Buzzacott

Academy trust benchmarking report

April 2023

Welcome

We are pleased to share Buzzacott's Annual Academy Benchmarking Report.

As Trusts emerged from the 2020/21 financial year into a post-pandemic world, the easing of restrictions saw income and expenditure benchmarking more closely to pre-pandemic levels, and the overall financial impact in 2021/22 has been positive.

Attention now turns towards the current economic climate and significant increases in inflation, which already had a considerable impact on non-pay costs of Trusts throughout the sector in 2021/22 as elements of this report show. Whilst funding received from the government for the 2021/22 financial year has helped to support the sector in its payroll costs, Trusts are cautious of the budgetary pressures resulting from the increased pay awards coming into force for 2022/23.

> The sector's continued resilience can be seen from its ability to manoeuvre through a pandemic and now through a high inflationary economy, and we are pleased to help assist our clients as they face these challenges.
>
> The Buzzacott Education Team

Buzzacott

Key messages from 2021/22

The majority of academy trusts continued to achieve **operational surpluses**, but the level of these surpluses have fallen, with high inflation resulting in increased non-pay costs.

Payroll as a percentage of operational income fell in 2021/22, but future pay awards of 8.9% for teaching staff and 10.5%* for non-teaching staff are likely to result in a significant increase in the 2022/23 academic year.

Unspent Capital funding remains broadly in line with the prior year but has fallen in real terms due to inflationary increases in the cost of procuring capital goods and services.

The easing in covid restrictions has resulted in an **upward shift in unrestricted funds** as a proportion of total funds as trusts have been able to continue trading activities.

There remain challenges going forward for the sector, with **cost pressures** being seen in 2023 as a result of the current economic climate.

*Support staff: pay | NEU and https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1110990/2022_STPCD.pdf

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Introduction

Introduction

Welcome to Buzzacott's Academy Trust Benchmarking Report for April 2023, providing insight into current sector trends based on financial information for the year ended 31 August 2022

As trusts have manoeuvred through the challenges that resulted from the Covid outbreak, 2021/22 saw the gradual ease of lockdown restrictions and a return to on-site learning which was welcomed by many.

New challenges have arisen within this academic year in the form of significant inflationary increases and economic uncertainty that will have a considerable impact on the assumptions used for planning and budgeting in 2022/23 and beyond.

This benchmarking report is designed to allow trusts to assess how they compare to the sector, to identify areas of possible weakness and areas of strength, and to serve as a basis for informed monitoring over the next 12 months.

The data used to compile this report is primarily taken from the accounts of our clients, of which the significant majority reside in London and the South East of England alongside the published financial statements of the largest Multi Academy Trusts (MATs) in the sector.

The final section of our report "School Demographics" also includes a much larger sample of publicly available data sourced from government releases.

In order to benchmark academy trusts against those of a similar size, we have analysed the data across the following categories:

Single Academy Trust (SAT)
Single Academy Trust, including both primary and secondary SATs

Small Multi Academy Trust
up to 2,500 pupils

Medium Multi Academy Trust
between 2,500–9,000 pupils

Large Multi Academy Trust
9,000 or more pupils

Introduction

The report is divided in to seven main sections:

1. Operational Margins
This section focuses on whether trusts are making operational surpluses or deficits and looks at some of the key influencing factors, such as general annual grant funding, capital expenditure and payroll ratios.

2. Payroll costs
With payroll being the most significant cost for all trusts, this section looks at how much is being spent on staffing, including a review of key ratios, senior management pay and higher paid earners.

3. Pensions
Following on from payroll we look at pensions, considering pension costs as well as actuarial assumptions made in the valuations of the LGPS deficit held by the majority of trusts.

4. Financial stability
In this section we look at the level of reserves being held by trusts and indicators of financial stability such as the current ratio and days of expenditure held in cash.

5. Related party transactions
We review the level of transactions with related parties within the sector.

6. Multi Academy Trusts (MATs)
MATs have some unique additional features. In this section we examine the varying ways in which MATs apply their central service charge as well as benchmarking energy efficiency.

7. School demographics
In the final section of this report, we consider how school demographics are changing, and how this presents current and future challenges for the sector.

Operational margins

Our insight

Operational margins remain positive but have fallen in size this year, as higher prices caused by inflation have impacted trusts across the sector.

Operational margins

The average operational margins across the sector have seen a general decrease across each size of Trust in 2022. Note that these figures exclude year-end adjustments made to account for movements on the valuation of Local Government Pension Schemes (LGPS) and are stated after expenditure on fixed assets from revenue funds.

The high inflation environment began to impact the United Kingdom in 2022 and this contributed to a reduction in operational surpluses. Increases in key areas including construction and maintenance and renewal of energy tariffs typically exceeded RPI. Whilst some trusts have been able to take advantage of entering in to fixed deals for energy for the short to medium term, the significant increase in inflation is continuing to be a challenge to most boards in terms of current costs and also in relation to budgeting for future periods.

Over the coming pages, we will look at key factors that contribute to trusts' operational margins and consider key characteristics of those trusts reporting surpluses.

Operational margins

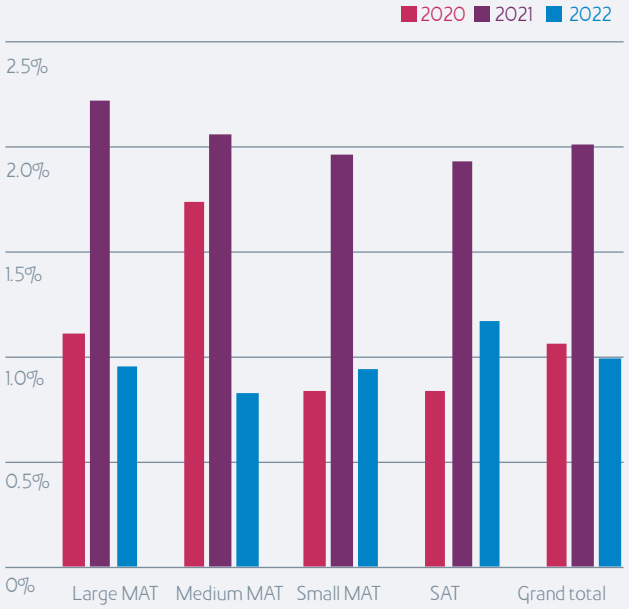
The fact that payroll as a percentage of operational income has fallen across trusts as detailed within figure (7) in this report, supports the case that it is the increase in non-pay costs that has been the key driver in falling operational margins.

Whereas we saw quite significant increases in operational margins across trusts in the prior year as a result of periods of closures in schools, the easing of Covid-19 restrictions in 2021/22 enabled trusts to return to pre-pandemic teaching and this has been reflected in the decrease in operating margins seen across all types of trusts for this academic year and more in line with operational margins experienced by trusts in 2020.

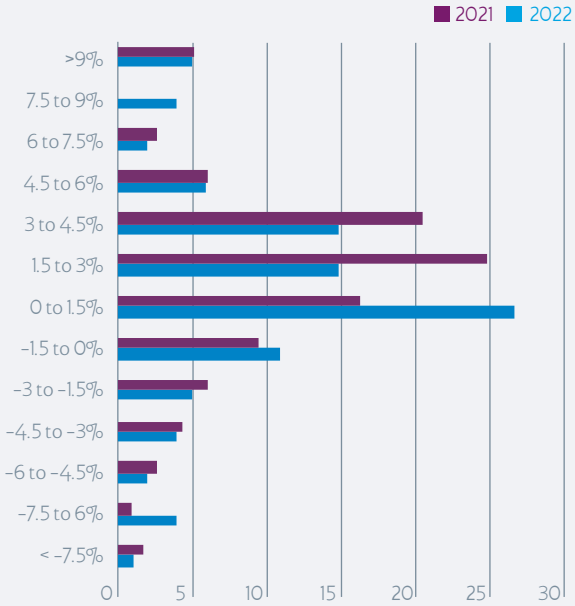
Figure (1) shows that operational margins has decreased overall on average, down to 1.25% from 2%.

Figure (2) also shows that the spread of results has also decreased in comparison to 2021. In 2021 the results of the majority of trusts reported an operating margin in excess of 3%. Whereas this year there has been a decrease in the number of trusts reporting a margin of this level, with more trusts finding themselves in between -1.5% and 1.5% bandings.

(1) Operational margin (after expenditure on fixed assets from revenue funds)



(2) Proportion of trusts with operational margins in each band



Operational margins

Key factors – Payroll

The most significant factor when considering operational results of trusts is payroll. The importance of payroll is twofold: the cost is always the largest category of a trust's expenditure and significant elements of it (such as the contribution rates for pensions and national insurance) are largely out of the trust's control. Though schools do set their teachers' pay, these are determined by national pay scales, which are not set by trusts. Trusts are, of course, able to reduce expenditure by reducing staff numbers and employing less experienced staff, but reductions are difficult to achieve and must be considered in light of the potential impact on teaching standards and academic achievement. Integrated Curriculum Financial Planning can be a useful tool for considering the financial impact of decision making alongside the academic impact.

The staff costs ratio is the percentage of operational income spent on staff costs. In order to assess the relationship between the staff costs ratios and the operational margin, we have plotted the two variables against each other in figure (3). Here, we have calculated the staff cost ratio as a proportion of operational income.

(3) Operational margin vs staff cost ratio

Operational margins

Key factors – Payroll

As can be seen from the figure 3 there is also a relationship between the staff costs ratio and operational margins. This suggests that trusts that spend a lower percentage of their income on staff costs are more likely to have higher operational margins. This can be seen even more clearly in the table opposite.

In conclusion, these figures show that while a low staff costs ratio is no guarantee of an operational surplus, there is on average a positive impact on margins as these costs are reduced.

The staff pay awards for the 2022/23 year, which have caused budgeting challenges for many trusts, will impact the operating margins and likely cause an increase in the amount of trusts reporting higher staff cost ratios.

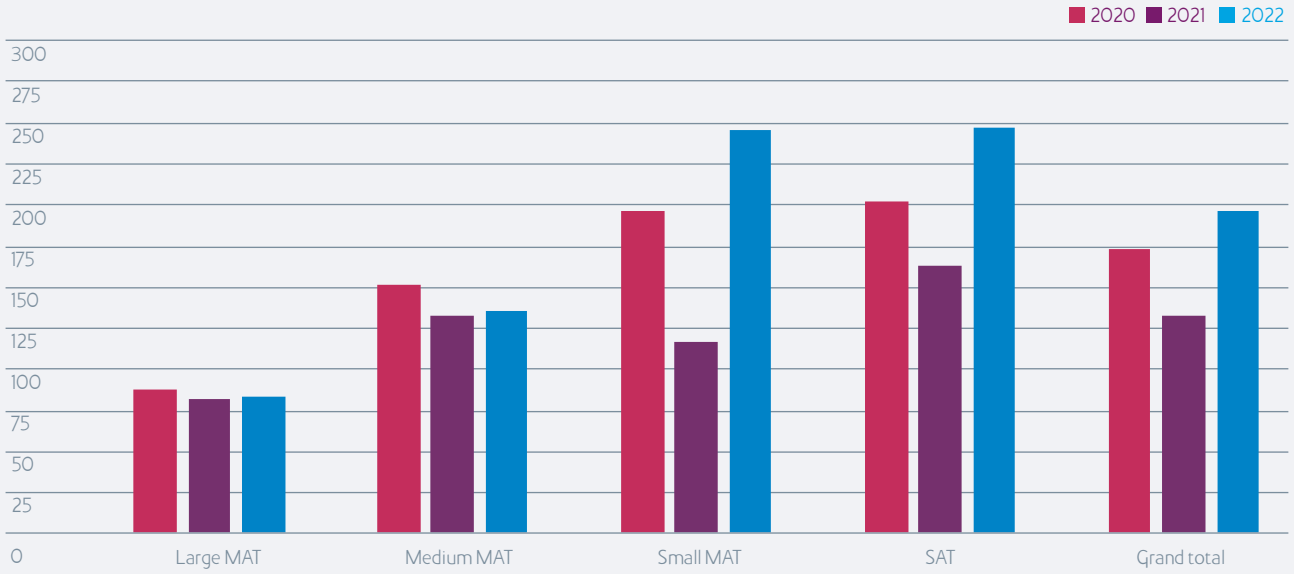
Staff costs ratio	Average op. margin (%)
More than 85%	0.8
80% to 85%	0.2
75% to 80%	1.2
70% to 75%	1.9
65% to 70%	3.0
Less than 65%	6.9

Operational margins

Key factors – Trading income

The 2020/21 academic year felt the continued impact that the coronavirus pandemic had in terms of reducing the ability of academies to generate income through trading activities, typically consisting of income streams such as hire of facilities and after school clubs. The easing of restrictions in this academic year has enabled trusts to resume their trading operations and the impact of this can be seen in figure (4).

(4) Trading income per school (£'000s)



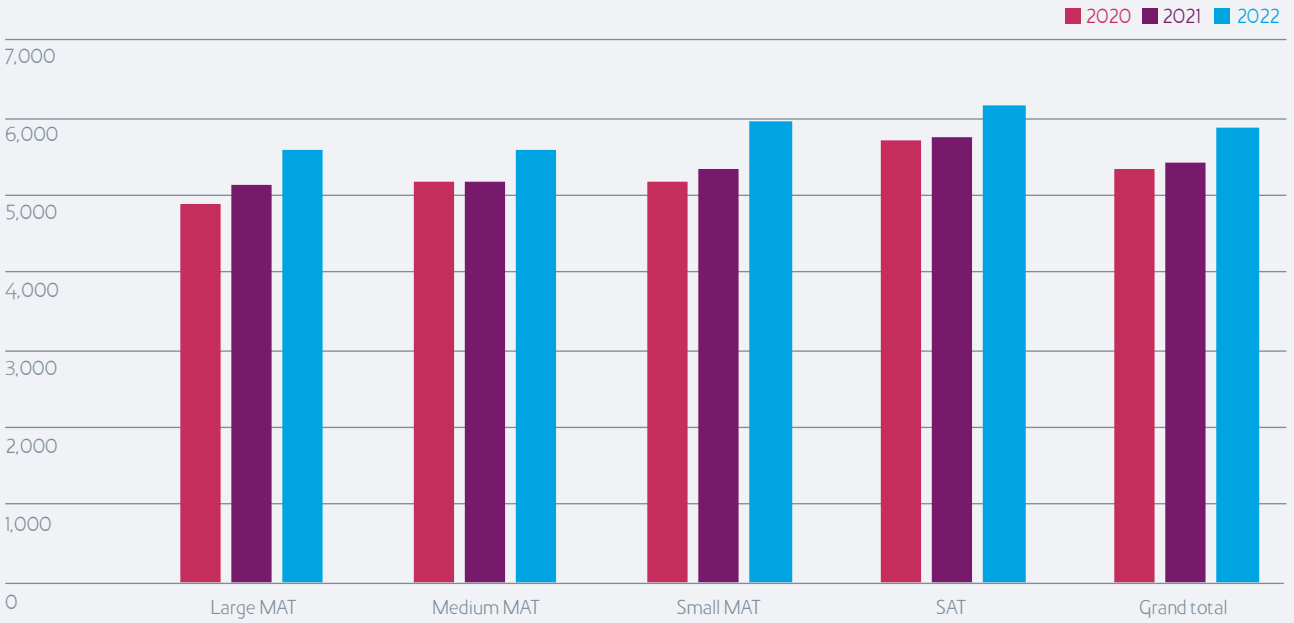
Operational margins

Key factors – General Annual Grants (GAG) income

Figure (5) shows the increase in GAG funding received by all types of trusts in 2022. Whilst some of this will be attributable to an increase in student numbers, the general increase can be attributable to the changes in the funding formula.

In addition to the increase in GAG funding, trusts received Schools Supplementary Grant, this funding will be incorporated into the national funding formula for the 2022/23 academic year and some trusts elected to include this as a component of GAG within their financial statements for 2021/22.

(5) GAG funding per pupil (£)



Operational margins

Key factors – Capital requirements

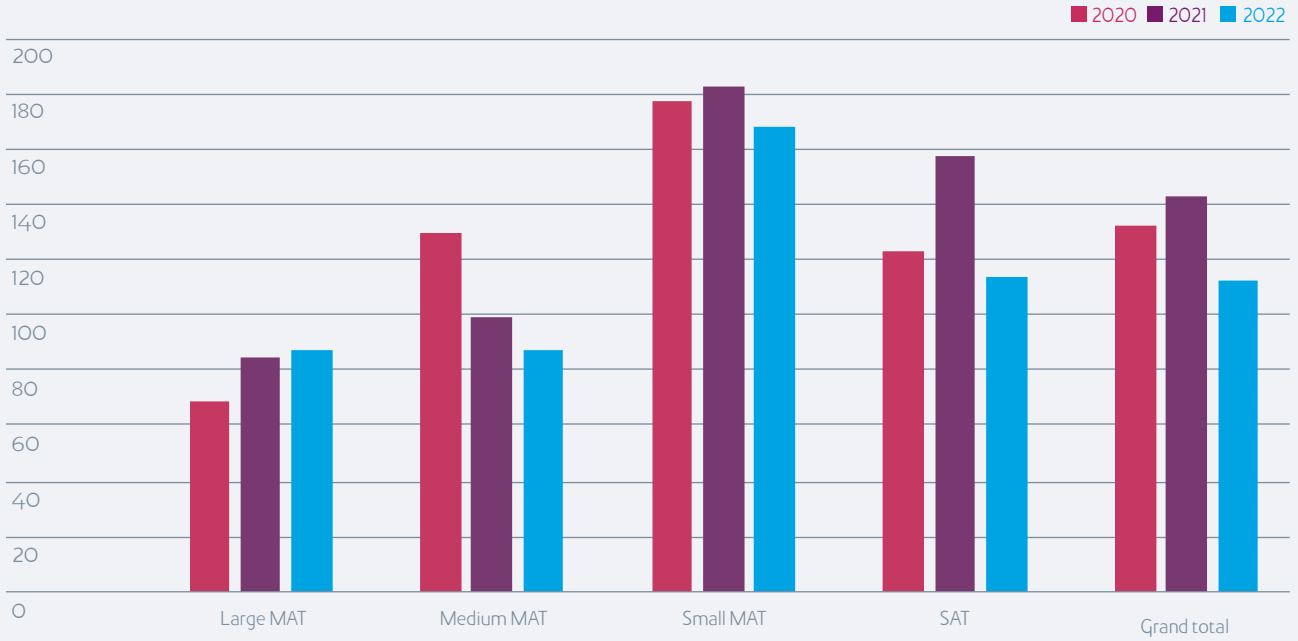
The cost of building and maintaining premises remains a constant concern for all trusts, particularly those still using old buildings inherited on conversion to academy status without funding for any large scale rebuild or renovation projects.

Many trusts find that the cash they receive each year is not enough to meet their capital requirements, and the information reported within figure (6) highlights this.

A general decrease in the amount of revenue funds transferred as capital expenditure in 2021/22 is observed, attributable to a variety of factors, including decreased operational margins which impact "nice to have" capital budgets as well as in some cases acceleration of capital programmes with the pandemic proving a catalyst for investment in the digital estate.

With budgetary pressures in 2022/23 and beyond, trusts may need to consider prioritisation of works within their estates strategy and make difficult decisions with respect to capital investment.

(6) Average transfer from revenue funds to capital (£ per pupil)



Operational margins

Key factors – Capital requirements

Allocations for capital funding, including school condition allocations (SCA) allocations for eligible trusts (those with five or more schools and at least 3,000 pupils) have been revised from 2021 to 2022, and some trusts are finding that the amount receivable under the revised formula is considerably less than under the previous formula.

Despite these changes in SCA funding, figure (6) demonstrates that the per pupil revenue contribution to capital has been greater over the past two years for those trusts who do not receive this funding (falling within the categories of Small MAT and SAT) in comparison to those who do receive this funding (Medium MATs and Large MATs).

"Given the budgetary pressures anticipated in 2022/23, we recommend that trusts review their estates strategies to prioritise the capital works that are deemed most necessary."

Payroll costs

Our insight

The average payroll ratio has decreased this year, but anticipated pay awards in the future will likely see this rise again.

Payroll costs

Staff costs ratios

We have seen an overall decrease in payroll costs as a percentage of operational income for the 2021/22 academic year. The spread of these costs, as seen in figure (8), has also changed in the year, with some trusts moving out of the 80-85% and 85%+ bandings and into the 70-75% and 75-80% bandings.

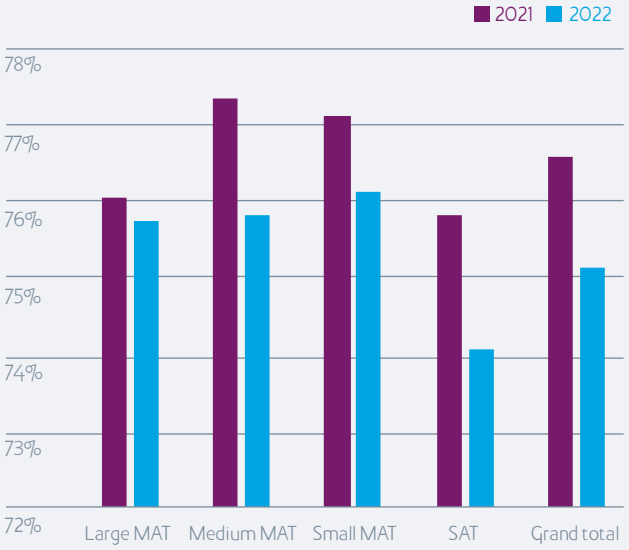
The key driver for this is increases to income (including both educational figure (5) and trading figure (4), with the cost of teaching per pupil increasing in absolute terms but a reduction in the overall payroll ratio observed.

The most common payroll range for trusts, of 75-80% remains broadly consistent with 2020/21.

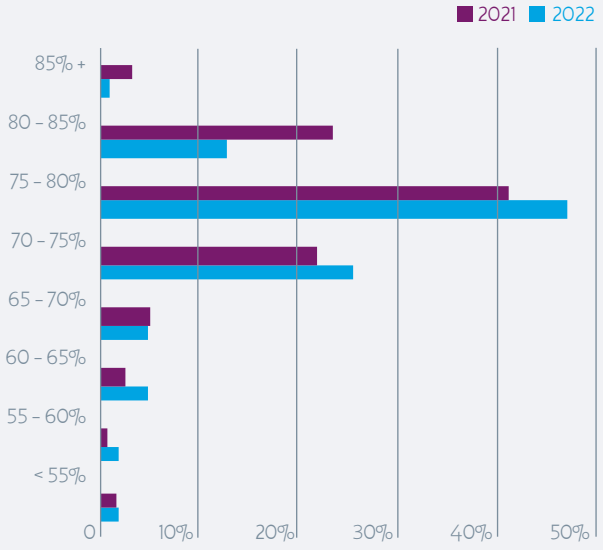
Trusts are also aware of the implications of the current economic climate, and in particular future pay award increases, that may have a considerable impact on their payroll as a percentage of operational income as well as their staff costs ratio going forward into 2022/23 and beyond.

Over the coming pages we will look at other staffing factors, such as the number of higher paid staff, severance payments and agency costs.

(7) Payroll as a % of operational income



(8) Staff costs ratio banding



Trusts have moved out of the 80-85% bandings and into the 75-80% and 70-75% bandings as a result of an increase in GAG and a return to pre-pandemic trading activities.

Payroll costs

Higher paid employees (HPEs) and key management personnel

One area in which there is a large amount of variation throughout the sector is the remuneration of higher paid staff (i.e. those with a gross salary of more that £60,000 per annum) and key management personnel. These are also areas which will naturally attract a greater level of public scrutiny. Figure (9) below shows that while the average number of HPEs in a SAT is 7–8 members of staff, there remains a significant spread between trusts, with the number of HPEs in each school ranging from 1 to 20.

(9) Total number of HPEs (SAT only)

Type of trust	Average no. HPEs per school
Large MAT (>9,000 pupils)	3.6
Medium MAT (2,500–9,000 pupils)	54
Small MAT (<2,500 pupils)	4.1
SAT	8.3

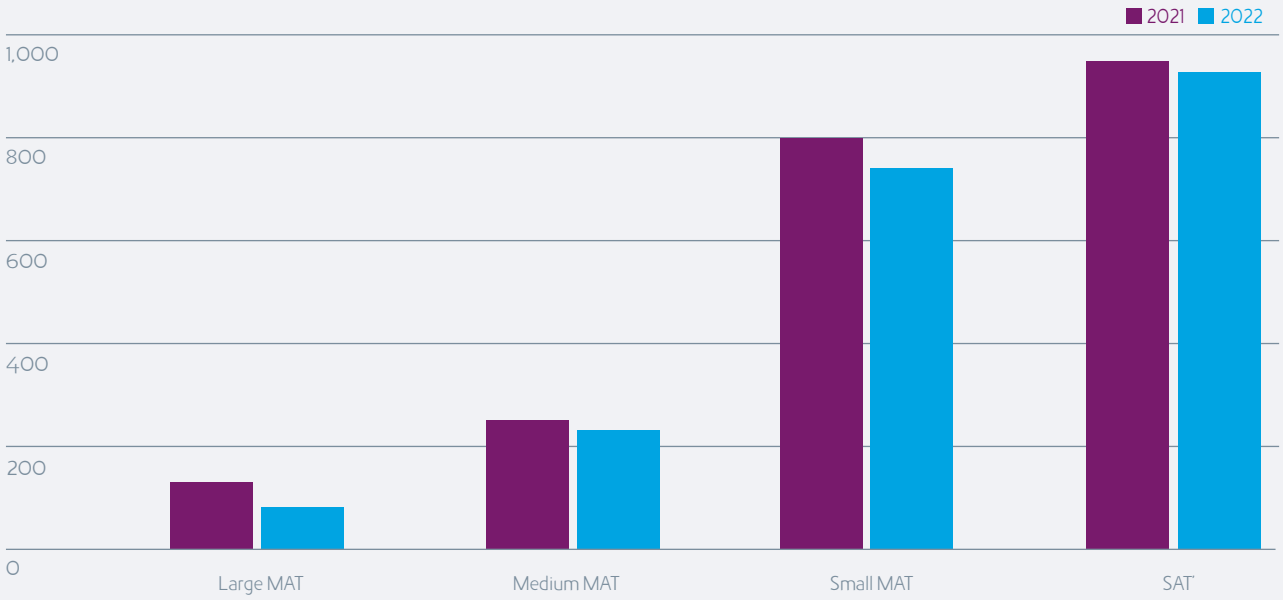
The above table also shows that on average, SATs tend to have a larger number of higher paid employees than other types of Trust. One contributing factor is that most SATs tend to be Secondary Schools, whereas MATs tend to be a combination of both Primary and Secondary Schools.

Payroll costs

Higher paid employees (HPEs) and key management personnel

Figure (10) below shows the average cost of key management personnel per pupil. It appears that MATs are achieving a lower cost of the central team per pupil, but it should be noted that MATs typically do not include headteachers of constituent schools as key management for the purposes of this disclosure. Who constitutes key management is not clearly defined and as a result there is some variation across the sector. Typically this will be the CEO/headteacher and other members of the senior leadership team. We can also see that the graph shows a slight decrease in the average cost of key management personnel per school, which is possibly attributable to Trust's decisions to not replace certain posts as well as responding to continued scrutiny of those relevant individuals' remuneration.

(10) Average cost of key management personnel per pupil (£)

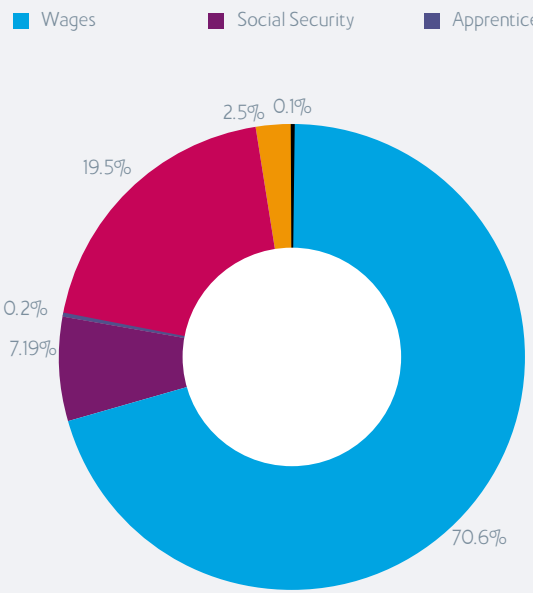


Payroll costs

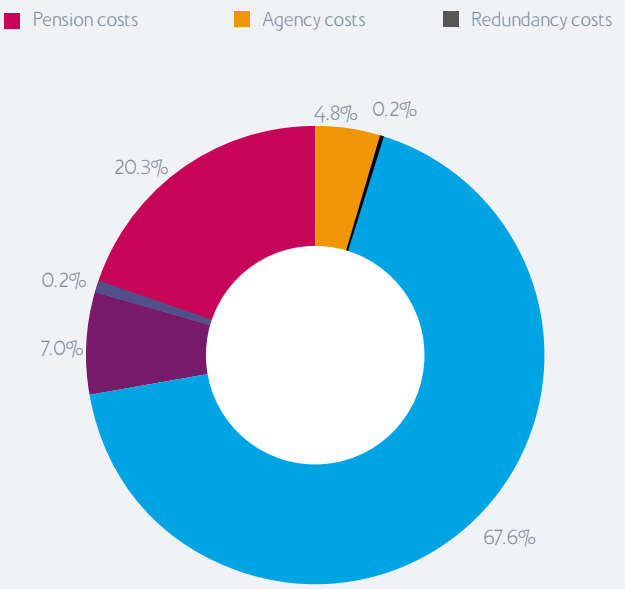
Make up of payroll costs

The mix of staff costs has stayed mostly consistent this year with the most notable shift arising from an increase in agency costs in comparison to 2021 as seen in figure (11) below, with many trusts experiencing recruitment and retention challenges as well as staff absences.

(11) Make up of payroll costs (2021)



Make up of payroll costs (2022)



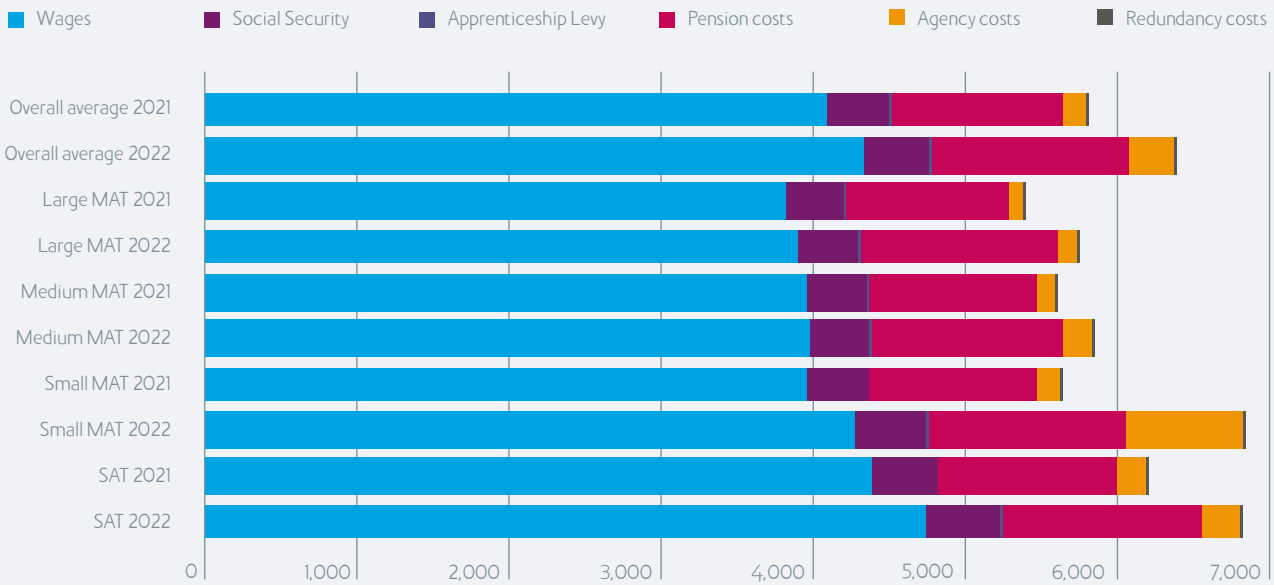
Payroll costs

Staff cost per pupil

As the main change in the makeup of payroll costs relates to the increase in the amount of agency costs we can also see this reflected below. As expected, wages and salaries have increased due to the increase in inflation and the scaling up of staff in the pay scales. The social security and apprenticeship costs mix has remained in line with 2021.

Although results are not yet available for 2022/23, an increase in the overall staff cost per pupil is expected given the anticipated pay awards that are expected to be agreed in response to the higher inflation levels seen over the past year.

(12) Overall staff cost per pupil (£)

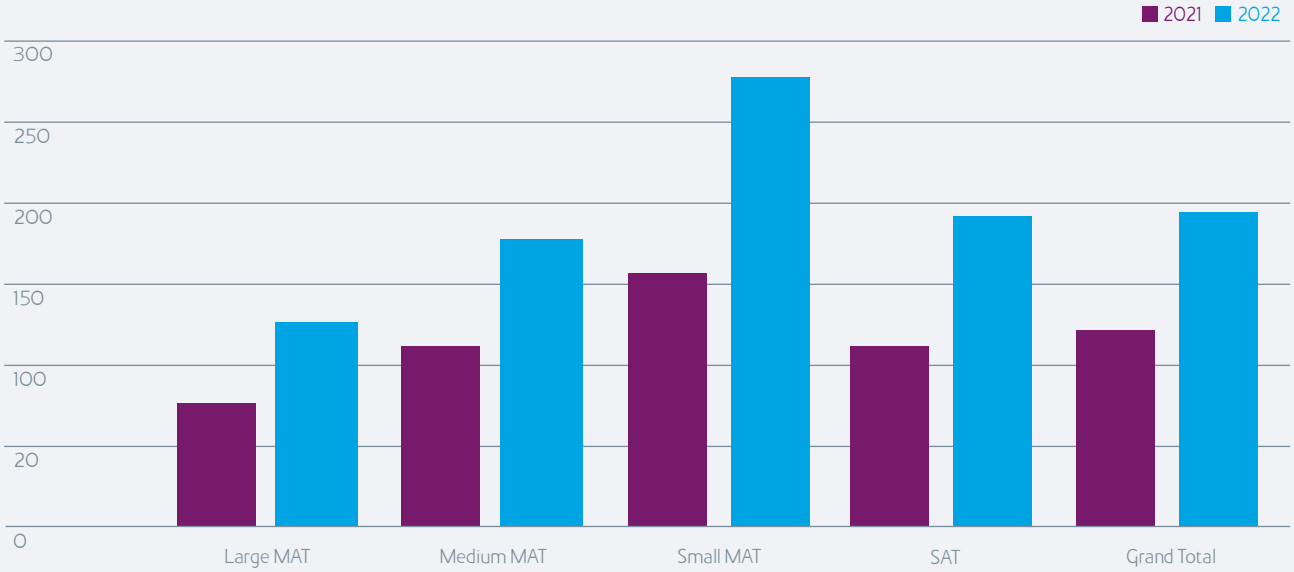


Payroll costs

Agency costs

Figure (13) below confirms what we have seen on the previous pages in respect of increased agency costs, both due to staff absences after the re-opening of trusts and continued recruitment challenges for some trusts.

(13) Average supply staff cost per pupil (£)



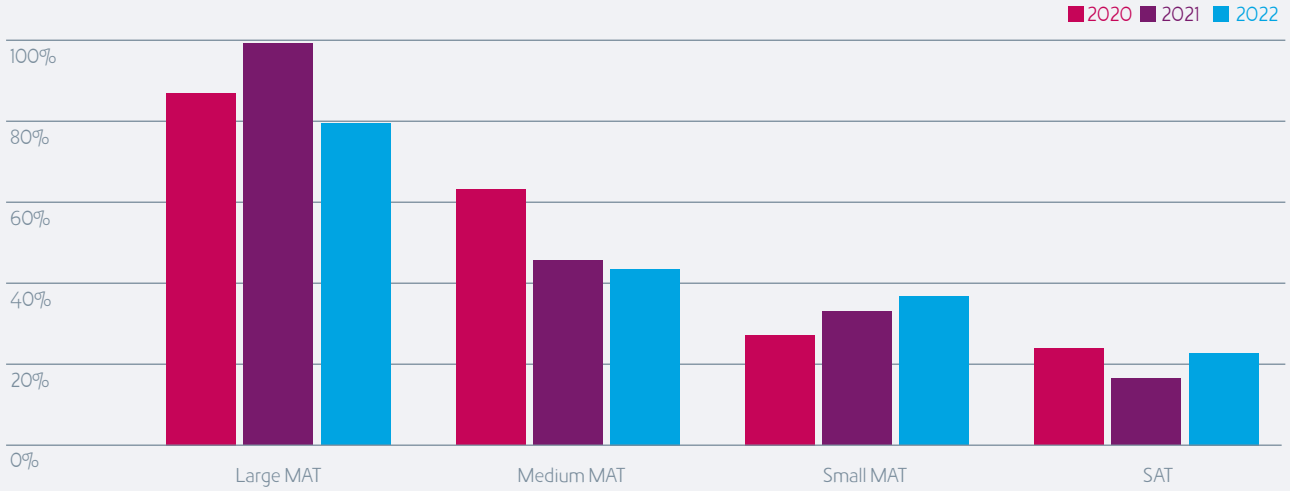
Payroll costs

Severance costs

The pandemic, combined with the cost of living crisis, has forced many trusts to unfortunately consider the need for restructuring, and this will be on the thoughts of Trustees going into the 2022/23 academic year.

Figure (14) below shows there has been a mix of increases and decreases across different types of trusts, with a general decrease across larger MAT's and a decrease across smaller trusts.

(14) Percentage of trusts making severance payments



Pensions

Our insight

There has been a significant decrease in the LGPS liability across trusts this year, largely as a result of increases in the discount rate used in the actuarial assumptions.

Pensions

The Local Government Pension Scheme (LGPS) and Teachers' Pensions Scheme (TPS) continue to be a significant area of expenditure for trusts.

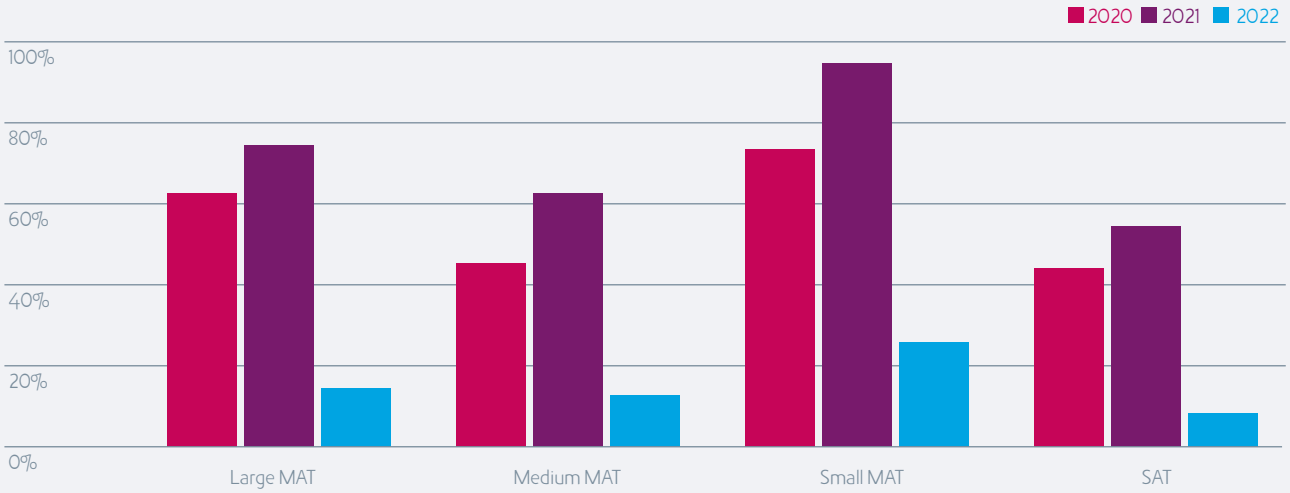
In the case of the former, each school's share of the overall deficit (or surplus) can be estimated by actuaries and a net liability is therefore included on the balance sheet. This year the message to those preparing and scrutinising budgets remains the same – the net liability is guaranteed by the government in the case of school closure and is typically intended to be recovered (by scheme administrators) over a period of around 20 years. The most important and immediate consideration is therefore forecasting the effect that potential changes to employer contribution rates would have on staff costs.

Pensions

Local Government Pension Schemes (LGPS)

Figure (15) shows that the LGPS net liability expressed as a proportion of annual GAG income has overwhelmingly decreased in the academic year. This is generally due to the significant increase in the discount rate used by Trust's actuaries in valuing their LGPS liability at year-end, resulting in a considerable decrease in the liability for the vast majority of trusts in 2022/23, with some even resulting in a surplus at year-end.

(15) LGPS liability as a % of GAG income



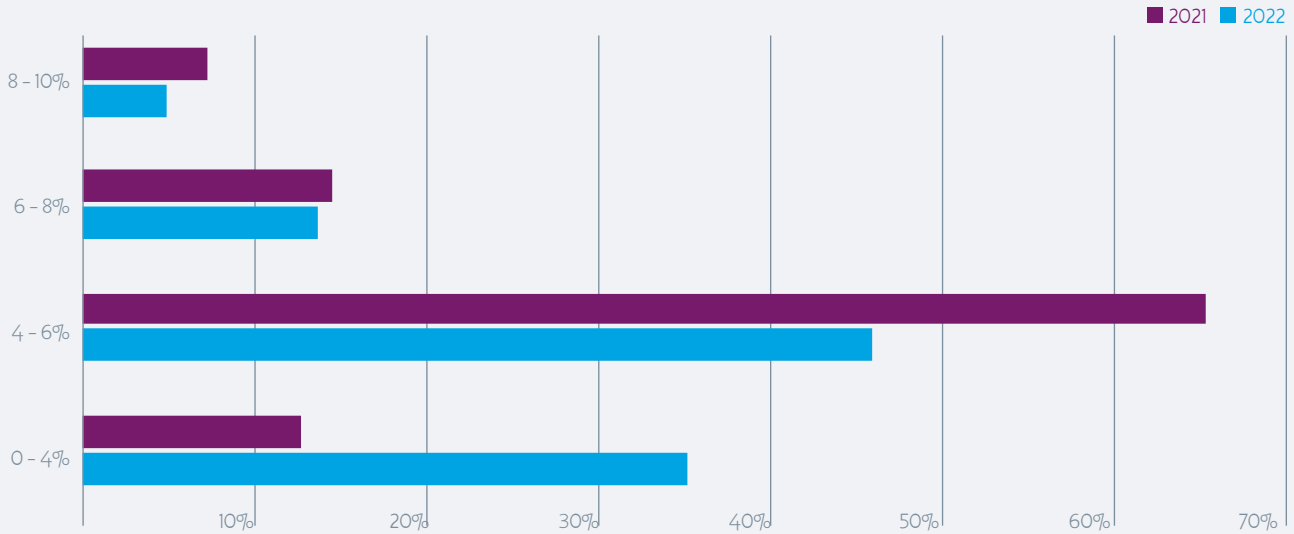
Pensions

Local Government Pension Schemes (LGPS)

Unlike the TPS (a nation-wide scheme), LGPS contribution rates vary between local authorities and are dependent on the overall net liability for all participants in the specific scheme. This means that there is a significant amount of variation in the rates of contribution being asked for. Figure (16) has plotted LGPS costs / Staff costs for each trust in our population and clearly shows the level of variation across the sector.

Figure (16) shows that, along with a general overall increase in LGPS costs / Staff costs, there has also been quite a significant increase in the number of trusts that have moved from the 4-6% banding to the 0-4% banding. Unfortunately, there is little control for trusts over this area and the variation in rates in different pension schemes is reflected by the spread in the proportion of the total pay bill which relates to LGPS costs.

(16) LGPS costs/staff costs



Pensions

LGPS – actuarial assumptions

In preparing their reports each year actuaries estimate the value of the future pension pay outs and the assets held to cover them. In doing so, actuaries use a number of assumptions and these can vary from school to school with some significant impact. The sensitivity analysis disclosure within the statutory accounts aims to show the effect on the net liability of small changes in these assumptions.

Average assumptions across our sample were:

Variable	Average (2022)	Average (2021)	Average (2020)
Consumer Price Index increases	2.9%	2.5%	2.2%
Salary increases	3.7%	3.6%	3.0%
Pension increases	3.0%	2.8%	2.2%
Discount rate	4.2%	1.7%	1.7%

The above reflects the explanation for the considerable decrease seen in LGPS liabilities as a percentage of GAG income on page 30, with most trusts experiencing a significant increase in the discount rates used by their actuaries at year-end in comparison to 2021.

The assumptions utilised by most trusts incorporate higher inflation rates, with different actuaries taking varying approaches in accounting for this. Some would have reflected the higher rates directly in the assumptions above whilst others would have shown this as an experience loss item instead.

While ultimately there may be little gain in doing so, it is worth remembering that if trusts feel assumptions being used are not appropriate, there can be scope to discuss changes with the scheme's actuaries.

Financial stability

Our insight

Current ratios have decreased this year despite overall positive operating margins, primarily due to covid funding that is expected to be paid back at year-end.

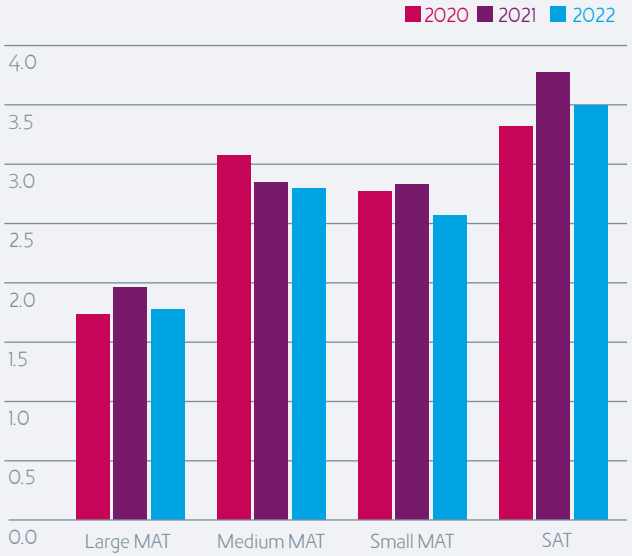
Financial stability

Current ratio

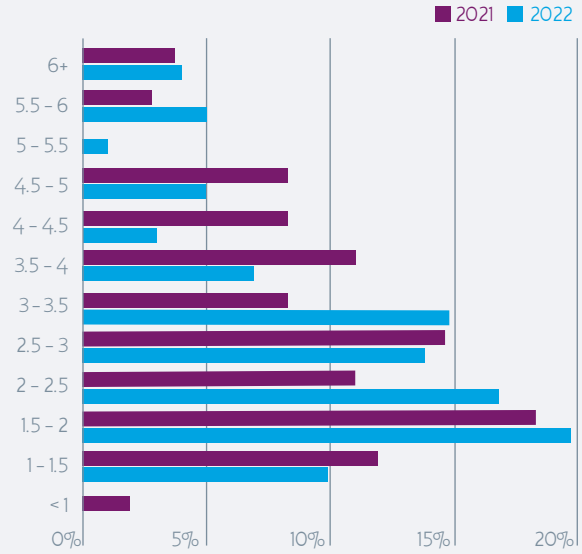
To further consider financial stability within the sector, this section reviews the strength of the balance sheet. The current ratio is a liquidity ratio that measures a trust's ability to pay short-term obligations, being the ratio of current assets to current liabilities. There has been a general decrease in the average current ratios of trusts in 2022, despite trusts reporting a positive operating margin on average. This can be attributable to an increase in amounts included in current liabilities at year-end, in particular the School-led tutoring grant that was expected to be paid back to the ESFA. There would have also been certain covid funding accrued for in the prior year that would have naturally increased current assets at 31 August 2021.

Despite the general decrease seen, the current ratios remain healthy, with no trusts in this year's sample having a current ratio less than 1 (generally seen as the minimum current ratio for a trust) and over 90% of trusts with a current ratio of above 1.5. Going forward, we would expect the current economic climate and high inflation rates to impact these current ratios going into 2022/23 and beyond, and being able to accurately budget for this will be high on the agendas for boards of Trustees.

(18) Average current ratio



(19) Proportion of trusts with current ratios in each band



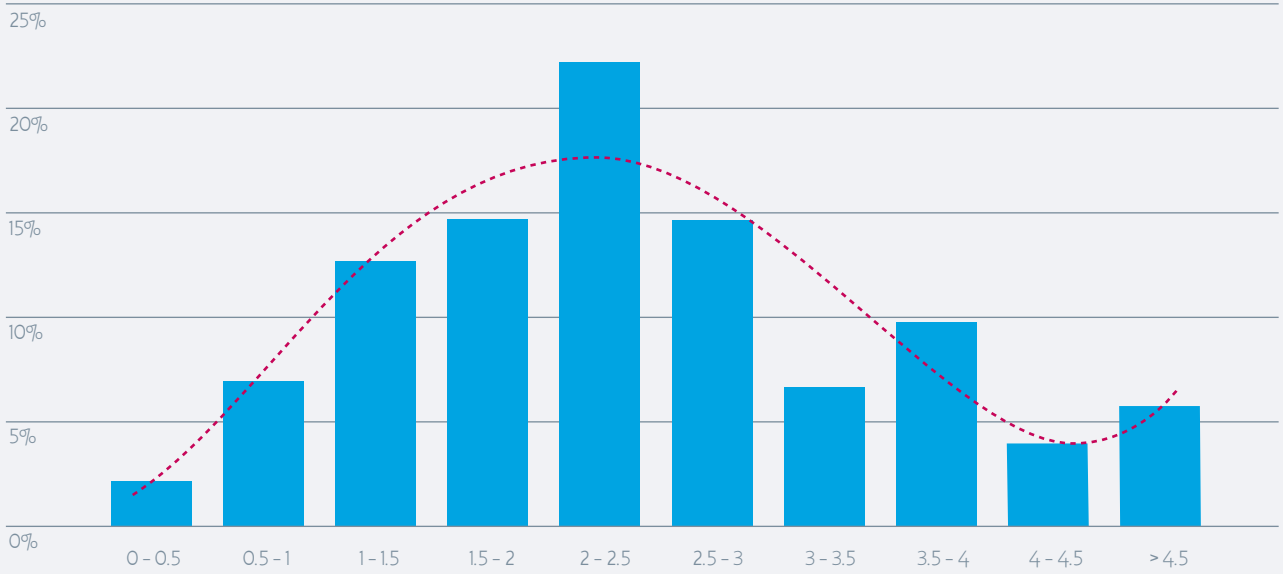
Financial stability

Cash levels

When considering future financial viability, a common starting point for trusts is how much cash they should be holding at any point in time. This could be expressed with reference to monthly payroll or total expenditure requirements and it is often seen as more pragmatic to state an ideal range, as opposed to one target figure. Moving on from this starting point, trusts will then want to consider capital work (be that new projects or contingencies for existing buildings) and other future exceptional costs, such as restructuring.

Figure (20) shows the level of cash held by trusts in our sample at 31 August 2022 expressed in months of total expenditure. As was also the case in the prior year, the average months of expenditure held as cash tends to be between 2–2.5 months.

(20) Months of expenditure held as cash

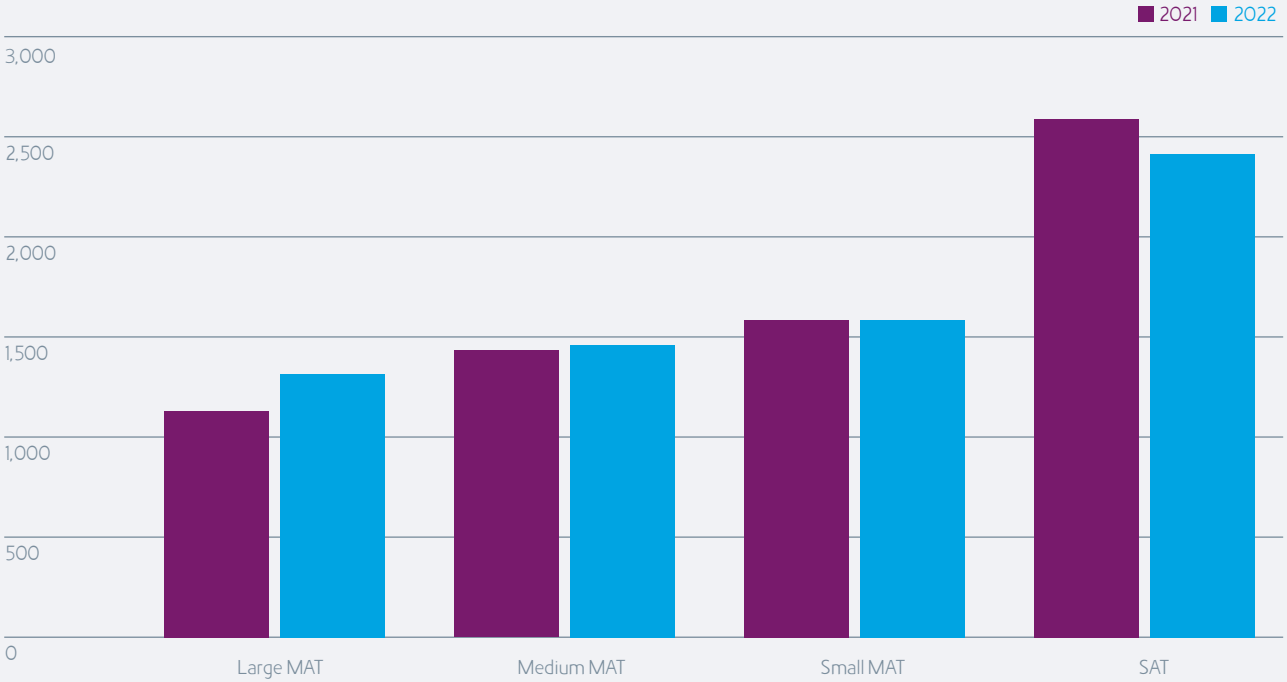


Financial stability

Cash levels

Despite this, we have seen Figure (21) shows the average cash balance per school in a trust, in which there has been slight increases across all types of trust, which supports the explanation that higher increases in current liabilities is the key driver for current ratios falling, as opposed to a fall in current assets at year-end.

(21) Average cash balance per pupil (£)



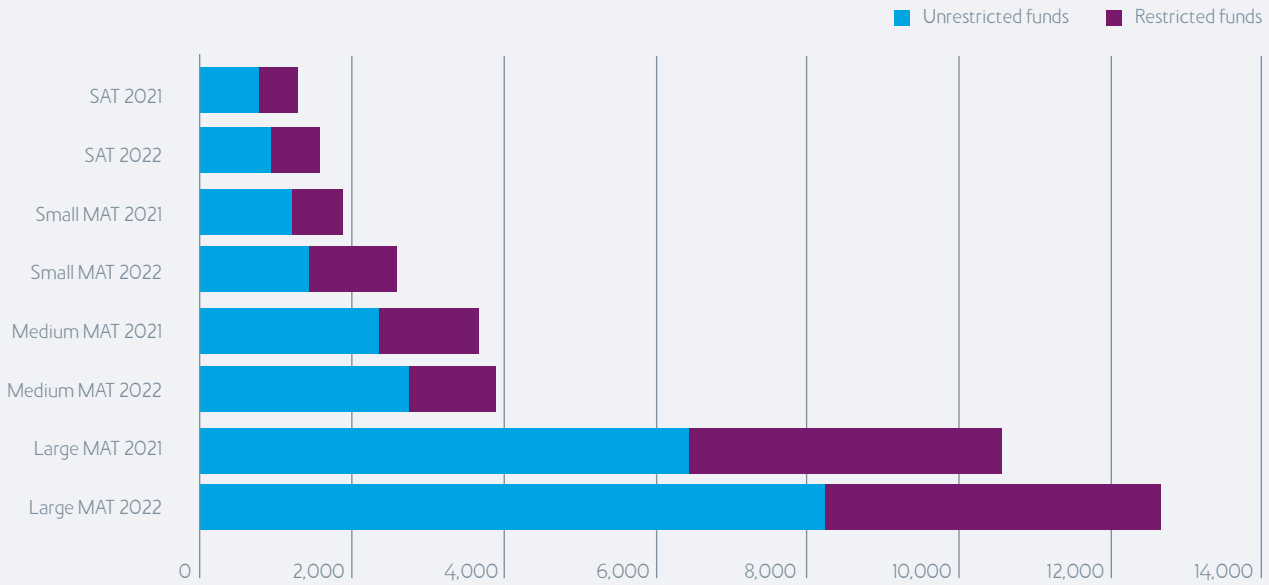
Financial stability

Reserves overview

Figure (22) shows how trust reserves are split between unrestricted funds (including designated funds) and restricted funds (excluding fixed asset funds and pension reserve), for 2021 and 2022. We can see from the graph that unrestricted funds make up a bigger proportion of trusts' overall reserves in comparison to the prior year. This can be attributable to an increase in trusts' trading operations in the current year, which is generally considered to be unrestricted, in response to the easing of covid restrictions that were in place for large parts of 2020/21.

The ESFA recommends that the amount an academy trust sets aside is based on the type and size of the academy trust as well as the particular risks that it faces (for instance, if they are locked into a PFI contract). Our academies reserves insight article provides further guidance around some of the key areas a trust should consider when planning reserves.

(22) Revenue reserves split (£'000) excluding pension reserves



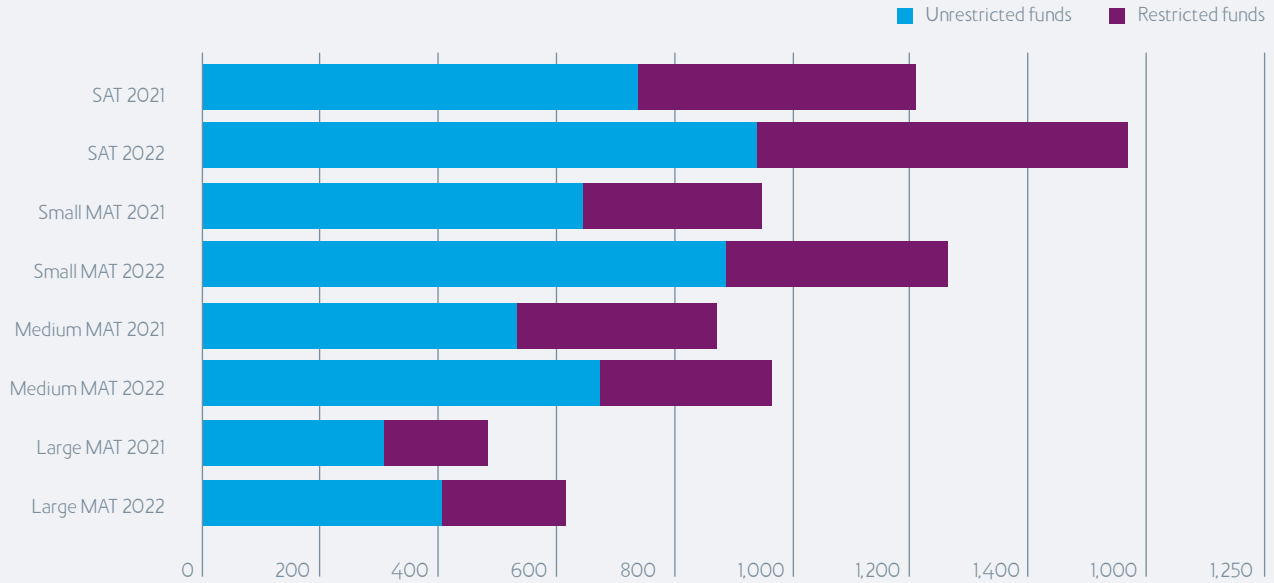
Financial stability

Reserves per pupil

Figure (23) normalises the reserves of each MAT by the number of pupils at each trust. As per prior years, this illustrates how, as a trust grows, appraisal of risk can, in some areas be assessed at trust rather than school level when considering the overall reserves policy. This often results in the reserves policy of a larger MAT being set to a lower relative level in proportion to operating income or expenditure than in a smaller MAT or SAT.

The graph also again shows the trend of unrestricted funds making a larger proportion of Trust's reserves in the 2021/22 academic year.

(23) Reserves split (£) excluding expended fixed asset and pension reserves per pupil per school (£'000s)



Financial stability

Reserves per pupil

Also of interest is how the proportion of funds represented by wholly unrestricted funds has been impacted by the activities of the year.

As explained above, most types of trust have seen an increase in the proportion of their funds that are unrestricted due to the increased ability to generate unrestricted income through trading activities now that covid restrictions have eased. This is also supported from the table below.

	Large MAT		Medium MAT		Small MAT		SAT	
	2022	2021	2022	2021	2022	2021	2022	2021
Unrestricted	65%	61%	71%	64%	65%	64%	66%	61%
Restricted	35%	39%	29%	36%	35%	36%	34%	39%

Trusts need to continue to monitor their use of funds, ensuring that where possible, restricted funds with narrow restrictions are drawn down first, followed by restricted general income funds (e.g. GAG) and then finally unrestricted funds. This has become considerably more important as trusts look to budget for future years in response to the current economic climate.

Financial stability

Reserves per pupil

The ESFA requests additional information for any academy trust with reserves equivalent to more than 20% of their operational income.

The below table shows the amount of trusts within each size that this applies to. We can see that as the size of trust decreases, the amount of trusts reporting reserves of at least 20% of their operational income increases. This is also reflected in graph 23 earlier in this report, where the total amount of operational funds appears to be greater as the size of trust decreases.

Type of trust	Number of Schools with at least 20% operational funds as a proportion of operational income
Large MAT (>9,000 pupils)	2
Medium MAT (2,500-9,000 pupils)	4
Small MAT (<2,500 pupils)	5
SAT	20

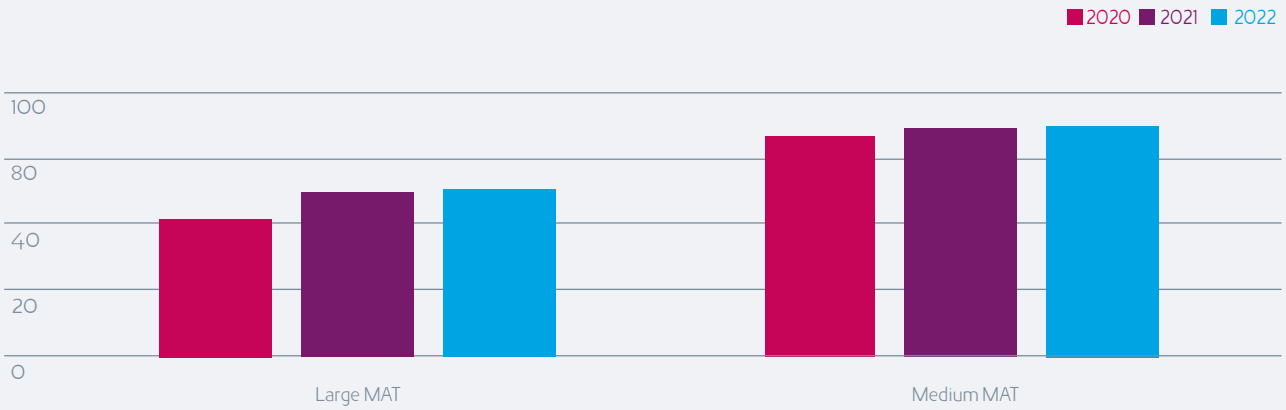
This may also be a result of Multi-Academy Trusts pooling their risk across the relevant schools within the Trust as a whole.

Financial stability

Unspent capital funds per pupil

Unspent capital funds held in fixed asset reserves should also be considered as part of the broader reserves strategy and planning. The graph below compares the level of unspent capital funding within Medium and Large MATs between 2021 and 2022. We have included these sizes of trust here due to them typically meeting the requirements for SCA funding. As with revenue funds, the level of capital funding held per pupil will depend on the risk profile of the trust, and while large MATs will have greater capital demands each year across the trust, the amount of annual funding they receive is also greater which means requirements to set aside funding for future capital requirements can be reduced.

(24) Average unspent capital funding per pupil (£)



There may also be some variation in the accounting treatment applied to capital income across trusts. Depending on the income recognition policy of a trust, capital income may not always be recognised at the point of the receipt. If any income is deferred, the unspent reserve balances will appear lower than for other trusts.

It is also worth noting that given the average unspent capital funding per pupil has remained largely unchanged from the prior year, higher inflation will result in a decrease in the real terms value of such funding. Trusts will want to consider this as part of their capital project planning for the 2022/23 academic year and beyond.

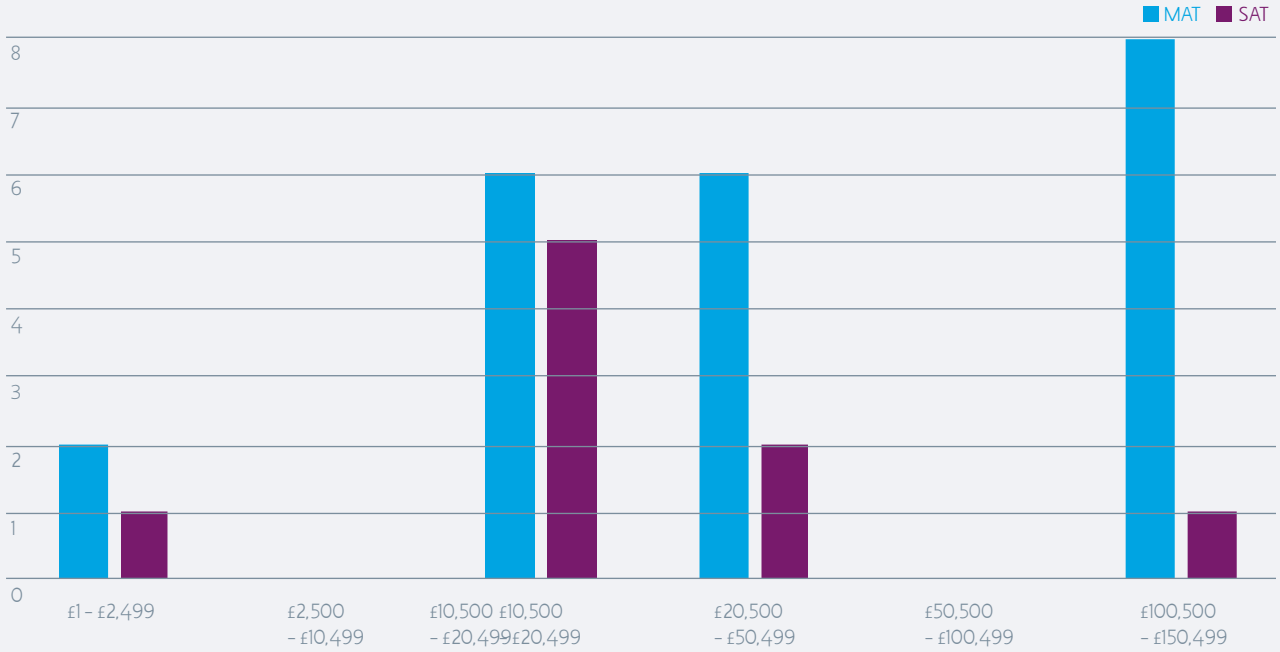
Related party transactions

Related party transactions

Related party transactions (RPTs) continue to fall under the intense scrutiny of the ESFA. We can see the effect of this given that the number of trusts included in our sample that have incurred related party transactions has fallen from 42 in 2021 to 31 in 2022.

Of the 31 trusts with RPTs, 17 trusts incurred aggregate transactions above the £20,000 threshold. This is a decrease from the 22 Trusts in the prior year. As is always the case, trusts should be prepared to demonstrate to the ESFA that their usual procurement processes have been followed, conflicts of interest managed, and the best value for money achieved.

(25) Amounts paid to related parties



Multi Academy Trusts
– central services

Multi Academy Trusts – central services

The number of academies forming or joining MATs is an increasing trend due to the benefits that the MAT structure offers. As part of a MAT, individual academies can receive extra support (on educational and non-educational matters) and achieve economies of scale.

The sharing of services (such as human resources, financial services, IT, premises, PR and marketing, to name a few) means that smaller academies can benefit from the expertise and skills of a larger organisation. The combined purchasing power of a MAT can also lead to more favourable rates for contracts and services, increasing value for money.

There are two methods of financing a MAT, the most common being "top-slicing". Each academy within the MAT will contribute a portion of its income to cover the costs of the shared central services.

There are various ways to determine each academy's central services charge, such as:

- **A flat rate across all academies;**
- **A percentage of income (or specific income streams such as General Annual Grant);**
- **A combination of the two; or**
- **A rate that takes into account other factors such as pupil numbers, staff head count, Ofsted ratings or needs assessments.**

There is a great deal of variety in the sector. Overall, we can see that the majority of trusts applied the charge as a percentage of GAG income, typically around 3 – 5% (figure (26) on the next page).

The second method of financing a MAT is GAG pooling and is seen much less frequently. Here, GAG income is received for the trust as a whole and is then distributed by the central office across the individual academies. This can be used within a trust alongside mechanisms such as integrated curriculum and financial planning to ensure that funds are being utilised within the trust as a whole in the most effective way, and also to help to mitigate the impact of challenges such as lagged pupil numbers at specific schools which may be causing budgetary disparity. The number of MATs operating a GAG pooling model is increasing, with more MATs now having the processes in place to deliver a pooled funding mechanism.

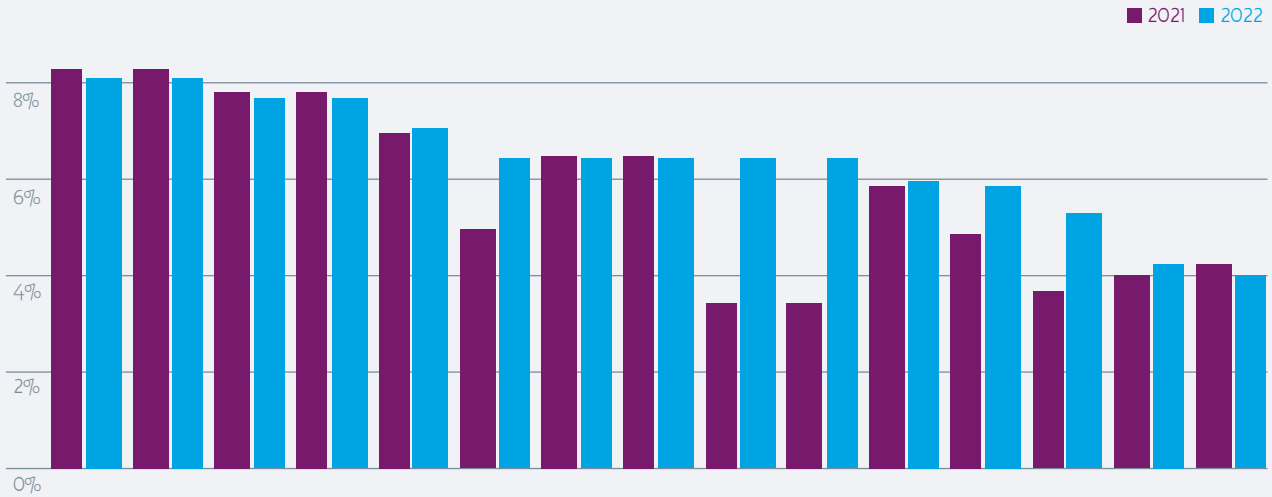
Multi Academy Trusts – central services

Central services charge as a proportion of GAG:

Larger Multi Academy Trusts (more than 20 schools)

Figure (26) provides details of central services as a percentage of GAG for a number of larger MATs with more than 25 schools. Each bar represents an individual MAT, the names of which are anonymised. Whilst most larger MATs included in the sample below have seen their central service charge as a percentage GAG remain broadly in line with the prior year, we can see that there are some trusts which have seen their percentages vary quite significantly. This can be attributable to an increase in the amount of activity that head offices have undertaken in certain trusts that was not the case during the prior academic year where there were large periods of closure.

(26) Holdback for central services as a percentage of GAG

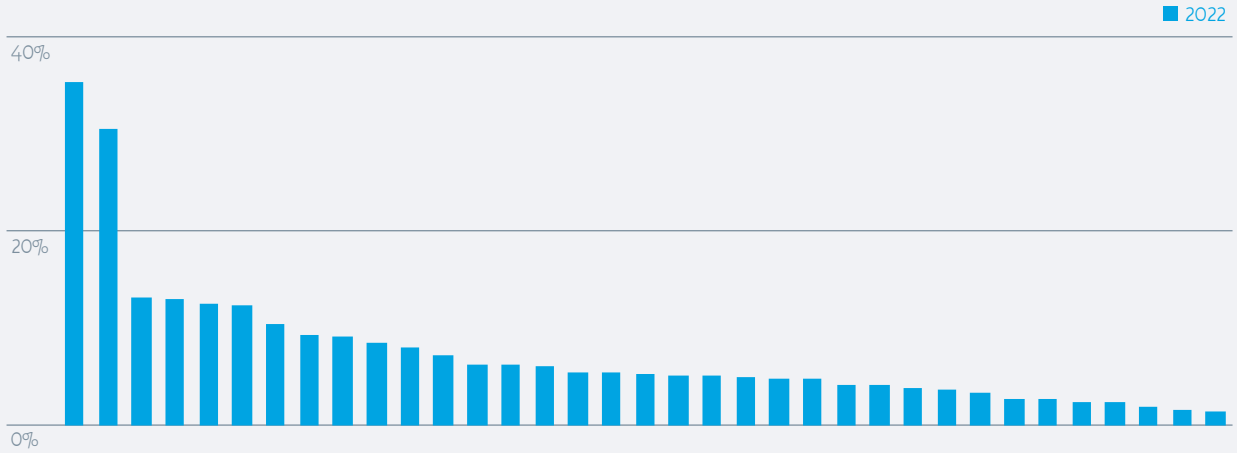


Multi Academy Trusts – central services

Other Multi Academy Trusts

As has been the case in prior years, there is much more variation for smaller MATs than the large MATs shown above. As explained on the previous page, the more central functions undertaken by head office, the greater the percentage is likely to be. Figure (27) plots the central charge for each non-larger MAT. As can be seen clearly, there is a large amount of variation, dependent on the extent to which services are centralised at each trust. These graphs are an indicator of the level of centralisation rather than financial effectiveness.

(27) Holdback for central services 2022: other MATs



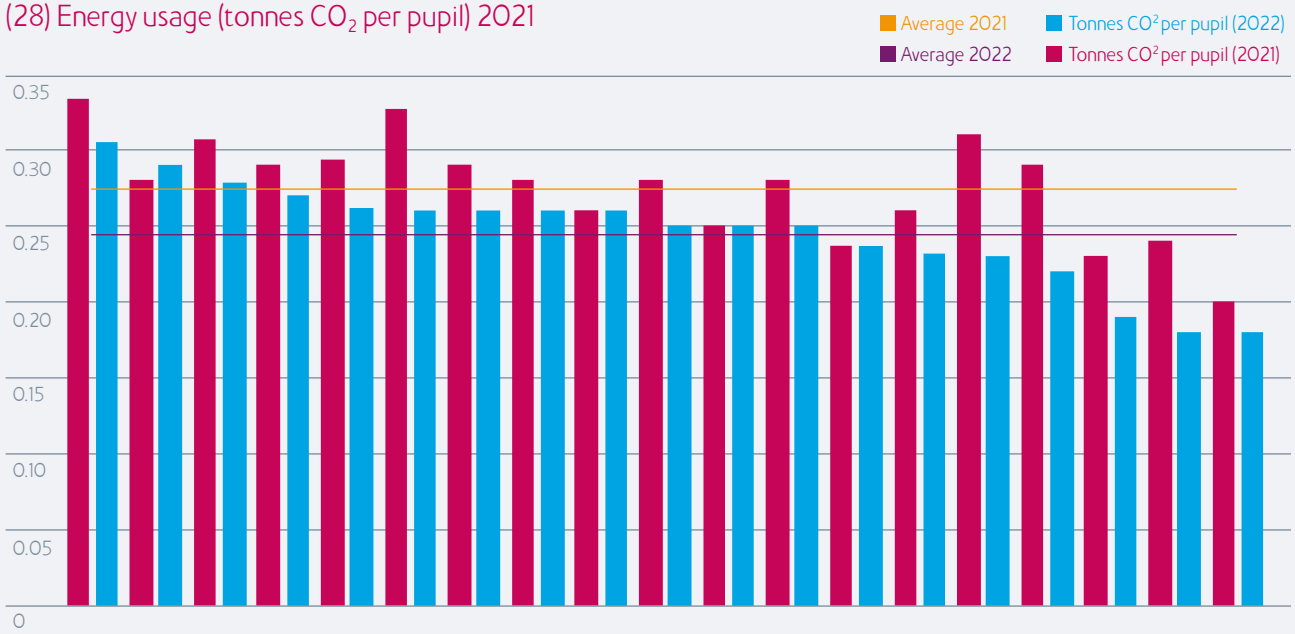
Multi Academy Trusts – energy efficiency

Multi Academy Trusts – energy efficiency

All academy trusts classified as a large company were required to calculate and disclose their total energy use for the year to 31 August 2022. Although information was available to assist MATs in identifying their energy usage, the approach at year end differed between MATs. The energy usage identified by 19 different MATs for 2022 and 2021 has been summarised in the graph below. The general decrease seen can be attributed to trusts taking conscious efforts to lower their energy usage in response to higher energy costs experienced, with some trusts also taking the decision to enter into energy efficient schemes.

This figure represents the "intensity ratio" reported in the statutory accounts.

(28) Energy usage (tonnes CO_2 per pupil) 2021



Review of Ofsted assessments

Review of Ofsted assessments

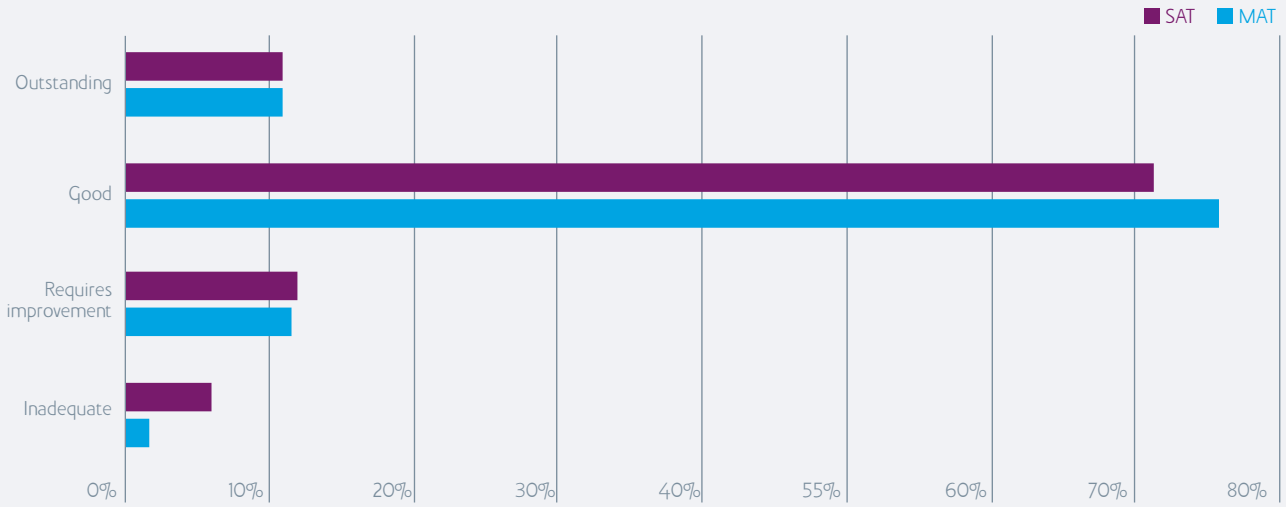
Within this section, publicly available data from the Department for Education has been assessed. The sample sizes used are higher than earlier sections of the report and represents nationwide data for more than 9,000 schools.

School demographics

School improvement

We have seen a greater proportion of Multi-Academy Trusts moving into the "Good" grading by Ofsted in comparison to the prior year. Whilst this can be attributable to the recent success of Multi Academy Trusts when it comes to improving their Ofsted grading, the increase can also be partly caused by the continued decisions of trusts that were previously a Single Academy to form part of a Multi-Academy Trust due to the benefits outlined on page 46 of this report.

(29) Ofsted result by grading MAT vs SAT

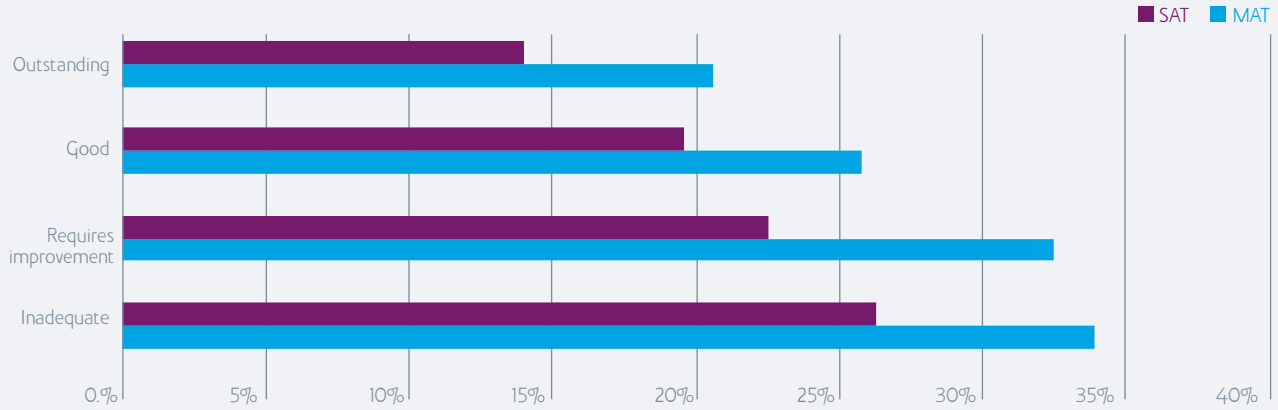


School demographics

Disadvantaged pupils

The largest correlating factor regarding receiving an "Outstanding" Ofsted rating remains the relative income of the families of pupils attending schools. This graph below shows the continued trend seen in former years which demonstrates that the average percentage of pupils eligible for Free School Meals is typically much greater in schools rated "Requires Improvement" or "Inadequate".

(30) Average % of pupils eligible for free school meals by Ofsted grading of school



School demographics

Disadvantaged pupils

It is further supported within the tables below which split schools by the proportion of pupils eligible for Free School Meals (the bandings used here are the same as the online ESFA benchmarking tool – less than 6% of pupils eligible, 6% to 16.5% eligible and more than 16.5% eligible).

Bridging this gap continues to be challenging for schools, and has been made more difficult from the current economic climate and cost of living crisis. For trusts this means ensuring effective monitoring of the needs of disadvantaged pupils alongside the effectiveness and impact of past expenditure, to help ensure that future funding can be spent in a way which benefits these pupils to the greatest extent possible.

Single Academy Trust	% of students eligible for FSM					
	Low (<6%)		Medium (6 – 16.5%)		High (>16.5%)	
	Schools	%	Schools	%	Schools	%
Outstanding	84	54	107	24	67	12
Good	61	39	291	65	356	66
Requires improvement	6	4	30	7	62	11
Inadequate	5	3	20	4	58	11
Total	156	100.0	448	100.0	543	100.0

Multi Academy Trust	% of students eligible for FSM					
	Low (<6%)		Medium (6 – 16.5%)		High (>16.5%)	
	Schools	%	Schools	%	Schools	%
Outstanding	171	38	532	23	598	11
Good	254	57	1,564	68	3,498	67
Requires improvement	13	3	136	6	742	14
Inadequate	10	2	67	3	404	8
Total	448	100.0	2,299	100.0	5,242	100.0

School demographics

Staffing ratios

The impact of smaller class sizes on learning outcomes is typically considered to be positive. However, analysis of staff to pupil ratios across the sector suggests that staffing contact ratios are relatively consistent regardless of the Ofsted grading of a school, with just a slight negative correlation with fewer support staff per pupil as school Ofsted rating increases. The relatively little variance highlights that, regardless of Ofsted assessment grading, core funding is received on the same basis. The slight negative correlation observed likely this relates to the additional need for support staff when there are disadvantaged pupils, noted above as being typical of the pupil populations within schools with a lower Ofsted grading, and does not necessarily indicate inefficiency.

Secondary Phase

Single Academy Trust	Number of schools	Teacher to pupil ratio	Support to pupil ratio
Outstanding	96	17.11	38.02
Good	478	17.16	31.61
Requires improvement	99	16.7	29.63
Inadequate	67	16.32	31.15

Multi Academy Trust	Number of schools	Teacher to pupil ratio	Support to pupil ratio
Outstanding	155	17.75	34.10
Good	645	17.83	31.85
Requires improvement	156	16.67	27.58
Inadequate	27	16.58	29.39

School demographics

Staffing ratios (continued)

To eliminate the impact of SEN requirements, the table below represents the lower three quartiles of schools, based on the % of pupils with a SEN statement (equivalent to all schools with fewer than 2.4% of pupils with a SEN statement).

Primary Phase

Single Academy Trust	Number of schools	Teacher to pupil ratio	Support to pupil ratio
Outstanding	93	21.72	21.45
Good	839	21.79	21.79
Requires improvement	122	20.81	20.56
Inadequate	45	24.43	20.73

Multi Academy Trust	Number of schools	Teacher to pupil ratio	Support to pupil ratio
Outstanding	211	22.2	22.45
Good	2,065	21.32	21.32
Requires improvement	251	21.08	20.63
Inadequate	27	19.36	18.03

School demographics

Pupil numbers

The number of pupils enrolled at a trust is the primary driver of revenue. Reductions in pupil numbers can lead to significant financial challenges to schools, in particular when a change in pupil numbers means that an efficient staff to pupil ratio cannot be maintained.

While the number of pupils within the sector has continued to grow at both primary and secondary level, this academic year it appears to have been driven by growth at existing schools.

Primary	2022	2021	2020
Pupil numbers (all academy schools)	1,865,315	1,800,031	1,730,808
Growth in year	65,284	69,223	86,993
Attributable to			
Growth at existing schools	53,120	28,566	1,917
Conversions and new schools	12,164	40,657	85,077
Growth in year (%)	3.6	4.0	5.3
Attributable to			
Growth at existing schools	2.8	1.7	0.1
Conversions and new schools	0.8	2.3	5.2

School demographics

Pupil numbers

While longer term population forecasts are subject to more volatility, ensuring that secondary schools are monitoring enrolment at primary level feeder schools (and within the broader catchment area) helps to forecast future pupil numbers with a higher level of certainty and allows more time for mitigating actions to be planned for scenarios where these numbers change significantly.

Due to the nature of lagged funding, during periods of decreases in pupil numbers a school will be funded for more pupils than are being taught while conversely growing schools are likely to find in-year budget strain during periods of growth. Use of Integrated Curriculum Financial Planning helps trusts to consider the resources required to deliver the preferred curriculum against the impact of changes to pupil numbers on funding.

Secondary	2022	2021	2020
Pupil numbers (all academy schools)	2,608,302	2,509,078	2,401,985
Growth in year	99,224	107,093	102,828
Attributable to			
Growth at existing schools	70,043	75,740	58,126
Conversions and new schools	29,181	31,353	44,702
Growth in year (%)	4.0	4.5	4.5
Attributable to			
Growth at existing schools	2.7	3.2	2.5
Conversions and new schools	1.3	1.3	2.0

Appendix one:
Glossary

Appendix one

Glossary

Academic year The data used in the report is based on the 2021/22 academic year, being the year from 1 September 2021 to 31 August 2022.

Current ratio Total current assets divided by the current liabilities (creditors due within one year).

GAG The General Annual Grant for the Trust, which includes the School Budget Share (SBS), Minimum Funding Guarantee (MFG), the Education Services Grant (ESG).

Higher paid employees (HPE) Employees receiving remuneration of over £60,000 in the academic year (not including employer national insurance or employer pension contributions).

Key management personnel Persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity.

MAT Multi Academy Trust. One company running two or more academies.

Operational income Total income excluding fixed asset fund income (such as capital grants and donated fixed assets) and amounts donated on conversion.

Operational margin The surplus/(deficit) for the year (after transfers and excluding movements on the fixed asset fund, LGPS adjustments and amounts donated on conversion), as a percentage of the operational income.

Other restricted funds Restricted funds that are not restricted ESFA funds, such as grants from local authorities.

Payroll costs The total cost of employees, including gross salary, national insurance, agency costs and pension contributions.

Pension liability (or LGPS net liability) The LGPS defined benefit pension obligation shown on the balance sheet at the year end.

Restricted income funds Restricted funds from the ESFA towards the Trust's educational activities.

SAT Single Academy Trust. One company running one school.

SCA School Condition Allocation capital funding.

Staff costs Payroll costs plus expenditure on agency staff and severance payments.

Staff costs ratio Staff costs as a percentage of operating income.

Unrestricted funds Those funds which can be utilised for any purpose consistent with the charitable company's objects.

Appendix two:
Statistical notes

Appendix two

Statistical notes

Sources

All the information used to compile this report can be found in the statutory accounts of each trust and data collections published online is therefore publicly available on government websites, the trusts' websites, Companies House and schools financial benchmarking websites. The majority of trusts in the sample are audited by Buzzacott, supplemented by information from the statutory accounts of other trusts, particularly in the case of MATs. The 'large MAT' category includes an additional 12 of the largest MATs in the country.

Outliers

Whilst the activities of academies are largely the same, there is a large amount of variation throughout the sector and as with any dataset, outliers will exist. The vast majority of graphs and statistics in this report have been generated by datasets where outliers have been excluded. This is necessary to avoid distortion of figures as the population is not large enough to absorb the effect of outliers. For the purposes of this report, outliers have been defined as any data point in the upper or lower five-percentile. This has typically meant 3-4 data points at each end of the range.

Sample sizes

Type of trust	Description	Sample size for 2022 data	Sample size for 2021 data	Sample size for 2020 data
Large MAT	MAT with more than 9,000 pupils	20	19	18
Medium MAT	MAT with between 2,500 and 9,000 pupils	32	24	16
Small MAT	MAT with less than 2,500 pupils	19	38	31
SAT	Single Academy Trust (includes Primary, Secondary and Special)	41	38	48
Total		**112**	**119**	**113**

Appendix three:
Our team

Buzzacott

Appendix three

Our team

As well as providing audit and accounts services, we also provide a range of additional services to academies and schools:

Auditors
An extensive team of auditors that have worked with academy trusts for the past 15 years

VAT
Our VAT consultancy team includes academy VAT experts

Accounts consultants
A team of dedicated accountants that can provide detailed support to those in the finance function

Human resources
Obtain compliance advice or develop people, teams and culture with our HR consultancy team.

Tax specialists
A charity tax team led by a dedicated charity tax partner

Other specialists
IT specialists, data analysts, specialist internal assurance staff and many more.

View our latest events and register your place today.

Buzzacott

Appendix three

Our team

Buzzacott has a team of over 120 specialist academy auditors supported by a range of other experts. We have been involved in the academy sector from the days of the first academies and are the market leader for academy trust audits in London and Greater London. We support long-standing single academies, brand-new convertors, and both growing and large multi academy trusts.

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Academy trust benchmarking report

April 2023

Trusted for the experience we have, the specialisms we understand,the relationships we build and the values we live by.

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