, teaching staff salary per pupil, non-teaching staff salary per pupil, average teaching staff salary and average non-teaching staff salary.
- The Trust was operating with a particularly decentralised model that meant there was duplication of work at both the academy level and Trust level. The Trust was also permitting each individual academy to procure and arrange its school improvement, teaching assistants and agency support. The centralisation of these resources could ensure a consistent approach and delivery as well as generating cost efficiencies.
  Benchmark used: supply costs (and agency) as total of staff costs (as noted in the 'staff costs' section).

"Larger MATs are becoming more business-like"

3. Multi Academy Trusts

Over the last 12 months the growth of the wider academy sector has been directly linked to the growth of MATs. There are now very few single-unit academy trusts being converted, with virtually all new schools joining existing MATs or creating new MATs. Given the amount of negative press that MATs receive, for there to be so many schools willing to tie their futures to a Trust suggests that they must be doing something right.

It is human nature that bad news is more likely to be shared than good news and Trusts will make mistakes, so there will, always be a regular supply of problems to report. However, the experience that we have had with our MAT clients has been largely positive. There has been a clear improvement in the quality of governance and financial management, which is what we would expect to see as the sector matures and best practices begin to emerge.

It has not all been plain sailing though, as the academy sector came under scrutiny from the Public Accounts Committee (PAC) in the last academic year. The PAC raised concerns "that some multi-academy trusts were so big that any failure of the multi-academy trust would have a negative impact on the education of a large number of children" but it did not raise any objections about the principle of academies combining as MATs. Its overall conclusion included some recommendations that have already been acted upon, and also highlighted some of the issues that we are aware that the sector is facing and included the following:

- The rules around related parties are too weak to prevent abuse – this has resulted in a change to the Academies Financial Handbook (AFH) with academies needing to seek approval for transactions exceeding £20,000;
- Some academy Trusts appear to be using public money to pay excessive salaries – this has resulted in letters being sent to Trusts where individuals receive in excess of £150,000 remuneration or if two or more have salaries over £100,000;
- The DfE is not doing enough to identify Trusts getting into financial difficulty;
- The DfE needs to explain how it protects schools' funds and assets when a MAT fails.

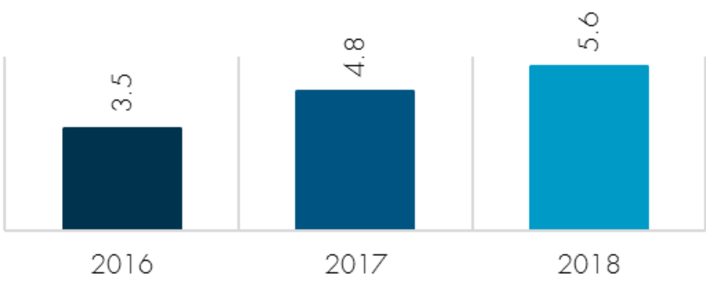
It is this last point where there is currently no clear guidance, but practices are emerging.

No two MATs are the same; each will have its own culture and strategy and this has contributed to a two-tier system. What we are seeing is that typically MATs have either grown very slowly (or not at all), or have expanded quickly. A number of larger MATs continue to add in a substantial number of schools year on year, and a number of smaller MATs are also growing rapidly. When we surveyed our MAT clients we found that nearly 20% expected to add more than 5 schools to their MAT in the next 12 months, and more than half of this group expected to add more than 10. This included some smaller MATs that are planning rapid expansion, and is a significant increase on the number of trusts planning this level of growth from the prior year.

Whenever organisations change this quickly there will always be teething problems as systems, cultures and processes can take a long time to become aligned. This is the same whether we are talking about a company, a charity or an academy trust. So although best practices are emerging it is probably unfair to judge the MATs as they currently are, as many of them will probably look very different in a couple of year's time as they continue to grow.

Within our survey this can be seen, as the number of large MATs has continued to grow and the average size of MATs has also increased. This can be seen in the following chart.

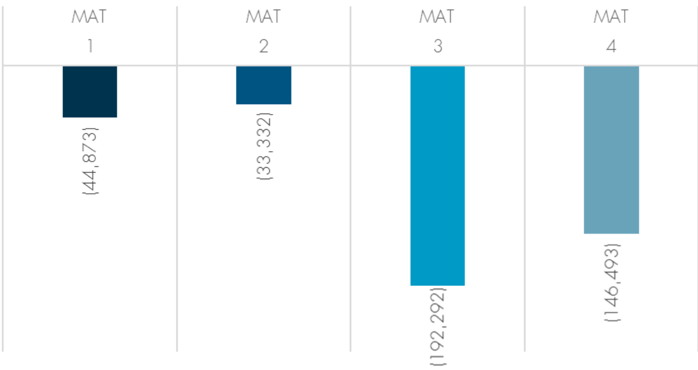
Average number of Schools per MAT



We also see some very significant differences between MATs in regard to the level of centralisation and governance arrangements, and this can have an impact on their financial performance. One of the interesting statistics coming out of our data is when we look at the surplus and deficits of the MATs when we categorise them by the level of centralisation.

In the analysis below we have ranked the MATs from 1 to 4, with 1 being a centralised MAT where financial control is in one place; 2 is where they are moving towards a centralised or hub model; 3 is where there are a limited number of centralised functions and no immediate plans to change; and 4 is where each school within a MAT maintains a significant degree of control.

Average surplus/(deficit) for period by level of MAT centralisation



What can be seen in the table above is that when we look at the deficit per pupil, the more centralised MATs have smaller deficits. This suggests that the more centralised MATs are operating more efficiently than the others. The more centralised MATs also tend, on average, to be the larger MATs so there is evidence that economies of scale are being realised. The exception to this is with the decentralised MATs which are showing a lower deficit than category 3, but this is largely down to our data and the very small number of Trusts in that category.

We now have very few fully decentralised MATs in the data, which demonstrates that as the sector is maturing more Trusts are organising themselves in a way they consider to be more effective.

GAG pooling

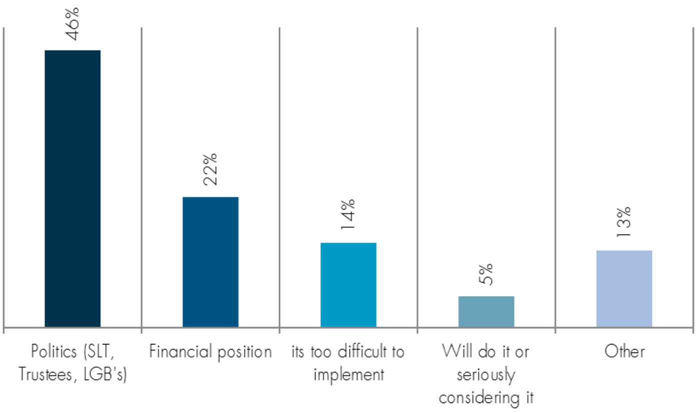
Although we are seeing a trend toward slightly larger and more centralised MATs we have yet to see any significant uptake in the number of Trusts that are GAG pooling. This is where the Trust receives its funding centrally and then allocates budgets to the individual schools, rather than schools receiving their income and then just paying a top slice to cover central costs.

From a pure logistical perspective it makes a lot of sense for the MAT to receive the funding which it can then allocate in the way that it considers will be the most effective to all of the pupils within the Trust, and so would be based upon need. Lord Agnew supports this approach and highlighted in his letter to academy auditors that MATs are single financial entities and GAG pooling would simplify the provision of support to weaker schools in a MAT.

However this requires a significant shift from Local Governing Bodies thinking about the pupils in their school to thinking about all of the pupils in the Trust. It has proven to be very difficult for Trusts to attract schools when they plan to remove all of their budgetary control. In our report last year we said that we only had one Trust that was GAG pooling. From a statistical perspective there has been a massive 200% increase in this number – but this only gets us up to three! So although it makes sense in theory, there is something holding the sector back.

When we asked our clients why they were not GAG pooling nearly 50% said that it was due to internal political challenges faced - individual schools, or trustees were not willing to give up their reserves or autonomy. This barrier is too great for many Trusts to try and overcome. Our expectation is that GAG pooling will become much more prevalent in the next few years, however only 5% of the respondents said that they were going to be doing this in the next year, or were seriously considering it. So it seems that if the DfE wants this practice to be more widely adopted then it will have to actively encourage the Trusts to do so.

What's stopping you from GAG pooling?



Where the DfE's actions, along with the RSCs, has had a much more significant impact is on the rebrokerage of schools and Trusts. It is inevitable that some MATs will not be successful, and so to try and improve outcomes, individual schools and Trusts will need to find new homes. Education is not a free market and so these changes need to be managed, and this is the role of the DfE and the RSCs.

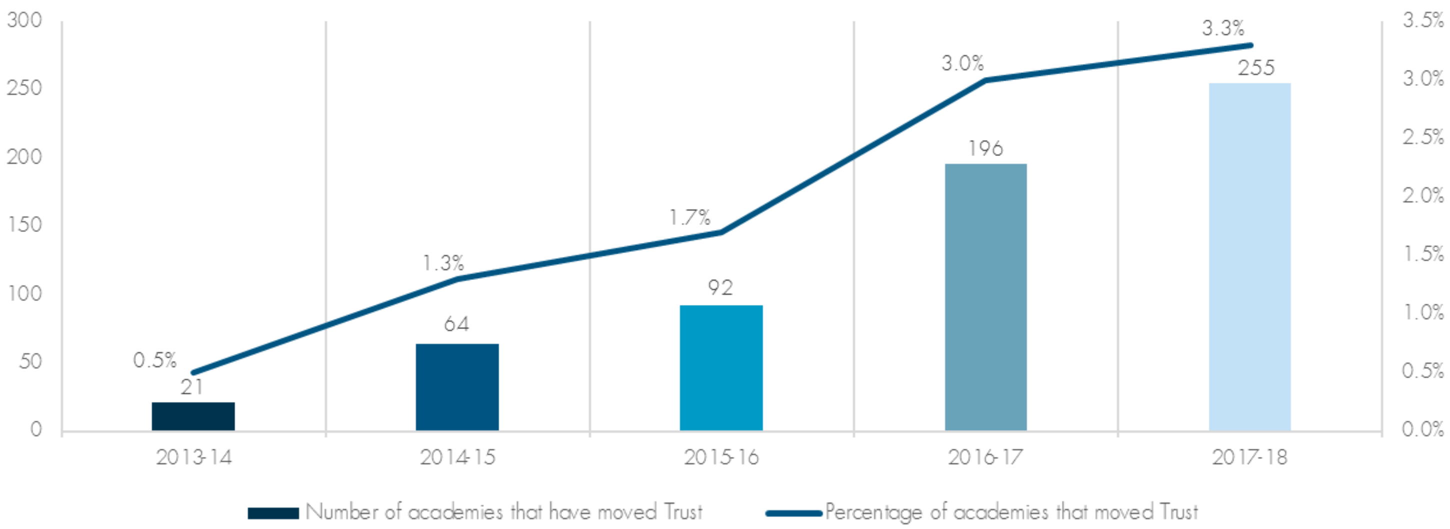
The DfE published data in July 2018 which highlighted how widespread this rebrokerage was becoming. 21 academies were rebrokered in 2013 -14 and this has now increased to 255 in 2017-18.

In the same report the DfE also disclosed that of the 628 academies that have moved Trust between 2013/14 and 2017/18 the total rebrokerage grants paid over were nearly £23million. The DfE went on to say that in 2017/18 only 19% of the rebrokered schools received grant funding, which was a reduction from the prior year.

How you interpret this data depends whether you are a glass half-full or half-empty person. The fact that the volumes are increasing in absolute terms and as a percentage of the total number of academies would either suggest that there are more problems that need to be resolved, or that the DfE and RSCs are being more proactive in identifying issues and taking action where needed. We suspect that it is the latter, but only time will tell if our optimism is justified.

When we talk to single unit academies about why they do not want to join a MAT, one of the most common responses is they don't see the value in paying money to a MAT that they could spend on their own school - the amount they have to pay to cover central services is seen as a major stumbling block.

Number and proportion of academies that have moved Trust between 2013-14 and 2017-18



Source: www.gov.uk/government/statistics/academy-transfers-and-funding-england-financial-year-2017-to-2018

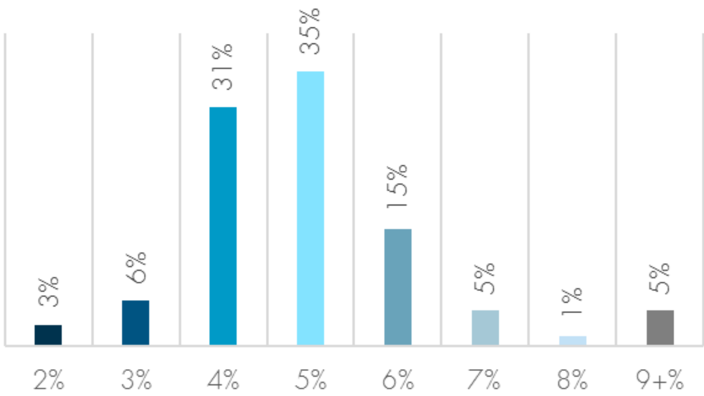
Basis used for central services recharge	2017	2018
Percentage of income	59%	70%
Amount per pupil	20%	13%
Time apportioned	7%	3%
Flat charge	2%	2%
Other	11%	13%

What we are seeing with many of the larger MATs is that they are becoming more business-like each year. The back office teams and the services they provide are becoming more efficient and effective, but this message does not appear to be getting through.

Many of the single unit academies that we work with are academically strong and financially robust and some will not even consider joining a MAT as they really struggle to see what is in it for them. They believe that their reserves would be under threat and they would have someone telling them how to run their school. Therefore it would be a measure of success were MATs to attract this type of single unit academy - those that are high financial and academic achievers, rather than just those that are looking for help. More effective communication of what MATs provide and what they do well would help with this.

Regarding the cost of these central services we are seeing a clear trend towards 4% or 5% top slicing. The chart above shows the basis for charging individual schools and those charging a percentage of income has increased. The graph shows the percentages being charged.

Top slice percentage



We regularly have discussions with our clients about the way in which they should charge for central services. This is important to get right. Individual schools want to know what the charges will be so that they can plan, therefore Trusts are keen to avoid annual revisions to ensure that central costs are funded.

Having said that, the more critical discussion should be what central services will be provided and how is the quality of these maintained. Typically we see the schools arguing over whether the charge should be 4% or 5% when the service they are receiving should be the more important debate.

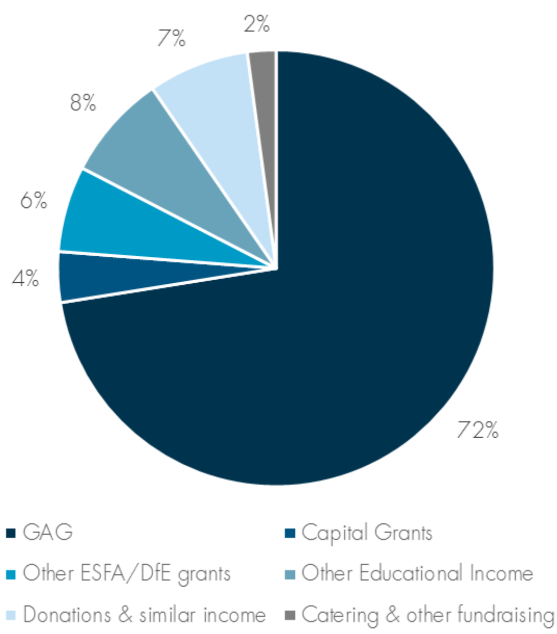
"For there to be so many schools willing to tie their futures to a Trust suggests that they must be doing something right"

4. Income

In section 1 we highlighted the precarious nature of Academy Trust finances and the difficulty that many Trusts are having in balancing their budgets. It is an obvious thing to say but if your budget does not balance then you need to either increase your income or reduce your costs, or a combination of the two. There have been several years of cost cutting and the Trusts that we work with are telling us that there are no more areas where they can save significant costs without impacting on the way in which education is provided. Therefore to balance the equation, many Trusts are trying to boost their income.

When we look at where academies currently get their income from, typically well in excess of 95% comes from either central or local government. So the other income that schools generate is only a very small percentage of the total, so even if academies doubled this overnight the impact on total income would be small – and Trusts still need to ensure that any other income they generate is profitable. There is a well known phrase in the corporate world being "Turnover is vanity and profit is sanity." There is no point in generating £100,000 of additional income if it costs you £100,000 to do it.

Summary of Trust Income



So wanting to increase your income and doing it profitably are two different things. We only have to look at the wider economy to see numerous recent examples of well known companies struggling with falling sales and falling profits. These are companies with years of corporate experience and a large workforce of experienced marketeers. If they are struggling to make a financial success of their companies then why can academies, who have very little experience of this, do any better?

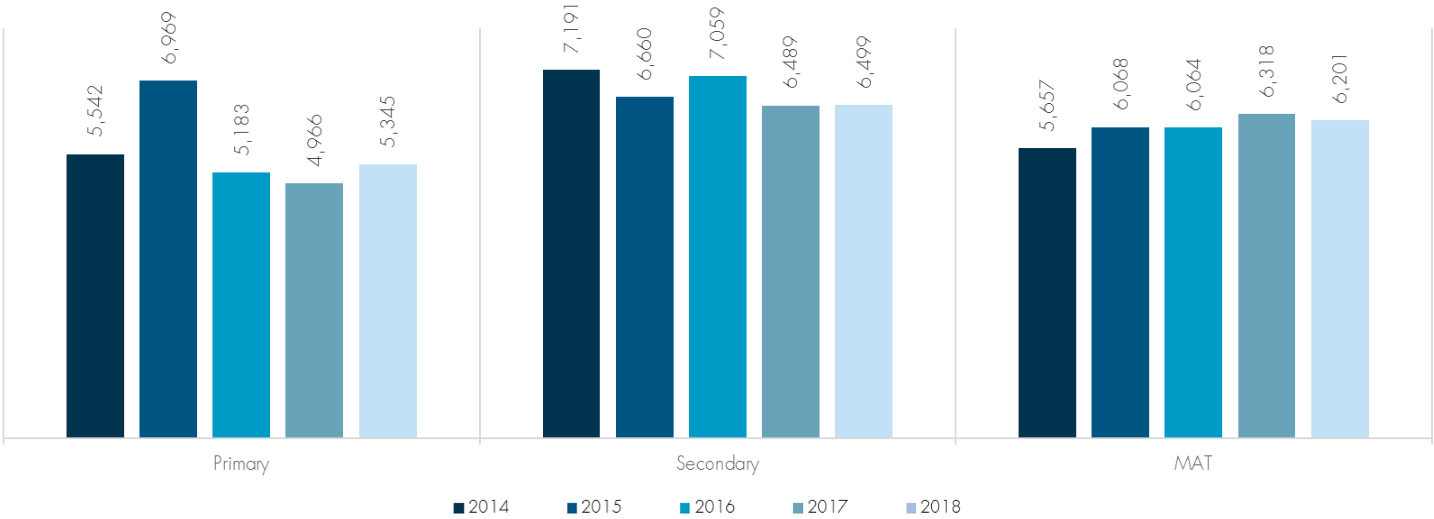
When we surveyed our clients, 88% of them said that they are looking at ways to generate additional sources of income, however less than one in ten of this number are planning on generating additional income through a trading subsidiary. From a corporation tax point of view, a Trust would only be advised to use a trading subsidiary if it was likely to generate non-educational income of £50,000 per year (increasing to £80,000 from April 2019). This is relevant as it suggests that most Trusts are either expecting to generate relatively modest amounts of additional income or they are going to do it by selling services that are educational in nature.

The ability to generate non-educational income is significantly influenced by the facilities and resources that a Trust inherited on conversion. Trusts that have large reserves are able to invest in resources, but this is not an option open to all. Trusts that already have modern sports facilities and rentable space are better placed than those that do not. The geography of a Trust will also impact on its ability to generate income.

Given the challenges that many Trusts face in generating any meaningful amounts it is no surprise that many Trusts have come to the conclusion that their time is better spent trying to attract more pupils. You need to have a lot of lettings to match the income of one additional pupil.

This focus on boosting pupil numbers is illustrated through our survey where 39% of Trusts who responded have either increased their Published Admission Number (PAN) or will be doing so in the next twelve months, and 32% had taken in more than their PAN.

Average income per pupil by academy type (£)



If we look at the overall income position then we can see that the income per pupil has remained relatively consistent year on year. This was what we were expecting to see as core funding has not changed significantly and there is little evidence that Trusts have been able to generate any significant other income.

The movements we can see show that the funding per pupil is not keeping pace with inflation, and although total income to the sector may be rising, this is more thinly spread over an increasing number of pupils.

Although core GAG funding and pupil premium have remained consistent year on year, where our clients have flagged up most concern is High Needs funding, where many schools have seen significant reductions in the funding received.

High Needs Funding differs from some of the other core income streams in that it does not come directly from central government. The funds are paid to Local Authorities, and they then distribute the money to the schools. This may sound like a minor difference, but the Local Authority then has the ability to distribute as it sees fit, and consequently we see some significant regional differences.

In 2017 Local Authorities had to cope with cuts to the Education Services Grant which was used to cover central costs, amongst other things. To fill this gap some have looked at ways to increase the LA share of the education budget, and one of the areas that has been hit has been High Needs funding. There have been recent headlines about Local Authorities top slicing High Needs by over £20million to cover their own costs. We are aware of a number of schools that have lost tens of thousands of pounds of High Needs funding due to this practice, which clearly has a significant impact on their ability to fund this provision.

Where we have seen individual Trusts perform well with income generation is where they are providing services to other schools, both academies and maintained schools, such as teaching schools, school improvement and consultancy. Teaching schools make up less than 15% of the Trusts in our survey but the average income generated is in excess of £300,000, and often Trusts make a surplus on this. Even though these income streams benefit the individual Trusts they are not generating new income into the education sector, but rather redistributing it.

The exception to this is the provision of nursery, or wrap around care. This is new money coming in to the sector where Trusts are typically competing against local providers. There are a number of examples within our survey of Trusts that only make a surplus because of the contribution they receive from this provision. It is not without risk, and if there are not enough children attending, and paying a reasonable fee, then it can actually make the financial situation worse. However where Trusts get this right it can be lucrative and ease the financial pressures that a Trust is facing.

“Should these gains be realised then it could transform the finances of the sector”

5. Staff Costs

After years of staff pay rises being capped at 1% there was a surprise in the summer of 2018 when the government announced that teacher pay scales would be increased by up to 3.5%. The initial alarm this would have caused Trusts was alleviated by a promise that the pay rise, excluding the first 1%, would be funded. Most Trusts had been anticipating a 2% unfunded increase so to receive funding of up to 2.5% meant that most Trust budgets improved after the announcement.

Things are never quite as straightforward as they seem though, and there were different increases for those on the upper pay scale and in leadership positions. However, the overall impact is a positive one. There have been concerns about the difficulty of recruiting and retaining teachers and so above inflationary increases will help when competing against other graduate roles.

However the concern for Trusts is how long this funding will be in place, as if the increases were not funded on an ongoing basis, this would put an incredible strain on the finances of the sector, which are already under pressure. Currently the funding is in place for 2018/19 and 2019/20, but there is no commitment beyond this date.

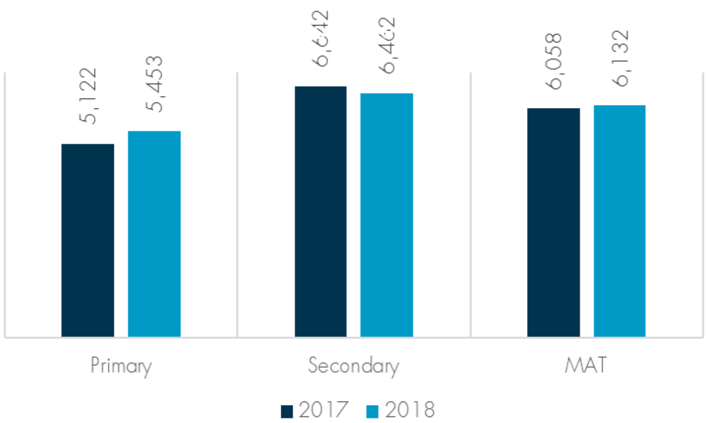
On a similar note, significantly higher employer pension contribution rates for the Teacher's Pension Scheme (TPS) were announced in the year which are more than 40% higher than Trusts are currently paying.

The government has recently launched a consultation on its plans to fully fund this increase, which it estimates will cost £1.1billion per year. However this commitment only covers the 2019/20 academic year. As with the pay rises, there is no commitment beyond this date and so future funding would be contingent on the outcome of the government's spending review. It is also unclear if there will be additional funds available to cover this cost or whether it will have to come out of the existing education budget. In the longer term, the sustainability of a pension scheme that is this expensive will also need to be considered.

This uncertainty makes it all but impossible for Trusts to accurately budget and plan for the future. If this funding is removed then Trusts would have little choice but to reduce staffing numbers. Whether they need to plan for this eventuality is a critical decision that Trusts do not have the information to make.

The level of uncertainty goes some way to explain why many Trusts have continued to look for ways to reduce staffing costs through a combination of cheaper recruits, restructuring and redundancies. The graph below shows the spend on staffing costs per pupil for both primary and secondary schools has increased by significantly less than inflation and slightly lower than the 1% pay award the sector received at the start of the academic year.

Total staff costs per pupil (£)



When we look at the spend on teaching and non-teaching staff we can see that the non-teaching spend has fallen for primary schools and barely increased for secondaries. This would suggest that Trusts are still preferring to make staff costs savings from non-teaching staff, with teaching staff being a little more protected. This can be seen in the table below which shows that proportionally secondary schools have been steadily reducing the numbers of support staff per teacher over the last 4 years.

Teacher / Non-teacher ratio for secondary schools

	2015	2016	2017	2018
Secondary	0.84	0.79	0.78	0.73

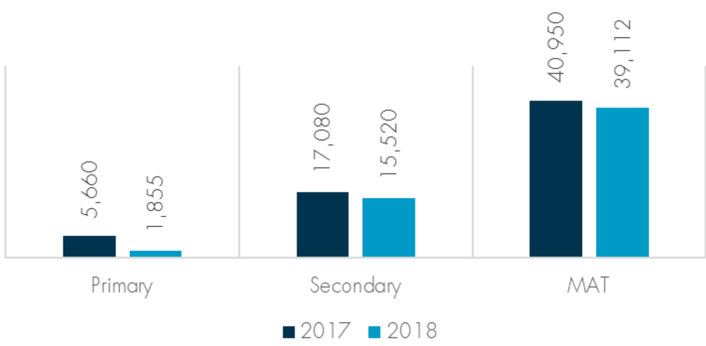
This trend may also reflect the difficulty that Trusts have in recruiting teachers, so Trusts are looking after the teaching staff they have, but that is not to say they are not trying to get a bit more for their money from the teaching staff.

When we asked our clients if they were looking at the teacher contact ratios to save money, 16% said that they had already increased the ratio. In addition, 48% said that they were monitoring the ratio but had not yet made any changes. There have been a number of organisations stating what they consider to be the optimum contact ratio, but whenever there is a target, the boundary will always be pushed a little. The Association of School and College Leaders (ASCL) quotes a ratio of 0.78 which the DfE describe as an "aspirational target for the ratio." It is not clear from the DfE's wording whether they think the aspiration is to increase or decrease the contact ratio! We suspect the finance teams will try and push this ratio up and the educationalists will try and reduce it. And in many cases it would be fair to say that some Trusts don't know what their ratio is in the first place!

Although smaller primary schools have less scope to manage this ratio, they have been looking to make efficiency gains in other ways. We have seen lots of recent examples of primary schools restructuring the Learning Support Assistant (LSA) teams to ensure that they are making best use of their time. Often LSAs are given less choice over when they work so as to ensure the whole week is covered, and LSAs are being used to cover classes to provide non-contact time for teachers or to save on supply costs. We have also seen an increase in schools using volunteers to either save money on non-teaching staffing or to provide a service that the Trust could otherwise not afford.

Getting the staff structure right is not an easy exercise and can also be expensive. The amount that Trusts spend on restructuring can be a sensitive issue, as it can be hard for them to demonstrate that they are getting good value for money by paying compromise agreements to staff - however this is a wider public sector issue, and not just limited to education. We have looked at the restructuring costs incurred by the Trusts and in the most part the payments are relatively modest, but there are some significant outlays.

Average restructuring costs (£)



We can see from the table above that primary schools have a low level of restructuring cost, but secondary schools and MATs are spending considerably more. This highlights how difficult it can be to balance a budget at the same time as ensuring that your staffing structure provides the best educational outcomes. When compared to the prior year the values are largely unchanged. This is consistent with the restructuring activity that we have seen with our clients. There have been a few years where staffing structures have been changed, but it is now getting increasingly difficult to find ways to reduce staffing costs further and consequently we would expect the restructuring costs to fall in the future. This predicament is highlighted by the fact that pupil to teacher ratios are virtually unchanged from 2017 to 2018, after a few years of this ratio being on an upward trend.

Within our survey we have one very large MAT that spent nearly £1m on restructuring costs and three others that spent more than £250,000. These amounts will undoubtedly come under scrutiny from the ESFA, but from our knowledge of the individual Trusts there were sound reasons for the decisions taken. In the longer term substantial savings will be made but in the short term the impact on cash flow and the Trusts' reserves is significant.

Perhaps because of restructuring, and the stress of the job, we have seen an increase in the level of supply and agency costs that Trusts have incurred, as is shown in the following chart. This highlights the difficulty of having the right staffing levels to balance the budget and to protect staff welfare.

Supply and agency costs per pupil and as a percentage of total of staff costs

	2017	2017	2018	2018
Primary	£122	3.6%	£131	3.9%
Secondary	£107	2.4%	£165	2.7%
MAT	£146	3.0%	£147	3.1%

Head/CEO salaries

Head Teacher/CEO salaries have come under further scrutiny in the last 12 months following letters sent from the ESFA to all Trusts that had paid an executive more than £150,000, asking the Trustees to explain the process they have been through in setting executive salary levels. This letter quoted the AFH and stated that the Trust "must ensure that their decisions about executive pay follow a robust evidence based process and are reflective of the individual's role and responsibilities."

There have been many column inches in the press dedicated to what some consider excessive pay awarded to Heads, and how this is draining money out of the education system. The attention that the ESFA is now giving this is clearly their initial response to the negative press. This has been followed by a subsequent letter to Trusts where they pay two or more salaries of over £100,000. So although there is no explicit guidance telling Trusts what they can pay their executive teams, these letters send a clear message that restraint is expected – and there is some evidence that this is happening.

Head Teacher/CEO salaries by school size

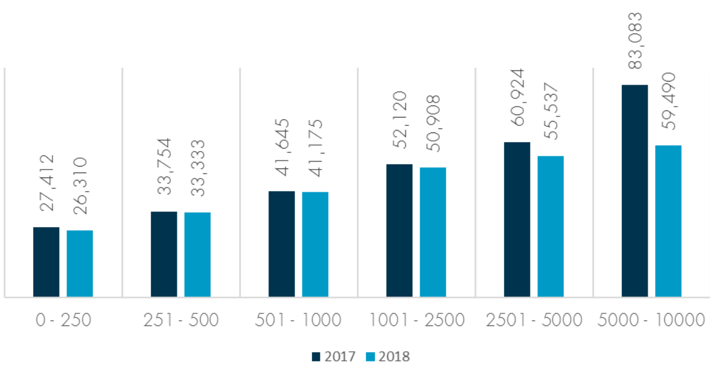
Pupil numbers in the Trust	Headteacher salary 2017	Headteacher salary 2018
0 - 250	£66,740	£64,884
251 - 500	£68,332	£70,943
501 - 1,000	£82,247	£80,380
1,001 - 2,500	£100,840	£100,375
2,501 - 5,000	£112,940	£111,923
5,000 - 10,000	£140,459	£114,770

Our survey data is showing either a fall in Head/CEO salaries or very modest increases. The biggest reduction can be seen in the top band. A large part of this fall is explained by there being many more Trusts in that category this year which has diluted a small number of high salaries, but when we look at the individual data the trend is clear.

We are also aware of a number of Trusts where Heads have either taken voluntary reductions in pay or where a new Head has come in on a significantly lower salary than the departing Head. The DfE has reported that it sent letters to 213 Trusts, and whilst the majority could demonstrate that their processes were compliant, 11 Trusts have committed to salary reductions in the future, 2 have made immediate reductions and 43 have committed to reviewing their processes. So the selfless acts by some Heads and the changed approach from the ESFA are clearly having an impact.

This pay restraint can also be seen when we look at CFO/School Business Manager (SBM) salaries. In the graph below we can see that the average salary for a CFO/SBM increases with the size of the Trust, which is what we would expect to see. The surprise from the data was that in each category there have been reductions in the average (the 5000-10000 band is influenced by more Trusts being in this category), albeit most are very modest falls.

Average SBM salary by Trust pupil numbers (£)



"More clients this year requested funding from the ESFA because they were otherwise not going to be able to pay their bills"

6. Non-Staff Costs

A review of non-staff expenditure indicates that the figures are similar to those for the previous year. This would imply that the "easy savings" have already been made - and this is what our clients have been telling us. It is also likely that even if there have been some savings achieved during the year that these have been used to cover expenditure that had been deferred from earlier years, such as repairs that have now become essential. What is evident is that Trusts are still looking very hard at ways to save cost.

From our review of the detailed data there is evidence of downward pressure on costs, particularly with secondary schools. For primaries the position is not so clear with inflationary increases in some costs, and small falls in others, but a large increase in maintenance costs. This may reflect on costs being incurred that had previously been deferred but are now critical and so can not be postponed any longer.

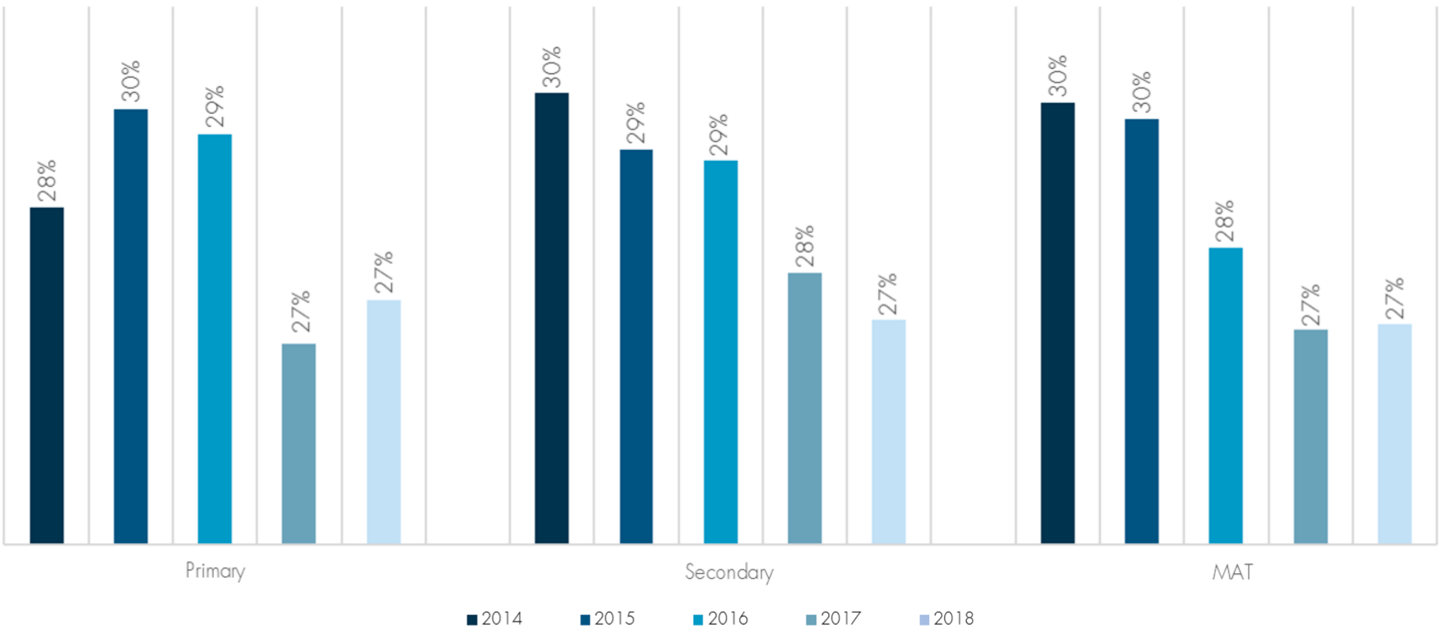
Another interesting trend that we have seen is with outsourcing. In recent years a number of our clients have outsourced services to save costs, such as catering, IT support and payroll. When we asked them this year what their plans were, nearly half of those who had previously outsourced some services have already brought the service back in-house, or are considering doing so. This is a combination not only of cost saving but also to give more control over the quality of the service. Therefore it is clear that although outsourcing offers the opportunity to make efficiency gains, these are not guaranteed, and Trusts need to actively manage these contracts to ensure they work for them.

We mentioned in our report last year that the DfE was looking at ways to reduce costs in the sector and had a 'Schools buying strategy' that was aiming to save schools £1billion per year from 2019/20. Pilot schemes were set up in the North West and South West that are due to run until February 2019. From talking to our clients, the savings that have been made have been helpful but not significant, and the take up of the offers has not been high.

However there have been a number of other actions taken to reduce costs. The DfE has negotiated a series of national deals with suppliers that are all listed on its website. These include:

- Energy and water supplies
- Loans to fund energy saving schemes - Salix
- Printers, photocopiers or scanners – multi-functional devices

Average non-staff costs as a percentage of total costs by academy type



- Software licensing – discounted rates
- ICT for education
- Risk Protection Arrangement (RPA)
- Agency staff

We have reported previously that an increasing number of academies were taking advantage of the ESFA's Risk Protection Arrangement (RPA) as an alternative to insuring in the general insurance market, and that this had given rise to savings in the premiums paid. This has proven to be very popular with Trusts with 54% of our Trusts using this (2017: 47%).

This success has prompted the insurance companies to become more competitive if they want to stay in the market, and have been offering particularly competitive rates to Trusts that are willing to enter into a longer-term agreement.

We have however seen renewed interest from Zurich in the last two years who have significantly reduced their prices and are now cheaper than the RPA's per pupil cost in some instances. The RPA has helpfully produced a comparison between the two policies which they have made available, which will help Trusts decide which offers the better value.

Given the deregulation of the water market in 2017, Trusts should now be considering if they need to contract with the local supplier, or if they should look elsewhere. The Crown Commercial Services (CCS) has negotiated a national contract which is available to academies.

Those clients that have tried to get prices for the energy deal have found it difficult to ascertain what the deal is and how it compares to their existing supplier. In a number of cases the academies are already using the buying power of the Local Authority, so the benefits are unclear.

From our work on ICFP our clients tell us they have utilised the following national deals:

	Percentage of clients
Risk Protection Arrangement	70%
Energy & water supplies	41%
Loans to fund energy saving schemes	33%
Microsoft software licensing	33%
Printers, photocopiers & scanners	26%
ICT for education	19%

One initiative that has hit the headlines is the use of School Resource Management Advisors (SRMAs). Lord Agnew has announced they have identified average savings, or additional income, of £500,000 across the 72 schools or Trusts that they have visited. The areas they have identified include staffing, sales of unused building and land, catering, letting of facilities, recruitment, insurance and exam fees.

These savings and additional income have not yet been realised though, they are currently potential gains, and if the sale of land and buildings is included then it is likely that this would be a large proportion of the total identified. Also it is not known how many of the 72 schools were academies and whether the Trusts themselves thought the suggestions were reasonable and practical. Very little detail has been revealed as it is considered to be commercially sensitive, but if there are significant cost savings that have been identified by the DfE then the sooner this information is shared with the rest of the sector the better. Should these gains be realised then it could transform the finances of the sector, but we suspect Trusts won't be spending the theoretical gains just yet!

"Trusts have very real concerns with regards to financial sustainability"

7. Reserves and Cash Balances

We start with a reminder that cash and reserves are not the same thing. Reserves reflect monies due to and from the Trust e.g. trade creditors, PAYE/NI and staff pensions. Cash reserves are therefore usually significantly greater than reserves (by on average at least 50%). Whilst we believe the difference between reserves and cash is more widely understood than it was, the potential problems that arise from not appreciating this can be significant.

The table below shows the level of cash held at the year end, the level of free reserves (with free reserves being defined as unrestricted reserves plus GAG carry forward), and the ratio between the two. It can be seen that reserves at primaries have remained static whilst the average reserves at secondaries and MATs have reduced due to the in-year deficits incurred. As expected, the cash balances at primary and secondary schools have also fallen. What is surprising is to see a reduction in free reserves at a MAT and an increase in their cash balances. However this is driven by the increase in size of the MATs in our survey. When we look at the average cash balance per school in a MAT then we see a declining cash position - consistent with primaries and secondaries.

As reserve balances have been depleted it is, therefore, unsurprising that we have had more clients this year request funding from the ESFA because they were otherwise not going to be able to pay their bills as they became due. Historically this would probably have led to a Financial Notice to Improve (FNtI), however few seem to have received one – we are not sure if this marks a change in policy or whether Trusts are simply better prepared and so already have recovery plans in place.

Reserves

Whilst Trust reserves within the academy sector have in recent years been under scrutiny by the press, it appears that all education establishments are feeling the financial pressure. The DfE has published a table (school level revenue balances for all Local Authority maintained schools) which shows the uncommitted revenue balances at maintained schools in 2016/17 were £839m and that this dropped to £740m in 2017/18. Whilst some of this change will be as a result of maintained schools becoming academies and therefore not being reflected in both periods, the overall reduction in the balance is largely due to in-year deficits.

The 2016/17 table shows that 751 maintained schools had a combined cumulative deficit of £95m. Included within this are 18 maintained schools with a deficit of £1m plus. The largest deficit is £2.2m. The number of schools in deficits has increased by 2017/18 to 1,241 with a combined deficit of £172m. Of these, 30 schools have a deficit of £1m plus. The largest is £3.1m, which increased from £2m in the prior year.

The Education Policy Institute, which is chaired by David Laws, (former Schools Minister) has recently issued a report based on an analysis of DfE data for maintained schools that suggests that there should be a redistribution of monies amongst these maintained schools. Although there has not been such an explicit call for this in the academy sector arguably this could also be achieved through GAG pooling.

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

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

This reflects the position that Lord Agnew set out in his letter to auditors last June where he stated that one of the greatest freedoms for a MAT was GAG pooling. At present, very few (only 3) of our MATs are doing this formally, although a more significant number are considering moving to this model. Some are allowing constituent academies to go into deficit, but with a recovery plan. Whilst this seems a sensible approach, as noted previously, there will be a number of hurdles, most notably internal politics!

Reserves policy

Most academies still use one month of income or expenditure as their reserves policy (given the number of academies balancing or nearly balancing their budgets, this number will be similar either way for a large number of Trusts). The use of this 'target' for academies may be driven in part by historical factors, in that secondary schools in the maintained sector were not expected to carry forward more than 5% of income and primaries 8% of income.

The 2018 Sector Annual Report and Accounts (SARA) report highlighted that the average cash balance per pupil (not reserves) in an academy was £922. This compares to cash reserves of £372 per pupil at March 2017 in the maintained sector. Part of this difference will reflect the difference between cash and reserves and that most of the secondary schools which have more income have converted to academies. The biggest factor will be that academies face greater risk of financial failure than those in the maintained sector as they do not have the direct support of the local authority and so aim to carry higher reserves.

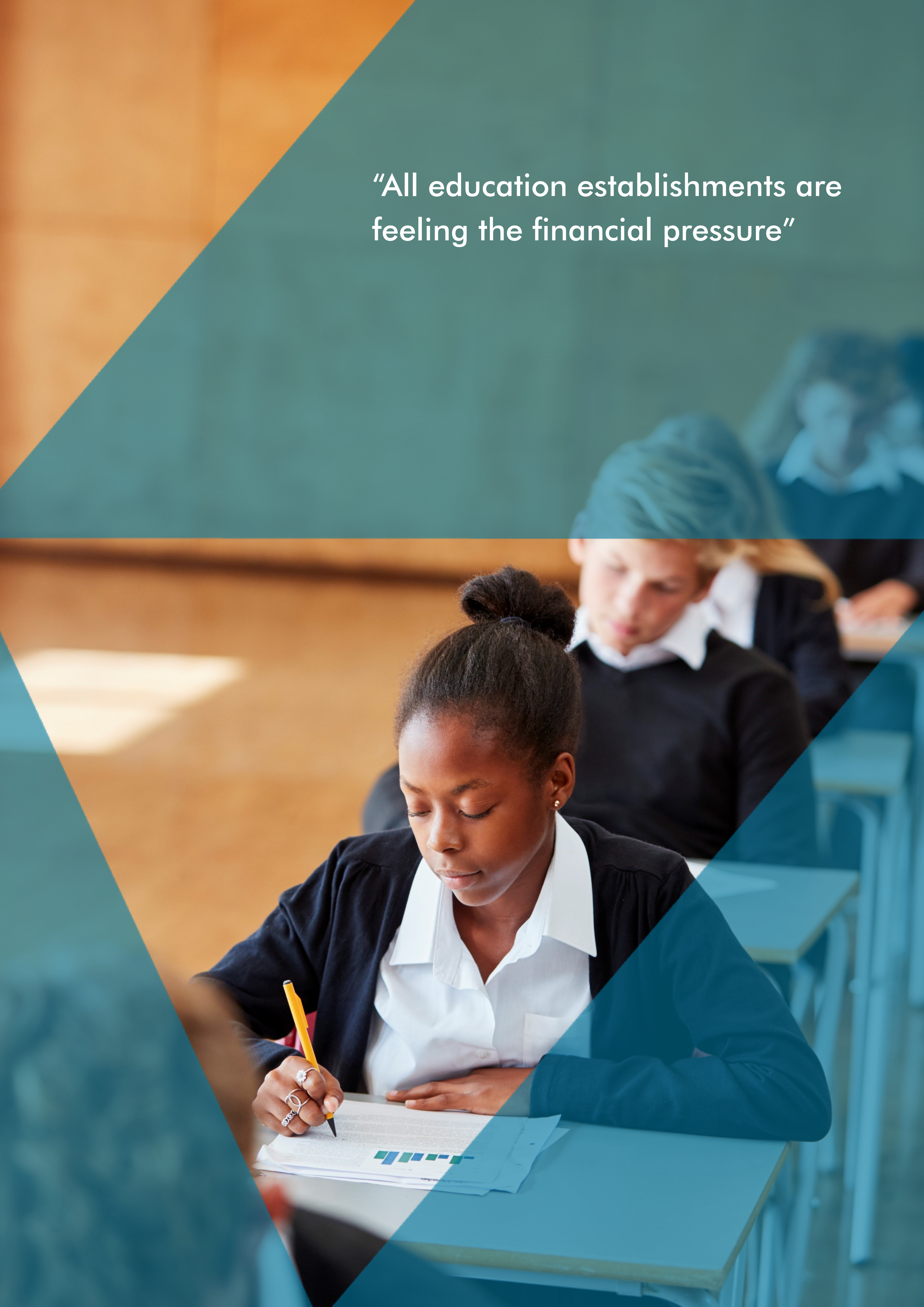
As academies have greater risk, they should ensure that they have a robust risk register which provides the Trustees with the list of risks, the potential impact and what safeguards are in place to help to minimise the effect. It is important that this is a live document and is reviewed regularly to ensure that it reflects new/redundant risks, that the risk 'scores' are appropriate and that the relevant individuals are implementing the safeguards effectively.

In preparation for this report we asked our clients to rank the risks they face:

Risk	Percentage
Changes in government funding	87%
Changes to pay and conditions that are unfunded (pay, pension, NI etc.)	83%
Risk of a reduction in pupil numbers	56%
Require buildings maintenance that is unfunded	50%
Risk of poor Ofsted/exam results impacting on pupil numbers	49%
Risks related to the retention and recruitment of staff	44%
Competition from other schools	26%
IT issues	20%
Other	14%
Not acting upon business opportunities to generate income	13%
GDPR breaches	11%
Poor financial monitoring results in financial issues not being identified	10%
Risk of academies not following policies or scheme of delegation	5%
Fraud	5%
Risk of breaching the Academies Financial Handbook	3%

It was very interesting to see how the Trusts ranked their levels of risk and reflects the very real concerns they have with regards to financial sustainability. Hopefully the reason that academies see the last few risks as less significant is because Trusts already have robust procedures in place, and not because of complacency.

"All education establishments are feeling the financial pressure"



8. Fixed Assets

This continues to be the biggest number on the balance sheet and the combined net book value of the land & buildings recognised in this report is £5.2bn (16/17: £4.3bn).

Last year we wrote at length about faith schools and the change in the way those Trusts accounted for buildings within their financial statements. The result was that some faith schools left the buildings on the balance sheet whilst others took them out. In the 2017-18 Academies Accounts Direction (AAD) the ESFA has provided further guidance about how these should be accounted for. Unfortunately, it still does not give definitive guidance on this matter.

In respect of capital grants paid to faith schools the AAD provides two possible accounting treatments – either capitalise on the balance sheet or reflect the expense as a donation to the Church body which owns the site. Again, not definitive, so different Trusts will continue to treat the same transactions differently, making comparison more difficult.

Obtaining valuations for buildings on conversion is still a problem. Whilst the Local Authorities usually have a figure within their own records, it has often not been updated. Similarly, insurance values are just that - the cost of rebuilding, usually a value which is significantly different than that of the site in its current condition and which excludes the value of the land. Alternatives are to consider the value of other similar sites and pro-rata the valuation or obtain a professional valuation, with its associated cost.

Capital grant funding

For 2017-18, the Condition Improvement Fund (CIF) funded 1,435 projects worth £466m in the initial round with a further 141 projects benefiting from an additional £40m on appeal, an average grant of £321K. As with the previous year, the majority of projects funded in 2017-18 relate to roofing, heating systems, windows and fire alarms.

The CIF 'pot' for 2018-19 has increased with the addition of £38m from the Healthy Pupils Capital Fund (HPCF). This new total 'pot' of £100m is being funded by the soft drinks levy and is split between CIF, School Condition Allocation (SCA) and others. Its aim is to improve pupils' physical and mental health by improving facilities and the access to them – physical activity, healthy eating and mental health. As a result, circa 9% of all successful bids for 2018-19 were to update kitchens and dining facilities, changing rooms and playgrounds as well as games areas and swimming pools.

Split of the number of successful capital funding projects

	2016-17	2017-18	2018-19
Roofing and water tightness	34%	34%	27%
Boilers, heating systems & water	15%	16%	14%
Windows & doors	13%	14%	9%
Fire alarm systems	9%	10%	14%

Including the £38m HPCF, the 2018-19 CIF round will support 1,592 projects to a value of £514m. This is a similar number of projects to last year as it only includes 36 which were successful on appeal – significantly down on the previous year when additional funding was made available. The average value of each successful project for 2018-19 has remained almost identical at £322K.

The increase in the CIF fund, even with the additional HPCF monies is therefore very small – only £8m. Trusts which have more than 5 academies <u>and</u> 3,000 pupils are eligible for School Condition Allocation (SCA). The SCA for 2017-18 was £130m. For 2018-19 the number of eligible Trusts has increased to 176 and the SCA allocated to these for 2018-19 is £183m, with a further £14m of HPCF, in total an increase of £67m on the previous year.

Whilst the total capital funds available (CIF,HPCF and SCA) have increased, from £636m to £711m, so has the number of open academies. At 1st September 2017 there were 6,826 academies compared to 5,596 at 1st September 2016 (1st September being the date eligible for CIF). Whilst this is not an accurate methodology, it does show that average available capital funding per academy has reduced from £114K to £104K, even with this overall increase.

One word of caution – if you are thinking of moving from a SAT to MAT, consider the timing, as it is possible to become ineligible to apply for CIF monies whilst simultaneously not being eligible for SCA and so miss out on a year of funding.

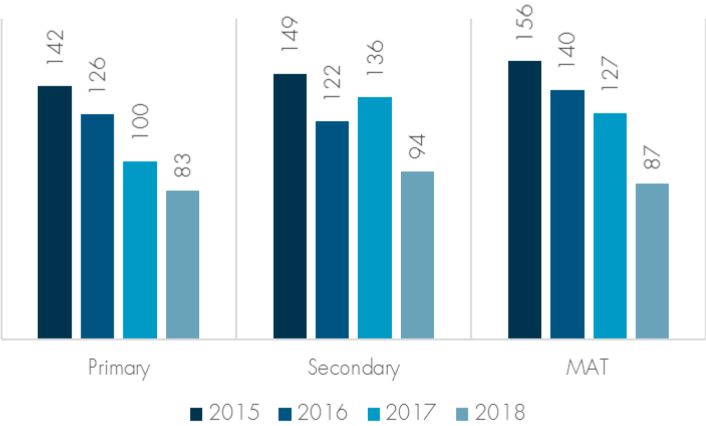
Those Trusts eligible for SCA will also receive £28m of DFC (Devolved Formula Capital). DFC averaged £12K per an academy, down from £12.5K last year, a reflection that the majority of new academies are primary schools which are eligible for £11.25 per a pupil compared to £16.88 per secondary school pupil (this is in addition to the £4,000 lump sum per school).

Whilst the SCA, CIF, HPCF and DFC monies are welcome, they are rarely sufficient to fund major capital projects and therefore academies are usually reliant on local government funding, either for expansion or a new school. We have seen local government undertaking building projects to assist academies that need to expand due to student demand. Upon completion these projects are valued and included within the financial statements as a donation.

The National Audit Office (NAO) stated in 2017 that the likely cost of bringing all schools up to a satisfactory condition would be £6.7bn. It will be interesting to see the outcome of the Condition Data Collection (CDC) survey which is due to complete in Autumn 2019. This survey will provide a high level assessment of the condition of state funded schools in England and inform future policy. Hopefully the ESFA will use this data to help assess future CIF bids so that Trusts do not have to pay to obtain third party evidence to support their applications. More importantly it will have more accurate numbers and timelines for when these major capital works are required, to ensure that schools are fit for purpose for the future education of the pupils.

Some of this cost can be seen coming through when we look at the spend on repairs and maintenance. In section 6 we discussed that primaries have increased their spend on this as they could not defer expenditure any longer. This can be seen to a lesser extent with secondary schools. Interestingly when we look at the median spend we get a different picture. This is because there are a number of outliers that have expensed some larger projects and other Trusts who have been deliberately spending their reserves.

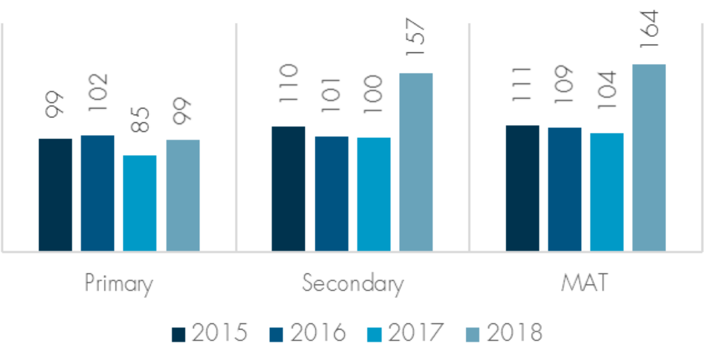
Median repairs and maintenance spend per pupil (£)



When we look at the median we are seeing what most Trusts are spending, as it ignores the very large spenders that can distort the overall average. On this basis the spend has fallen for all Trust types over a four year period. This highlights that most Trusts have been reducing their spend on repairs and maintenance.

Interestingly when you look at the capital expenditure per pupil we get the reverse pattern. When we look at the average spend, this is down on the prior year showing that total spend has fallen, except for primaries. When we look at the median, this has increased, meaning there have been a higher number of capital projects but at a lower value.

Capital expenditure per pupil (£)



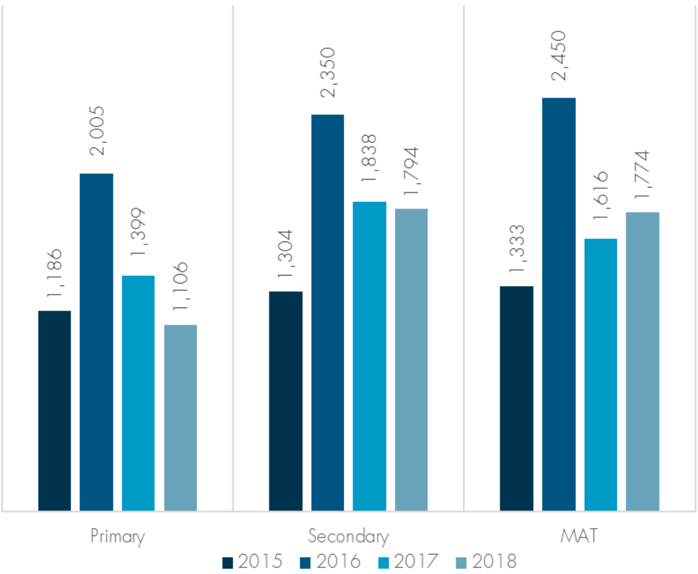
The Chancellor announced in the 2018 Autumn Budget that schools would get £400m for the 'little extras'. Given that these little extra's equate to £50,000 for an average secondary and £10,000 for an average primary we expect to see an increase in capital and repairs spending in next year's report. Although we suspect that some Trusts will use this new funding to pay for expenditure that was already planned It will be interesting to see if our prediction is right.


"Changes like this make it difficult to plan"

9. Pensions

As with last year the LGPS deficit per pupil for a significant proportion of our academies has reduced, reflecting a buoyant stock market during last year and a favourable change in actuarial assumptions. The last change in LGPS employer contribution rates was in April 2017, so the next review will not impact until April 2020, giving a short period of stability regarding these costs.

Average closing LGPS pension deficit per pupil (£)



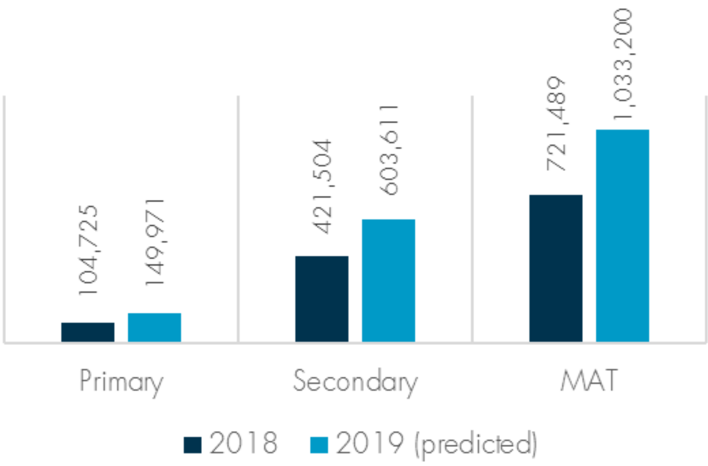
Due to recent grouping the 81 LGPS schemes in England now only have 8 investment decisions. This change has resulted in some Trusts which have LGPS's in more than one scheme area considering if they should consolidate them. Note that the Trust must have at least one academy in the LGPS area they are seeking to consolidate into.

Given that we see very wide differences in contribution rates between different LGPS schemes it does raise the prospect that some MATs may be able to shop around if they are given this flexibility.

The news in September 2018 which shocked the sector was the announcement to increase the employer's TPS contribution rate from 16.48% to 23.6%. Whilst this increase will not be implemented until September 2019, rather than April 2019, the magnitude of the increase was significantly greater than any projections discussed before – usually between 18% and 20%. Last year we mentioned that a 3.6% increase would cost the average secondary school £100K, but the actual increase of over 7% will cost £200K per annum.

Given what we have discussed regarding the financial position of the sector and the average level of reserves that we see for many of our Trusts, it would have been hard to see how the sector could have met this additional cost which is shown in the chart below.

TPS costs for the year and predicted costs for 2019



Thankfully the government has said that it will fund this increase in 2019-20, but the funding after this date is uncertain. Given that the funding of teachers' pay award was only for the excess above the percentage that the ESFA thought academies should have budgeted for, we will wait to see how much of this increase will be funded after 2019-20.

Changes like this make it difficult to plan. It is vital that the government provide Trusts with the information concerning the funding of this as early as possible so that Trustees can take appropriate action in a timely manner.

The surprise at the scale of the increase will also raise fears that the 2020 review of the LGPS rates will be higher than expected. The two schemes are funded in very different ways, with the LGPS being underpinned by a fund. This, combined with the falling deficits that we have seen in the last two years, will hopefully mean that any changes are not significant, but there will still be a sense of nervousness until it is announced.

10. Accounting Systems

When we last looked at the accounting systems used by our academy clients, in our 2016 report, the market leader was FMS, being the local authority legacy system. Over 90% of our clients used one of five products – FMS, PSF, Civica, Sage 50 and Sage 200 (the latter usually with a wrapper provided by a third party to provide the functionality that an academy requires).

In 2016 HCSS, which historically focused on budgetary software, launched an accounting package. Shortly thereafter Sage launched Sage for Education, a product specifically aimed at academies.

These two new entrants have so far had limited impact on the market. HCSS has yet to achieve a 10% plus share so its numbers are included in 'Other', which have increased whilst Sage's percentage has remained static.

	2015 Total	2018 Total
PSF	22%	35%
FMS	40%	24%
Sage	14%	14%
Corero	15%	11%
Other	10%	16%

Given that the number of Trusts is unlikely to significantly increase in the future as consolidation of Trusts continues, it is doubtful that there will be a significant increase in the number of accounting systems. Furthermore, given the cost to change in both monetary terms and the time involved, it is unlikely that Trusts will change accounting systems where their current systems provides what they need, unless there is a significant reason – either service, lack of functionality or a new cheaper entrant to the market place. This makes it difficult for new entrants to break into the market, but this competition may help to drive down prices for Trusts.

Where there has been growth has been in the MAT sector, and this more rapid change has led to a very different split of systems being used, as can be seen below.

	SAT	MAT	Total
PSF	22%	63%	35%
FMS	31%	7%	24%
Sage	15%	13%	14%
Corero	13%	6%	11%
Other	19%	11%	16%

Whilst FMS is still the most used system with single-unit academies, it barely registers with MATs with only a 7% market share. As Trusts grow and develop into MATs they are moving away from FMS to systems with a different functionality - with the clear market leader being PSF.

It will be interesting to see how products such as QBO and Xero impact on the market place. Whilst not specifically aimed at the academy market, they can with apps (there are over 1,000 already available) provide some of the same functionality at a significantly cheaper price. We have already seen some smaller standalone academies decide to try these products, and we are aware that larger Trusts are currently reviewing them as they may provide a cost effective alternative to the existing products.

With Trusts becoming larger it is likely that they will have to be registered for VAT rather than having the option of using the more informal S126 route (where Trusts can file a VAT claim as little or as often as they like). With the introduction of Making Tax Digital (MTD) for VAT for organisations with partial exemption calculations from April 2019, Trusts will need to ensure that their software is compatible.

Will this, or other changes, in the sector give the new entrants to the market a chance to catch up with PSF? We will have to wait and see.

"Where the clarity exists for Trustees in terms of their duties, roles and responsibilities and the flow of information is good, the governance is more effective"

11. Governance

The effectiveness of governance within both single academies and MATs has improved markedly over the years but there is still a high level of inconsistency. While many Trusts are well organised and working hard to raise their own knowledge and skills base, we are seeing the number of External Reviews of Governance (ERGs) being commissioned by ESFA and RSC increasing.

With Nick Gibb (Minister of State for School Standards) stating in December 2018 that he wanted Ofsted to inspect 10% of "outstanding" schools, these are likely to continue across the board, as the external accountability framework focuses on the standards of effective governance ever more closely.

It is clear that the Trustee skills audits are a work in progress for some Trusts, while others undertake an annual skills audit of the board from a variety of resources. The action plans arising from these skills audits are less evident, although the majority of boards appear to be recruiting their new Trustees based on skill gaps, even if identified via discussion rather than formal assessment.

We are seeing financial governance, in particular, coming under increased scrutiny, with continuing pressure on funding, and an emphasis on AFH compliance being purposefully scrutinised. The subject of service companies (IR35 issues) and off-payroll payments is complex and is an area that is often not understood by Trustees. It is important for them to take external advice when necessary.

Work is still required to ensure that all Trustees are fully aware of their obligations under the AFH and that they have an appropriate level of understanding of financial matters. While the principles of risk management, budgeting and financial monitoring are generally understood, the quality of financial reports that Trusts are receiving from their executive team varies.

It is clear that in some cases the financial information is regular, complete and relevant, but by no means in all. Trustees should remember they can request more appropriate key performance indicators to enable them to make decisions.

With Ofsted planning to refocus its inspections on the curriculum from later in 2019 and the proposed new measure of "quality of education", this is set to challenge Trustees with the educational performance of a Trust. We have seen that Trustees' understanding of data in the current regime can vary significantly and still remains quite unclear for some. The "intent, implementation and impact" measure proposed from later in the year will trigger the need for training many Trustees in connection with pupil progress, which will aid this area of understanding.

We are still seeing large numbers of documents presented to Trustees where the key message is unclear, and therefore makes challenge more difficult. Trustees need to be more specific about what information and reports they require rather than just accepting what they are given.

There are many examples of Trusts taking steps to increase the level of skill and training for Trustees, and boards are progressively seeking support for gaps in their knowledge.

It is noted that the training records for Trustees are not always up to date, or even in existence, however this can, together with a robust skills review of the board, form the basis of an action plan to look ahead at the board's needs for the coming year.

We are seeing that Trusts are increasingly looking for advice and support from external advisers with the direction of evolution and growth and it is pleasing to note that many growing Trusts are regularly reviewing their governance structure to support Trust development. With the increasing focus on structure, capacity and financial governance, boards are themselves progressively looking to improve effectiveness in preparation for growth.

While many academies are in this process of self-improvement, the core areas that we have consistently seen requiring attention have focused on a small number of fundamental issues. These include the very basic understanding of Trustees of their role, understanding what they are there to do, and what their duties and responsibilities are. We also still note that the specific role of the Trustee and how this differs from the role of members remains unclear for many. Whilst many Trust boards are acting strategically, there are still instances where Trustees are getting too involved in operational details that should be dealt with by the executive team.

It is evident that where the clarity exists for Trustees in terms of their duties, roles and responsibilities and the flow of information is good, the governance is more effective.

There is often still a lack of evidence of challenge by Trustees of the information provided to them. This may be merely an issue with the minutes of meetings adequately recording the questions asked, or an absence of questions being asked and an acceptance of the information provided.

Many academies are still reporting that they have vacancies for Trustees which may have been unfilled for some time, this is particularly the case where they are seeking Trustees with particular skills. Whilst the number of Trustees at primary academies remains consistent with the previous year, there is a further slimming down of Trusts of secondary academies and MATs. The sector relies heavily on the goodwill of those volunteers acting as Trustees to contribute an increasing amount of their time, which taken with the level of responsibility attached to the role may also be a reason why academies are finding it difficult to recruit Trustees.

Average board size

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

The induction process for new Trustees is crucial to achieve clarity and understanding, and to allow an individual to become effective quickly. We have seen that induction processes differ, from very robust through to the lightest of touches. This is an area where some Trusts could make very easy, but meaningful improvements to their governance.

In Trusts where growth has been rapid, the "back office" infrastructure does not always evolve at the appropriate rate, and the systems, protocols and processes can take some time to catch up.

The final area to comment on is the important role of the Trust clerk. This is a role that is often under appreciated, which may explain why the quality of clerking can be inconsistent. There has been funded training available during 2018 for clerks, and yet the number of clerks to have taken this up seems to be lower than expected. Many clerks tell us they are aware of the Clerking Competency Framework, however only a small number have actually undertaken formal training or self-assessment to see where their performance lies. The role of the clerk is so much more than just taking minutes, and the quality of minute taking can vary greatly.

The position of a Trustee in today's academies is not an easy role to undertake. In the vast majority of cases Trustees with skills, integrity, and the best of intentions act in the best interests of the pupils in their schools, but the role is coming under increased scrutiny. In the last 12 months the DfE issued letters to both auditors and Accounting Officers to outline its expectations as to how Trusts should operate and be governed. These letters included a number of points that Trustees need to understand and action, in addition to all of the other responsibilities they already have. The role of a Trustee is challenging, accountable and, quite often, significantly more onerous than originally understood.

Given the focus this month by the Public Accounts Committee on the responsibility of trustees for a failing trust we may see the number of volunteer trustees declining.

Definitions

Academic year: The data used in the report is based on the 2017/18 academic year with comparative data given for the 2016/17 and 2015/16 academic years. For ease of reference the academic years are referred to as 2018, 2017 and 2016 respectively.

Academies Accounts Direction (AAD): Publication from Education and Skills Funding Agency (ESFA) detailing the expected accounting treatment and disclosures required in academy financial statements.

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.

Converter Academy: Academies that have converted, but excluding sponsor academies.

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: The total depreciation charge as a percentage of the fixed asset cost or valuation. Within the report this ratio is given for property and all other asset classes combined.

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.

Multi Academy Trust: A single legal entity which operates a number of academies.

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: The total cost per the Statement of Financial Activities for all pension schemes, primarily the Teacher's Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), as a percentage of the total salary costs.

Pension costs: The individual costs of the TPS and LGPS pension schemes.

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

Property value: The property value as stated in the financial statements, before any depreciation. These values have been calculated on a number of differing bases, including ESFA valuation, insurance valuation and cost.

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 Condition Allocation (SCA): Funding allocated by the ESFA to MATs with at least 5 academies and 3000 pupils to cover capital expenditure and maintenance work.

Single Unit Academy (SAT): An academy that is not part of a MAT.

Sponsor: An organisation that has been authorised to formally support one or more academy schools.

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.

"The position of a Trustee in today's academies is not an easy role to undertake"

Benchmark Analysis Data: Primary Academies

	Highest	Lowest	Average	Median
Income Measures				
Total income per pupil (annualised)	£13,984	£3,807	£5,345	£4,967
Total GAG income per pupil (annualised)	£6,033	£2,838	£3,729	£3,684
GAG income ratio (period)	88%	32%	72%	75%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£5,666	£2,227	£3,695	£3,570
Education costs per pupil (annualised)	£780	£15	£199	£185
Technology costs per pupil (annualised)	£203	£6	£61	£56
Premises costs per pupil (annualised)	£538	£16	£82	£44
Heat and light costs per pupil (annualised)	£264	£26	£59	£52
Insurance costs per pupil (annualised)	£128	£15	£47	£36
Repairs and Maintenance costs per pupil (annualised)	£484	£17	£100	£82
Catering costs per pupil (annualised)	£608	£24	£208	£203
Management, Administration & Governance costs per pupil (annualised)	£1,358	£125	£430	£348
Depreciation cost per pupil (annualised)	£1,675	£14	£273	£245
Total costs per pupil (annualised)	£9,347	£3,761	£5,453	£5,009
Staff cost ratio (as % of total costs) (period)	83.0%	49.7%	70.1%	72.1%
Education costs ratio (as % of total costs) (period)	9.3%	0.3%	3.7%	3.4%
Technology costs ratio (as % of total costs) (period)	2.8%	0.1%	1.1%	1.1%
Premises costs ratio (as % of total costs) (period)	6.4%	0.2%	1.5%	0.9%
Heat and light costs ratio (as % of total costs)	2.8%	0.5%	1.1%	1.0%
Insurance costs ratio (as % of total costs)	2.5%	0.2%	0.9%	0.7%
Repairs and Maintenance costs ratio (as % of total costs) (period)	9.4%	0.3%	1.9%	1.6%
Catering costs ratio (as % of total costs) (period)	9.2%	0.5%	4.0%	4.2%
Management, Administration & Governance costs ratio (as % of total costs) (period)	16.5%	2.6%	7.9%	7.0%
Depreciation cost ratio (as % of total costs) (period)	17.9%	0.1%	5.1%	4.9%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£3,343	£1,084	£1,701	£1,686
Non-Teaching staff salary per pupil (annualised)	£2,269	£295	£1,161	£1,141
Average Teaching staff salary (annualised)	£54,458	£16,009	£36,681	£36,482
Average Non-Teaching staff salary (annualised)	£37,885	£9,261	£19,875	£19,379
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	29.1%	7.7%	23.1%	23.4%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£112,115	(£34,967)	£20,061	£18,575
LGPS deficit per pupil	£6,170	(£2,683)	£1,106	£1,040
Pupil / Teacher Measures				
Pupil to teacher ratio (period)	41.6	11.4	24.2	23.9
Teaching to non-teaching staff ratio (period)	2.3	0.3	0.8	0.8
Pupil numbers for the period (per January Census)	1391	81	353	335
Surplus / (Deficit) Measures				
Surplus / (Deficit) ratio (as % of total income) (period)	42.2%	(31.1%)	(4.8%)	(6.3%)
Surplus / (Deficit) ratio before depreciation (as % of total income) (period)	46.2%	(28.2%)	3.7%	2.5%
GAG carry forward ratio (period)	44.6%	(2.2%)	7.5%	3.6%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	53.3%	0.3%	20.5%	20.0%
Net Current Assets / Income ratio (annualised)	0.43	(0.00)	0.16	0.16
Fixed Assets Measures				
Property value per pupil (period)	£78,108	£0	£10,479	£9,761
Other Fixed Assets value per pupil (period)	£2,092	£0	£633	£524
Capital expenditure in period (period)	£3,054,678	£0	£115,811	£28,457
Capital expenditure per pupil (period)	£6,211	£0	£349	£99
Fixed Assets depreciation rate - Property (annualised)	3.8%	0.0%	1.8%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	27.0%	5.3%	12.9%	12.0%

Benchmark Analysis Data: Secondary Academies

	Highest	Lowest	Average	Median
Income Measures				
Total income per pupil (annualised)	£34,498	£4,674	£6,499	£5,843
Total GAG income per pupil (annualised)	£10,187	£3,839	£4,905	£4,736
GAG income ratio (period)	94%	12%	80%	82%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£18,452	£3,286	£4,636	£4,387
Education costs per pupil (annualised)	£1,217	£104	£301	£266
Technology costs per pupil (annualised)	£304	£1	£72	£61
Premises costs per pupil (annualised)	£1,479	£23	£118	£58
Heat and light costs per pupil (annualised)	£307	£3	£87	£79
Insurance costs per pupil (annualised)	£301	£18	£33	£27
Repairs and Maintenance costs per pupil (annualised)	£965	£0	£149	£94
Catering costs per pupil (annualised)	£366	£1	£93	£83
Management, Administration & Governance costs per pupil (annualised)	£3,190	£52	£527	£444
Depreciation cost per pupil (annualised)	£2,987	£6	£396	£332
Total costs per pupil (annualised)	£22,705	£4,777	£6,478	£6,020
Staff cost ratio (as % of total costs) (period)	81.8%	43.2%	72.0%	73.3%
Education costs ratio (as % of total costs) (period)	13.1%	1.8%	4.7%	4.3%
Technology costs ratio (as % of total costs) (period)	3.9%	0.0%	1.1%	1.0%
Premises costs ratio (as % of total costs) (period)	14.5%	0.3%	1.8%	0.9%
Heat and light costs ratio (as % of total costs)	2.8%	0.1%	1.3%	1.3%
Insurance costs ratio (as % of total costs)	1.5%	0.2%	0.5%	0.4%
Repairs and Maintenance costs ratio (as % of total costs) (period)	16.1%	0.0%	2.3%	1.6%
Catering costs ratio (as % of total costs) (period)	5.1%	0.0%	1.5%	1.3%
Management, Administration & Governance costs ratio (as % of total costs) (period)	26.6%	0.9%	7.9%	7.3%
Depreciation cost ratio (as % of total costs) (period)	24.6%	0.1%	5.8%	5.4%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£6,982	£1,676	£2,498	£2,447
Non-Teaching staff salary per pupil (annualised)	£2,214	£426	£1,043	£981
Average Teaching staff salary (annualised)	£66,402	£14,923	£39,078	£39,291
Average Non-Teaching staff salary (annualised)	£50,281	£8,381	£23,483	£22,017
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	35%	14%	21%	21%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£149,200	£1,278	£38,229	£38,607
LGPS deficit per pupil	£14,924	£69	£1,794	£1,567
Pupil / Teacher Measures				
Pupil to teacher ratio (period)	25.3	2.1	17.0	17.0
Teaching to non-teaching staff ratio (period)	4.0	0.7	1.4	1.3
Pupil numbers for the period (per January Census)	2272	123	1019	1016
Surplus / (Deficit) Measures				
Surplus / (Deficit) ratio (as % of total income) (period)	73.6%	(38.6%)	(10.3%)	(6.4%)
Surplus / (Deficit) ratio before depreciation (as % of total income) (period)	80.5%	(35.4%)	(1.8%)	2.1%
GAG carry forward ratio (period)	51.8%	(18.4%)	2.2%	0.0%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	40.1%	1.0%	13.2%	12.3%
Net Current Assets / Income ratio (annualised)	0.53	(0.03)	0.12	0.10
Fixed Assets Measures				
Property value per pupil (period)	£66,028	£0	£14,692	£14,204
Other Fixed Assets value per pupil (period)	£8,394	£0	£1,099	£694
Capital expenditure in period (period)	£9,281,674	£0	£378,152	£171,920
Capital expenditure per pupil (period)	£27,957	£0	£293	£157
Fixed Assets depreciation rate - Property (annualised)	6.6%	0.0%	1.9%	1.8%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	28.6%	0.0%	10.9%	10.4%

Benchmark Analysis Data: Multi Academy Trusts

	Highest	Lowest	Average	Median
Income Measures				
Total income per pupil (annualised)	£34,115	£2,157	£6,201	£4,981
Total GAG income per pupil (annualised)	£12,255	£1,545	£4,279	£3,885
GAG income ratio (period)	96%	35%	73%	79%
Overhead Costs Measures				
Staff cost per pupil (annualised)	£25,300	£1,729	£4,554	£3,828
Education costs per pupil (annualised)	£1,323	£29	£253	£188
Technology costs per pupil (annualised)	£817	£6	£83	£71
Premises costs per pupil (annualised)	£1,005	£0	£111	£33
Heat and light costs per pupil (annualised)	£386	£1	£72	£60
Insurance costs per pupil (annualised)	£504	£9	£38	£26
Repairs and Maintenance costs per pupil (annualised)	£1,398	£3	£135	£63
Catering costs per pupil (annualised)	£453	£3	£141	£54
Management, Administration & Governance costs per pupil (annualised)	£3,113	£112	£587	£443
Depreciation cost per pupil (annualised)	£7,007	£0	£357	£269
Total costs per pupil (annualised)	£36,285	£2,484	£6,419	£4,937
Staff cost ratio (as % of total costs) (period)	81.4%	12.5%	71.9%	76.3%
Education costs ratio (as % of total costs) (period)	17.3%	0.2%	4.1%	3.8%
Technology costs ratio (as % of total costs) (period)	5.7%	0.1%	1.3%	1.4%
Premises costs ratio (as % of total costs) (period)	15.9%	0.0%	1.9%	0.6%
Heat and light costs ratio (as % of total costs)	2.5%	0.0%	1.2%	1.2%
Insurance costs ratio (as % of total costs)	2.6%	0.1%	0.6%	0.5%
Repairs and Maintenance costs ratio (as % of total costs) (period)	11.1%	0.1%	2.0%	1.3%
Catering costs ratio (as % of total costs) (period)	7.4%	0.0%	2.4%	1.1%
Management, Administration & Governance costs ratio (as % of total costs) (period)	32.1%	2.1%	8.2%	8.2%
Depreciation cost ratio (as % of total costs) (period)	13.2%	0.0%	5.2%	5.4%
Staff Salary Measures				
Teaching staff salary per pupil (annualised)	£6,507	£319	£1,953	£1,928
Non-Teaching staff salary per pupil (annualised)	£12,842	£469	£1,392	£998
Average Teaching staff salary (annualised)	£53,898	£13,359	£36,405	£38,428
Average Non-Teaching staff salary (annualised)	£39,917	£5,416	£21,803	£17,618
Pension Cost Measures				
Pension cost ratio (as % salaries) (period)	29.8%	8.9%	24.1%	22.1%
LGPS (Surplus) / Deficit per non-teacher staff (period)	£115,414	(£44,427)	£27,800	£20,455
LGPS deficit per pupil	£18,545	(£2,283)	£1,774	£1,187
Pupil / Teacher Measures				
Pupil to teacher ratio (period)	45.9	6.1	21.0	20.7
Teaching to non-teaching staff ratio (period)	5.4	0.3	1.0	0.8
Pupil numbers for the period (per January Census)	11496	146	2212	622
Surplus / (Deficit) Measures				
Surplus / (Deficit) ratio (as % of total income) (period)	38.2%	(78.2%)	(0.8%)	(1.1%)
Surplus / (Deficit) ratio before depreciation (as % of total income) (period)	44.0%	(70.9%)	7.8%	7.4%
GAG carry forward ratio (period)	34.0%	(25.9%)	3.8%	0.6%
Net Asset Measures				
Cash balances ratio (as % total income) (annualised)	44.2%	0.0%	16.0%	15.7%
Net Current Assets / Income ratio (annualised)	2.54	(0.04)	0.15	0.17
Fixed Assets Measures				
Property value per pupil (period)	£156,988	£0	£12,767	£9,987
Other Fixed Assets value per pupil (period)	£4,054	£0	£629	£545
Capital expenditure in period (period)	£5,386,951	£0	£648,272	£249,716
Capital expenditure per pupil (period)	£5,866	£0	£332	£164
Fixed Assets depreciation rate - Property (annualised)	26.9%	0.0%	2.0%	1.7%
Fixed Assets depreciation rate - Other Fixed Assets (annualised)	50.1%	1.2%	15.7%	11.7%

About the Kreston Academies Group

The Kreston Academies Group is a network of independent accounting and business advisory firms in the UK that share a common interest and specialisation in the charity and education sector.

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

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