



UHY Ross Brooke
Chartered Accountants

Academies Benchmark Report

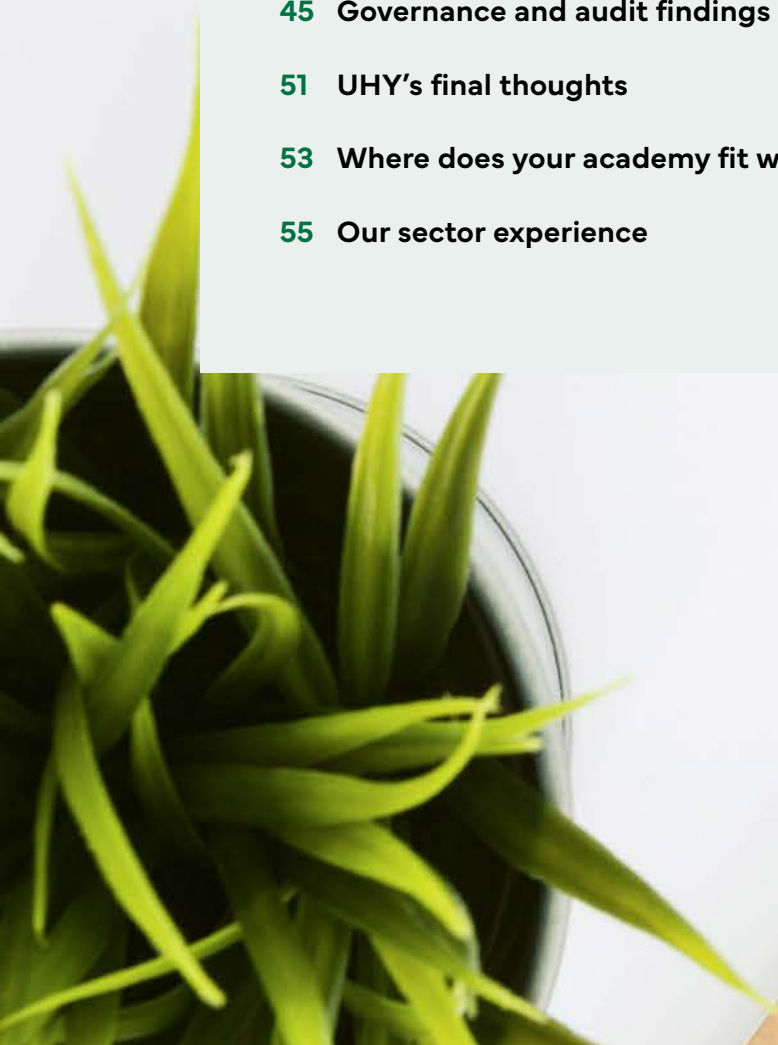
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Helping you prosper

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Our 13th annual benchmarking report, developed to summarise the current academy sector trends and to allow you to benchmark your school against others.



A summary of our report

This year our benchmarking report covers over 1,500 academies, with the sample including a mix of our own clients plus some of the largest MATs that are non-UHY clients, as in previous years, to ensure we cover all areas of the country and improve the data set. MATs, secondary academies and primary academies are reviewed and, in some areas, we have drilled down further into the MAT data to analyse different sizes of MAT.

Headline stats:

Overall:	Primary academies
<ul style="list-style-type: none">As of February 2025, over half of all academies are now in a MAT of 11+ schools77% of academies are now in a MAT with 6 or more schools87% of trusts reported entering into a related party transaction during 2023/24 (2023: 71%)47% (2023: 41%) of trusts did not enter into a related party transaction above £10,0008% of trusts (2023: 10%) had no flagged observations in their audit findings report1 in 5 trusts experienced a change in Chief Financial Officer during 2023/24A small rise in average Accounting Officer remuneration per pupilA slight rise in supply teacher costs to average £122 per pupil (2023: £117)48% of trusts (2023: 51%) made some form of restructuring payment18% of trusts (2023: 24%) made a severance payment in excess of £30,000A further massive drop in LGPS liabilities with many trusts showing a breakeven position and a minority disclosing a small pension surplus position.	<ul style="list-style-type: none">42% of primaries reported a GAG surplus (2023: 46%)38% suffered a deficit of more than £250kAverage primary reserves fell to £207k (2023: £269k)Cash at bank fell 26% to an average of £362kThe average primary paid key management remuneration of £910 per pupil (2023: £840)The average AO salary of a primary remains steady at £91kThe average primary's energy costs for 2023/24 were down to £34k from £42k last year.
MATs	Secondary academies
<ul style="list-style-type: none">54% of MATs reported a GAG surplus in 2023/2429% (2023: 33%) enjoyed a surplus of more than £250k10% of MATs suffered a drop in revenue reserves of more than £500 per pupilUnrestricted funds held grew to £401 per pupil (2023: £357)Average MAT cash at bank down at £1,012 per pupil (2023: £1,270)Average AO salary in an 11–20 school MAT was £193kAverage AO salary in a 6–10 school MAT was up to £150k.	<ul style="list-style-type: none">46% of secondary academies reported a GAG surplus in 2023/24 (2023: 67%)44% suffered a GAG deficit of more than £250kAverage secondary reserves fell slightly to £1.11m (2023: £1.18m)Cash at bank fell sharply to £1.1m from £1.55m on average last yearThe average secondary had staff costs at 73% of total costs (2023: 72%)Average AO salary was £150kThe average secondary's energy costs for 2023/24 were £153k, down from £173k last year.

Foreword from UHY’s academies chair

Welcome to our 2025 Academies Benchmarking Report. This is our thirteenth such report (hopefully not unlucky for some!), analysing the 2023/24 financial year data for more than 1,500 academies across the country.

Our report explores the current state of the academy sector, highlighting the key trends, challenges and opportunities facing schools.

It is published at a difficult time for the education sector, as it faces a period of significant challenge and transformation. Academy trusts are operating in an increasingly complex environment, marked by financial pressures, staffing shortages and rising operational costs. Funding constraints continue to place strain on school budgets, requiring leaders to make difficult decisions to balance resources while maintaining the quality of education. In parallel, recruitment and retention of teaching staff remain critical concerns, with increasing workloads and competition for talent adding to the pressure.

At the same time, schools are expected to navigate evolving government policies, curriculum changes and enhanced accountability measures. The growing focus on improving pupil outcomes and reducing attainment gaps, plus getting to grips with the new Ofsted regime, further intensifies the demands on leadership teams.

Talking of government, Labour’s win in the 2024 general election has had a limited impact on the academy sector to date. There have been some policy shifts, with a commitment to bolster the teaching workforce by recruiting an additional 6,500 teachers in essential subjects. There are also plans to establish approximately 3,000 school-based nurseries, aiming to enhance early childhood education and support working families.

Additional funding has been announced to cover the rise in employer National Insurance Contributions (NIC) from April 2025, however this support is not expected to provide full coverage for the increased costs. As a result, schools will still need to absorb a portion of the additional expense, further tightening already stretched budgets. Compounding this, recently published General Annual Grant statements for 2025/26 have shown little to no increase in core funding compared to the prior year, leaving limited scope for schools to manage rising costs and maintain staffing levels.

Last year our report revealed that two thirds of trusts had a positive movement in overall revenue funds. This year this number has fallen to less than half, with 53% of trusts reporting a reduction in revenue reserves. The landscape is similar across all types of trusts. Of course, some trusts bucked the trend and made surpluses, but the average surpluses were lower than last year.

MATs increasingly dominate the sector. Over half of all academies are now in a MAT of 11+ schools, and 77% are part of a MAT of at least 6 schools. This movement towards more and larger MATs seems set to continue, but MATs are not immune to financial difficulties. Over half of all MATs in our report posted a deficit on core GAG funding for 2023/24.

2023/24 saw a high number of Chief Financial Officer changes, with 1 in 5 trusts experiencing movement. This may be coincidental, but could financial pressures, increased regulatory scrutiny, sector-wide challenges and shifting expectations within the role all be factors? The CFO role in academy trusts has expanded significantly, requiring a higher level of commercial expertise, risk management and long-term financial strategy. The growing demands of the role may have caused some CFOs to step down in favour of roles with more manageable expectations, and some trusts may have sought CFOs with more strategic and commercial expertise, leading to turnover.

Our 2024 Report spoke about the high energy costs which had soared across the sector, with the average secondary school energy bill jumping by over 50%. Prices have settled, due to lower wholesale gas prices and a milder than average winter for most of the country. Many academies have invested in energy efficient capital projects and the benefit of these is starting to be seen, for example improved insulation, LED lighting and smart energy management. Others have installed solar panels or switched to heat pumps, reducing reliance on gas.

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

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



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Our summary of the sector

Long live the multi-academy trust! As the sector continues to develop, both the number and size of MATs increases at pace. Last year we reported that we had reached the tipping point where the majority of trusts were now MATs (51%). This has increased to 53%, and 91% of individual academies are part of a MAT.

As of March 2025, as we were compiling this report, there were 11,375 academies, up from 10,746 last year. There were a further 732 schools in the pipeline to convert, of which 607 were primaries. Despite this, there are still large numbers of primary schools, in particular, who have yet to convert or begin the process.

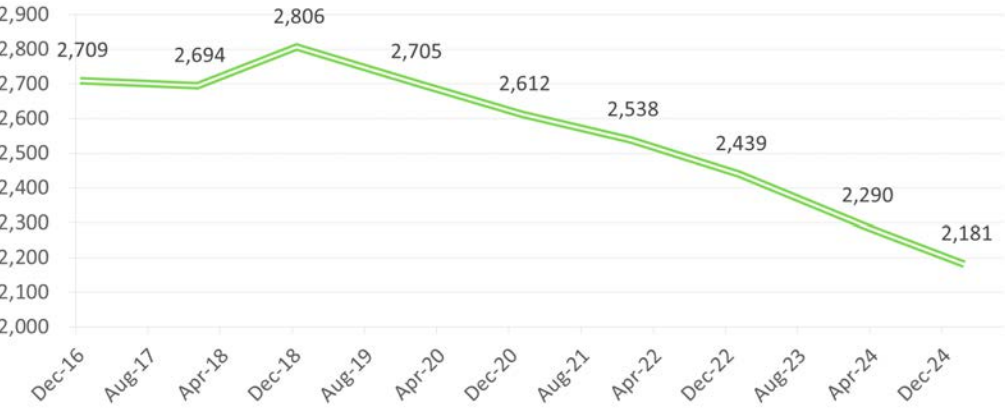
The Government made it clear some time ago that they see a future with MATs of at least 10 academies, since this is deemed to be a level at which efficiencies and economies of scale can be best achieved. It may therefore not just be the single academy trust that has a bleak future, and already we are seeing a reduction in the number of small MATs due to mergers and transfers.

For the seventh year in a row the number of trusts has fallen, and there were 109 fewer trusts in March 2025 than there were in early 2024. There has now been a 22% drop since the peak in trust numbers in 2018.

Growth in number of academies



Fall in number of trusts



Small MATs are more vulnerable to disruption from key leadership changes or staff turnover.

The trend of small MATs closing and transferring to larger trusts or merging with similarly sized trusts reflects a range of financial, operational and strategic pressures within the education sector. Several key factors are driving this consolidation:

1. Financial pressures and economies of scale

Small MATs often struggle to achieve the same economies of scale as larger trusts. Central costs such as payroll, IT, HR and estates management are relatively high when spread across a small number of schools. Larger MATs benefit from greater purchasing power and shared resources, enabling them to reduce per-pupil costs and increase financial resilience. In a context of stagnant funding, smaller trusts are finding it increasingly difficult without additional income or greater efficiency.

2. Challenges in meeting governance and regulatory requirements

Smaller MATs may lack the capacity and expertise needed to effectively meet regulatory demands, particularly where they have limited central leadership. Larger trusts can often provide more robust governance structures and experienced executive leadership, ensuring compliance and strategic oversight.

3. Vulnerability to staffing and leadership gaps

Small MATs are more vulnerable to disruption from key leadership changes or staff turnover. A small trust with a limited leadership team may struggle to maintain stability and strategic direction if a CEO, CFO or key headteacher departs. Larger trusts are better positioned to manage such transitions due to a wider talent pool and more established succession planning processes.

4. Curriculum and educational support

Larger MATs often have dedicated curriculum specialists and educational support teams, which enable them to provide targeted intervention and professional development for teachers. Small MATs may lack the resources to offer this level of support, which can lead to inconsistencies in educational outcomes. Transferring to a larger trust or merging with another MAT can provide access to improved training, curriculum expertise and shared best practices.

5. Strategic alignment with government policy

Government policy increasingly encourages MAT consolidation as a means of improving school performance and financial sustainability. The Department for Education (DfE) has signalled a preference for MAT growth and greater collaboration between schools to drive improvement, and small MATs facing financial or operational challenges may be encouraged or directed by the DfE to seek a transfer to a larger, more stable trust.

6. Risk mitigation and financial sustainability

A single unexpected event - such as a poor Ofsted inspection, a sudden rise in staff costs, or a significant facilities issue - can place a small MAT under severe financial strain. Larger MATs have greater reserves, more diverse funding streams and the capacity to absorb financial shocks. Merging with a larger trust or a trust of similar size can provide more predictable financial stability and reduce exposure to risk.

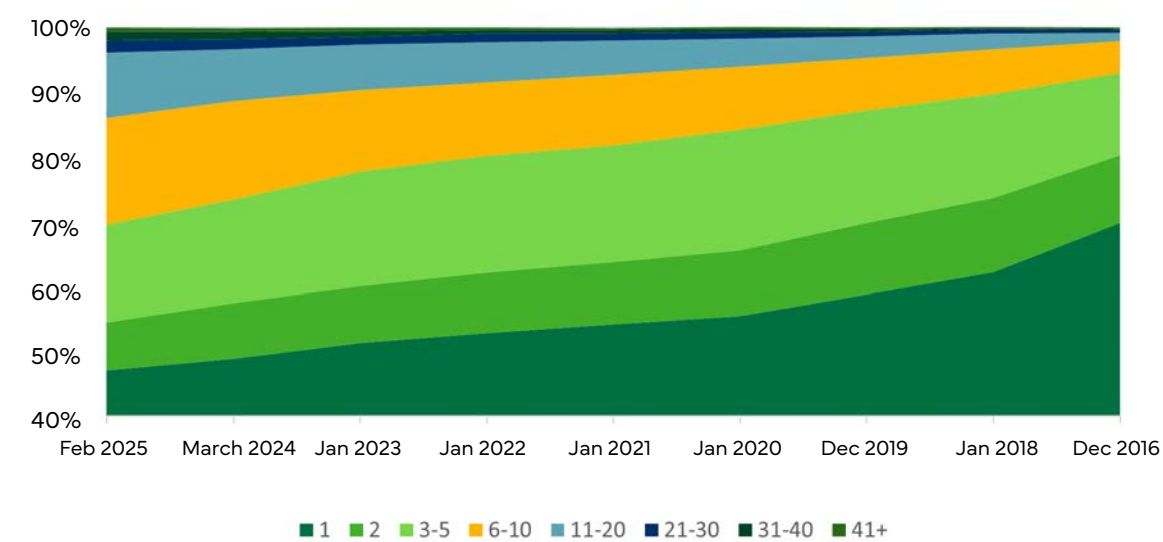
At the other end of the scale, it is interesting that there has been little growth in the number or size of the very largest trusts. Some observations:

- There are now 84 trusts that manage 20 or more academies, up from 74 last year
- Just 14% of trusts have more than 10 academies, although this is up from 11.3%
- Just over three quarters of academies are now in a MAT with more than five schools, and just over a half are in a MAT of 11 or more schools.

Trust Size	No. of academies	Trusts	% Trusts Feb 2025	% Trusts March 2024	% Trusts Jan 2023	% Trusts Jan 2022	% Trusts Jan 2021
1	1,028	1,028	47.1%	48.9%	51.3%	52.8%	54.2%
2	322	161	7.4%	8.6%	8.8%	9.3%	9.6%
3-5	1,290	328	15.0%	15.9%	17.6%	18.0%	18.0%
6-10	2,792	360	16.5%	15.2%	12.7%	11.3%	10.9%
11-20	3,182	220	10.1%	8.1%	7.0%	6.2%	5.3%
21-30	1,008	41	1.9%	1.5%	1.2%	1.3%	1.1%
31-40	1,069	30	1.4%	1.2%	0.9%	0.6%	0.5%
41+	684	13	0.6%	0.5%	0.5%	0.4%	0.3%
Total	11,375	2,181	100%	100%	100%	100%	100%

The changes in statistics indicate that more schools are joining well-established trusts, suggesting a growing confidence in larger MATs as financially stable and operationally efficient organisations. The concentration of academies in MATs of at least five schools suggests that smaller trusts are finding it increasingly difficult to operate independently and are choosing (or being encouraged) to merge with larger or similarly sized trusts.

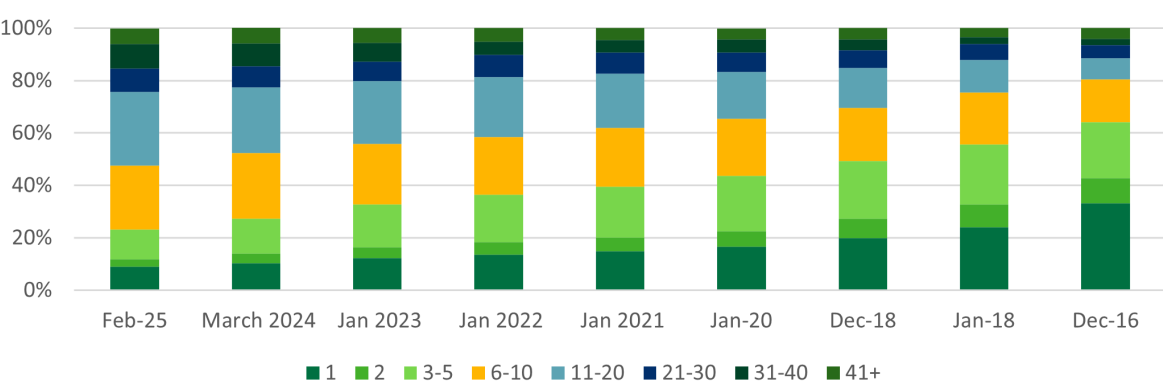
The change in MAT size in recent years (% of MATS of each size)



This graph shows the concentration of trusts in the middle size bands, as well as the decline in single academy trusts.

The graph below then shows how the spread of the number of academies in MATs of various sizes has changed over time, with just 9% of academies now in a single academy trust.

The number of academies in MATs of different sizes



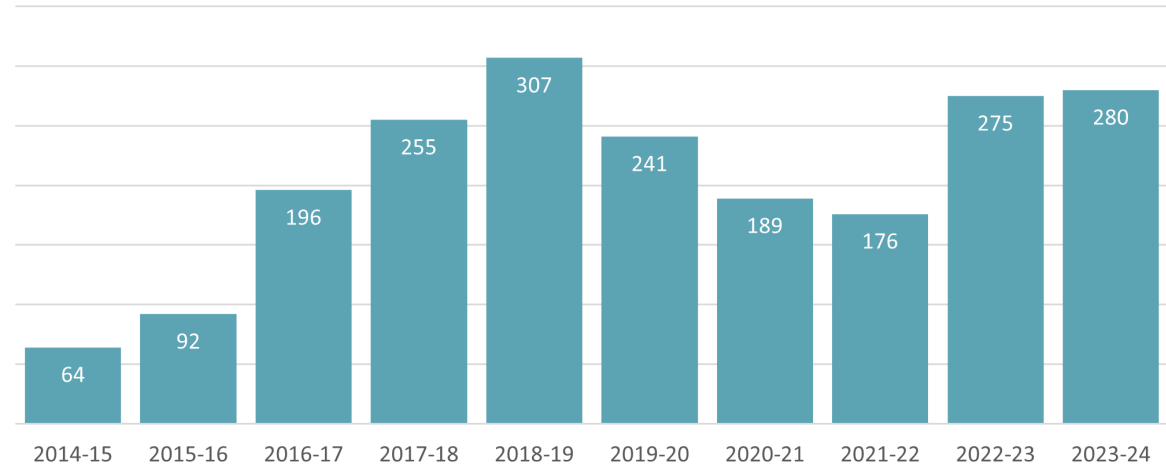
The trend of small MATs closing and transferring to larger trusts or merging with similarly sized trusts reflects a range of financial, operational and strategic pressures within the education sector.

Academy transfers and rebrokerage

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

During 2023/24 there were 280 academy transfers, a similar number to last year. A transfer is defined as any movement when an academy moves from its current trust to another trust. Grant funding continues to be available in many scenarios where an academy moves trust on educational or governance and financial grounds. £2.9m was made available to 31 trusts during the transfer process during 2022/23.

Academy transfers



Out of the 280 academy transfers in 2023/24, 216 (77%) were initiated by the outgoing trust, 21 (8%) were transferred due to sponsor or trust closure and 43 (15%) transfers were due to intervention. Intervention cases occur in instances such as Ofsted Inadequate judgement, where an academy was not making necessary improvements, or where there were financial, governance or safeguarding failures.

Approximately 2.6% of all academies underwent transfers in 2023/24, maintaining a similar rate to 2.7% in 2022/23. This steadiness suggests that while transfers are a regular aspect of the system, they affect a relatively small segment of academies annually.

Other sector developments

The ESFA closed on 31 March 2025 and its functions fully transferred to the DfE on 1 April 2025. Some of these changes began last October, but in April the remaining functions of the ESFA, relating to the delivery and assurance of funding, also transferred across. All new communications and content now use the DfE branding.

Amid these governmental changes, the academy sector continues to navigate a complex financial and operational landscape, with schools facing ongoing funding challenges, workforce pressures, and policy changes. Recent developments from the DfE highlight both opportunities and obstacles for academy trusts as they strive to deliver high-quality education, whilst maintaining financial sustainability.

Teacher recruitment and retention remain key concerns, with ongoing shortages in critical subject areas, particularly maths and science, and increasing workloads affecting staff morale. While industrial action by teacher unions has quietened in recent months following pay agreements, tensions remain over workload, conditions and long-term funding. Unions continue to engage in discussions with the government and, with the forthcoming consultation over the proposed 2.8% increase for teachers in 2025/26, there may be further strike action since this is likely to be a below inflation rise.

MATs are investing in staff wellbeing initiatives, flexible working policies and leadership development to mitigate these challenges. Recently, we have seen exploration of the possibility of allowing trusts to alter their remuneration approach.

Public sector remuneration packages have traditionally been weighted in favour of very attractive retirement benefits but a lower salary compared to the private sector, but if trusts were provided with the flexibility to provide staff with more upfront pay in exchange for less generous pensions, this could help boost both recruitment into the sector and, importantly, retention of staff.

Although the government will provide just over £1 billion in a grant to cover the rise in Employer National Insurance contributions from 13.8% to 15% in April 2025, the funding is based on the number of pupils of different characteristics that a school has. This means that the additional costs are not fully funded, and there will be winners and losers. Some schools are expected to have shortfalls of 25%, perhaps even higher.

The rapidly increasing demand for SEND provision continues as a challenge, with schools across the country struggling to secure adequate funding to meet pupil needs. Delays in Education, Health and Care Plan assessments, together with stretched local authority resources, are placing additional pressure on mainstream academies.

Trusts therefore face a number of challenges in the coming years; as they adapt in response they will need to focus on strategic financial planning, workforce support and collaboration to ensure long-term sustainability. It will be interesting to see how trusts manage the move to larger and larger MATs.

Staff costs, numbers and teaching staff to pupil ratios

Staff costs remained a key area of concern for Trusts in 2023/24. The agreed 6.5% increase in salaries took effect from the start of the 2023/24 year from September 2023.

Additionally, employers' contributions to the Teachers' Pension Scheme increased to 28.6% from April 2024, an increase of 5%. Budgets going forward will also have to account for the increase in the employer's national insurance rate from 13.8% to 15%.

As staff costs comprise a significant proportion of budgets, all well managed trusts will be keeping a close eye on their most significant cost. To operate both a sound financial model and to provide an excellent education to its pupils, a trust must ensure its staff offer value for money.

This can be difficult at times, with teaching staff automatically rising up through pay spines for most trusts, and regular pressure from teaching unions.

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

Using techniques such as benchmarking and integrated curriculum financial planning (ICFP) can help identify areas where a trust may not be operating as efficiently as possible. The contact ratio is an important part of ICFP since it is vital that teaching staff, including educational leaders, are spending sufficient time in front of pupils.

The average staff costs as a percentage of total costs has increased for both secondary academies and MATs, whilst staying consistent for primary academies. The most significant movement is shown in secondary academies with a reduction in the range of results from the first to third quartile.

	Average staff costs as % of total costs			
	2023/24	2022/23	2021/22	2020/21
Primary academies	76%	76%	78%	79%
Secondary academies	73%	72%	75%	79%
MATs	74%	73%	75%	77%

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

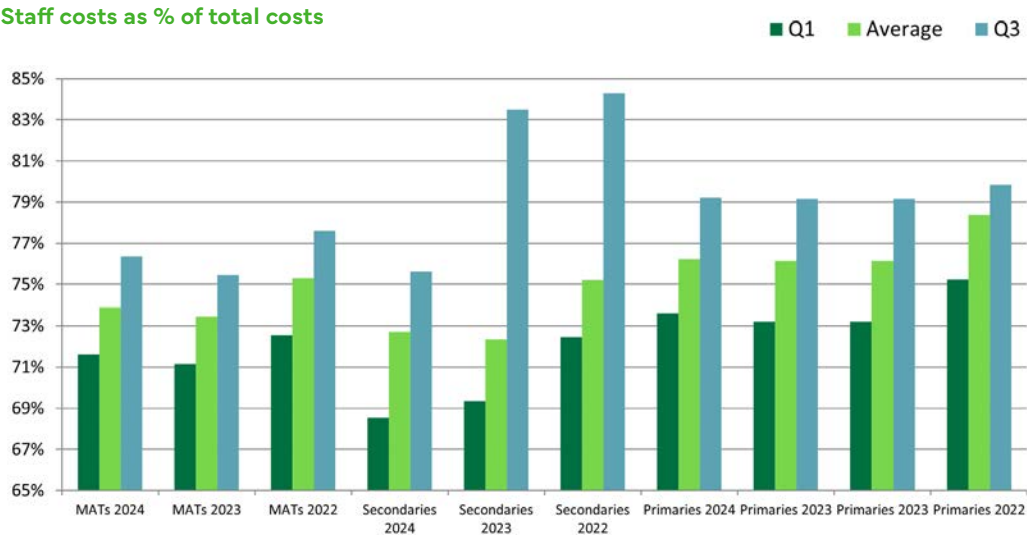
This can help keep the cost of a settlement down but with current employment law weighted in the employee's favour it continues to often be cheaper – when management time is taken into account - to enter into a settlement than deal with a protracted court case.

The impact of getting it wrong when it comes to staff can result in significant financial costs. Restructuring costs remain common, and when it comes to agreeing severance settlements this can take up significant management time. Of course, some restructuring costs arise by choice if costs need to be cut, with the short-term cost outweighed by the longer-term savings.

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

Where an employee is not performing, trusts should ensure they manage the process from the very beginning, taking appropriate HR and legal advice where necessary, and maintaining detailed records.

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



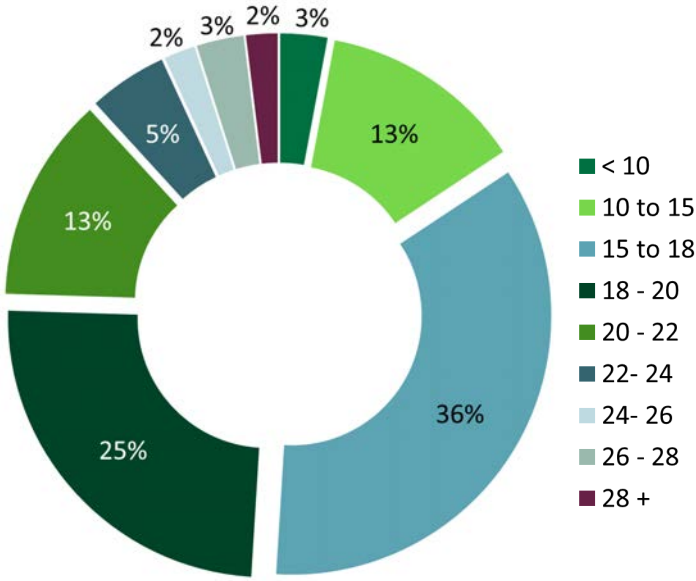
Pupil to teacher ratio

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

In 2023/24, 61% (2023: 59%) of academies in our sample had a pupil to teacher ratio (PTR) in one of two most common ranges (15 to 18 and 18 to 20), meaning the majority of academies once again have a PTR of between 15 to 20.

The academies at the lowest end of the scale are generally special needs academies for pupils with very different educational needs. At the opposite end of the spectrum, 2% of academies (2023: 2%) had a PTR of over 28. The number of trusts with a PTR of 20 or more decreased to 25% (2023: 34%).

Staff costs as % of total costs



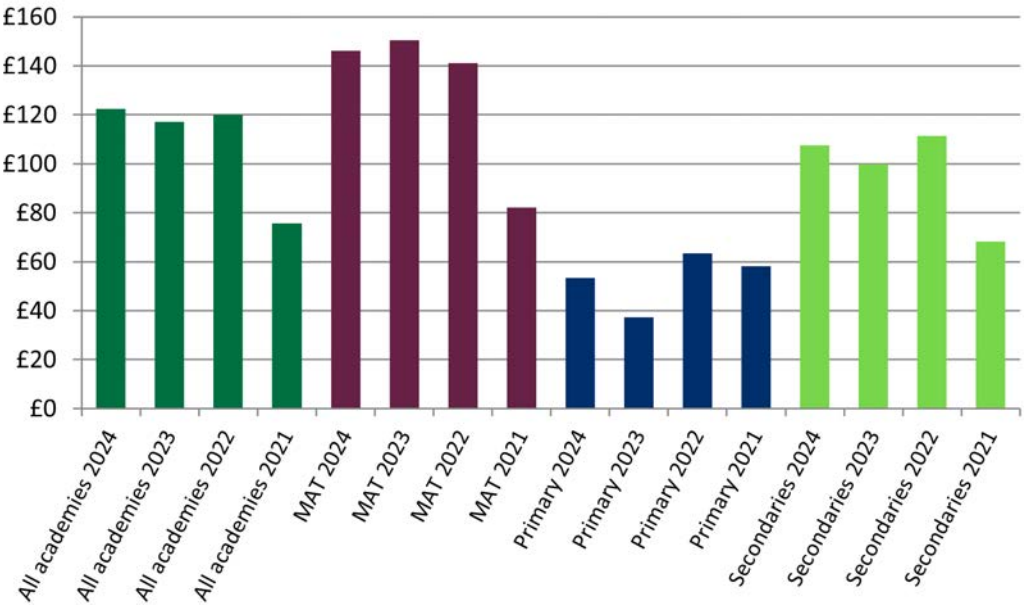
Supply staff

Overall, the average cost per pupil of supply teachers has increased from £117 to £122. Whilst the average has increased, there has been movement between the primary, secondary and MAT sectors as shown below.

The actual spend behind these per pupil numbers shows that the average primary academy has paid out £53k (2023: £37k) in supply costs which is much lower than the average secondary average of £107k (2023: £100k).

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

Supply teacher costs: £ per pupil



Key management remuneration

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

Trusts need to follow the AFH guidance for setting executive pay, which requires a “robust evidence-based process and a reasonable and defensible reflection of the individual’s role and responsibilities”.

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

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

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

The ESFA guidance updated in November 2023 in relation to setting executive salaries continues to be a useful resource which can help boards in making decisions about pay and to be confident about, and accountable for, these decisions.

The guidance sets out key factors that should be used by academy trust boards when setting or reviewing executive salaries, so they are set at fair, reasonable and justified levels.

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

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

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

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

The Academy Schools Sector Consolidated Report and Accounts (SARA) for trusts 2022/23 year was published by the DfE in March 2025 and reveals why there is such a continued focus in this area. The number of payments of £100k or more continues to increase year on year.

Source: DfE Academy Schools Sector Annual Report and Accounts for 2022/23

	2023/22: Number of ATs paying at least one individual above this	Proportion of ATs in sector	2022/21: Number of ATs paying at least one individual above this	Proportion of ATs in sector	2020/21: Number of ATs paying at least one individual above this	Proportion of ATs in sector
Payments of £150k or more	775	30.8%	594	22.9%	563	21.1%
Payments of between £100k - £150k	1,876	74.6%	1,831	70.5%	1,841	68.8%

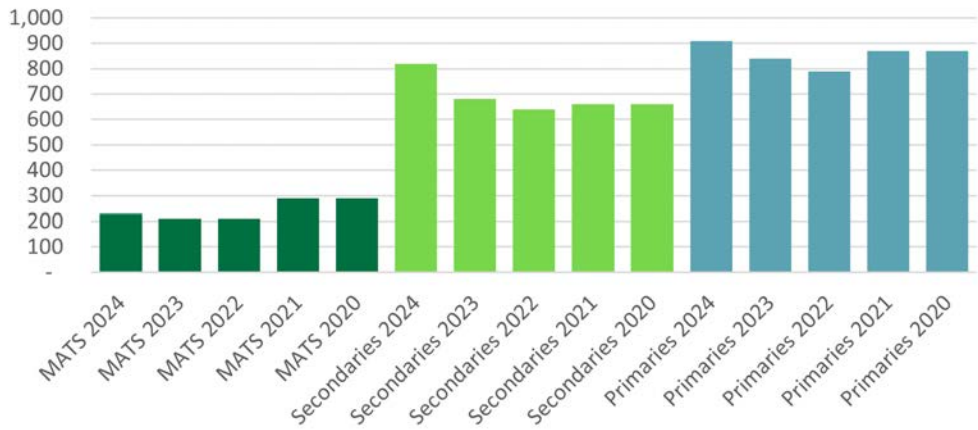
KMP remuneration per pupil



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

If we look just at the average figures, and compare year on year, we can see an increase this year across all of the classifications of trusts.

KMP per pupil



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

Further analysis of the MAT data reveals the following:

	Mean average KMP cost per pupil 2024	Mean average KMP cost per pupil 2023	Mean average CEO/AO cost per pupil 2024	Mean average CEO/AO cost per pupil 2023
MAT size				
2 - 5 schools	£798	£531	£227	£84
6 - 10 schools	£420	£331	£55	£47
11 - 20 schools	£258	£234	£30	£37
20 schools +	£98	£80	£17	£16

CEO/Accounting Officer salaries

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

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

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

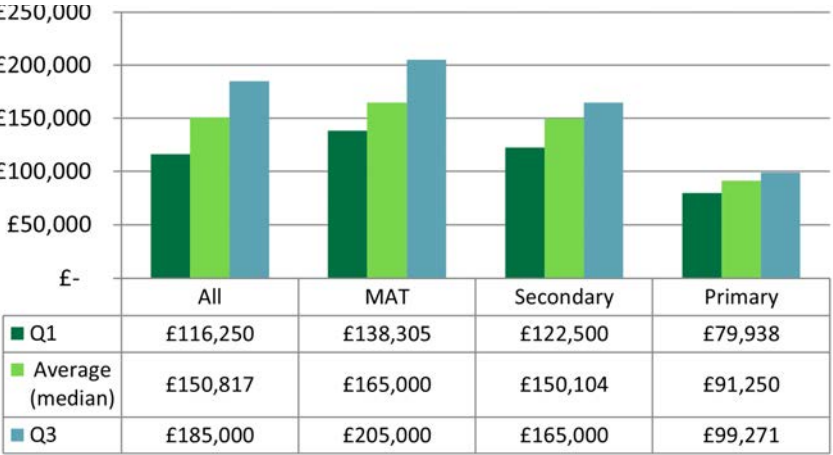
In recent years, the ESFA has issued letters to trusts paying high levels of salary to executive leaders, forcing trusts to justify these salaries. In some cases, this has resulted in a reduction in executive salaries where the levels cannot be justified appropriately.

There is a relatively small band of remuneration levels for both secondary and primary headteachers. Secondary headteachers were paid between £122,500 (quartile 1) and £165,000 (quartile 3) whilst primary headteachers received remuneration of between £80,000 and £99,000.

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

Size of MAT	Average CEO/AO salary
2 - 5 schools	186,000
6 - 10 schools	150,000
11 - 20 schools	193,000
20 schools +	217,000

CEO salaries



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

CEO / Accounting officer salaries per pupil



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

Restructuring and severance payments

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

It should be remembered that restructuring costs are often incurred deliberately with the aim of becoming more efficient and achieving longer term savings. The regular re-brokerage of trusts and mergers between MATs also has an impact since some degree of restructuring is inevitable after such changes.

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

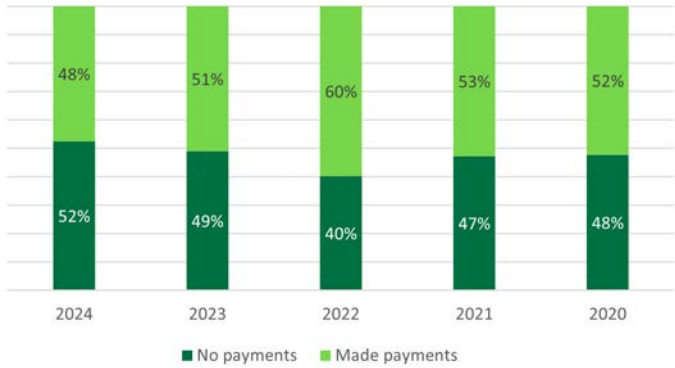
Range of restructuring payments

The level of restructuring payments made is also important. A significant number are relatively small, and this year 15% of trusts making payments paid less than £10,000. At the opposite end of the scale, 30% of all trusts paid out over £100k in total. With the MAT figures often spread across numerous academies, the high totals should not come as a complete surprise, but it highlights the additional costs that some trusts do face.

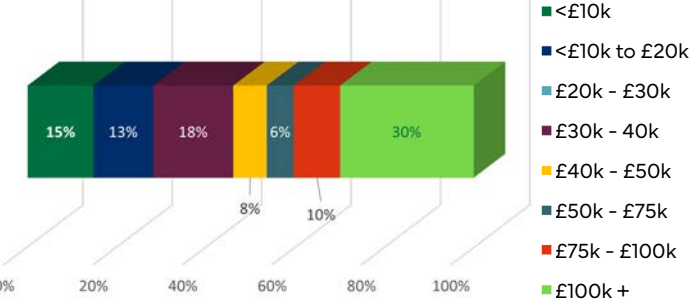
Trusts must disclose the individual non-contract severance payments which form part of the total restructuring costs, and this further analysis helps us to understand the total costs. In some cases, the totals comprise several smaller payments, but there are some trusts paying significant individual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

This year there was a reduction of trusts with the highest non-contractual payment in the lowest two bands (up to £10,000) to 29% (2023: 34%). There has been upwards movement in the value of the highest non contractual payment, with the lowest three bandings accounting for 48% of the overall sample in 2023 compared to only 38% for the current year. There were no trusts in the over £50,000 band.

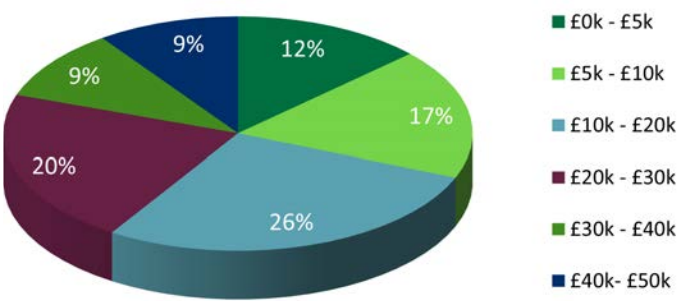
Academies making restructuring and severance payments



Academies making restructuring and severance payments



Highest non-contractual payment



Pension costs and liabilities

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

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

Teachers’ Pension Scheme

From 1 April 2024, the Teachers’ Pension employer contribution rate increased from 23.7% to 28.7%. Although this rise has been supported by the Teachers’ Pension Employer Contribution Grant, the grant is calculated using a formulaic approach rather than actual staffing costs. As a result, while the grant has generally offset the additional burden, some academies have experienced a shortfall where the funding does not fully cover the increased pension costs.

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

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

A question that is being asked is how long can the DfE continue to fund these large pension cost rises. The rise since 2019 has been enormous and it is expected that the extra pension funding will be paid as part of GAG in the future. Like all public sector pension schemes the TPS is an attractive scheme, and a benefit that many will believe ought to be considered by unions when campaigning about state of pay in the education sector.

Local Government Pension Scheme

In terms of annual financial statements, there has been much focus on Local Government Pension Scheme (LGPS) liabilities, as these are shown on academy trust balance sheets and are therefore more visible.

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

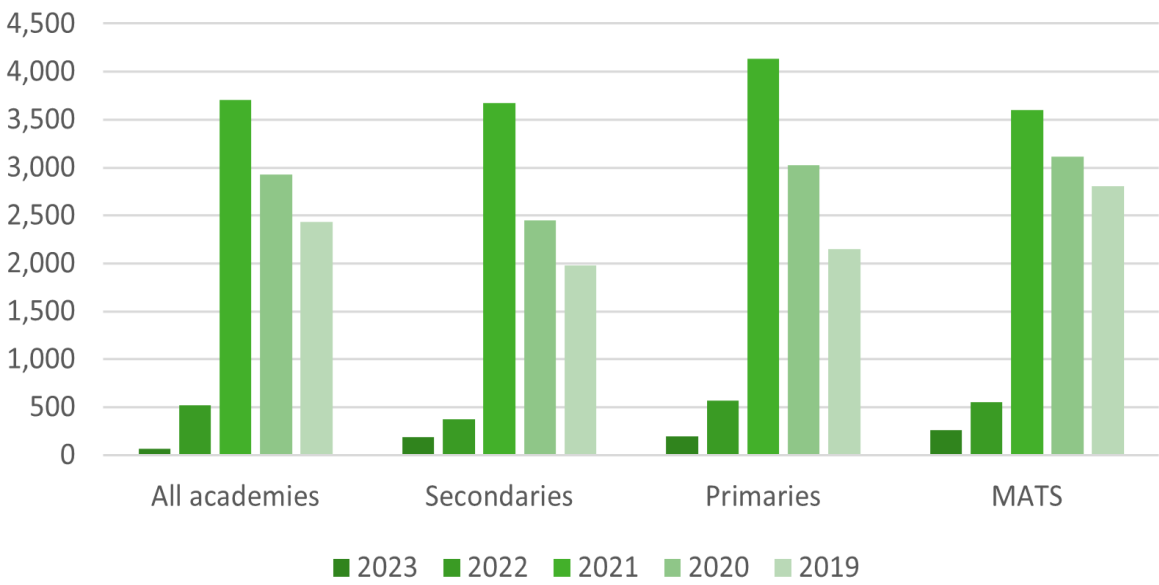
Each Local Authority administers their own scheme and, as a result, the levels of both employee and employer contributions can vary significantly depending on geographical location.

In 2023 and 2024, a large number of trusts enjoyed a further reduction in the pension liability with many actually recording a pension asset. This trend was largely attributed to an increase in the value of investments (across all classes) held by these schemes.

In common with many other audit firms, UHY Hacker Young concluded that it was not appropriate to recognise the pension asset, on the grounds that there was insufficient evidence that these surpluses would ever result in a repayment or reduction in employer contributions (given that the surpluses are probably only temporary), with a £nil asset/liability approach being adopted. However, there was no sector-wide consistent approach, and some trusts and their auditors reflected pension assets, usually restricted using an ‘asset ceiling’ approach.

With many trusts reporting a £nil position or a reduced net deficit, the average LGPS liability per pupil has fallen further. Pension deficits rose steadily between 2019 and 2021 before the sharp fall in 2022, with further reductions in 2023 and 2024, shown clearly on the average liability per pupil graph below:

Average LGPS liability per pupil (£000s)



Income

The 2023/24 financial year introduced several significant funding changes for schools in England, aimed at addressing rising operational costs and supporting educational improvements.

Increased core funding

In the Autumn Statement of 2022, the government announced an additional £2 billion in revenue funding for schools for both the 2023/24 and 2024/25 financial years. This increase was intended to bolster the core schools’ budget, enabling institutions to manage inflationary pressures and invest in resources to enhance educational outcomes.

Teachers' Pay Additional Grant

In July 2023, following the acceptance of a 6.5% teachers' pay award, the DfE introduced the Teachers' Pay Additional Grant (TPAG). This grant allocated £482.5 million for the 2023/24 financial year and is providing £827.5 million in 2024/25. The TPAG aims to assist schools in meeting the increased salary commitments resulting from the pay award.

Teachers' pension employer contribution increase

In October 2023, the Teachers' Pension Scheme valuation determined a 5% increase in employer contribution rates, raising them to 28.6% effective from April 2024. To mitigate the financial impact on schools, the government pledged approximately £1.1 billion through the Core Schools Budget Grant (CSBG) for the 2024/25 financial year. This funding is designed to support schools with overall costs, including the increased pension contributions.

National Funding Formula adjustments

The transition towards a more standardised National Funding Formula (NFF) continued in 2023/24. For 2024/25, the NFF includes the rolling in of the Mainstream Schools Additional Grant (MSAG), with core factors increasing by 2.4%. This adjustment ensures that every primary school receives at least £4,655 per pupil and every secondary school receives at least £6,050 per pupil.

High needs funding

Recognising the growing demand for special educational needs and disabilities (SEND) support, the high needs funding block saw an increase for 2024/25. This funding aims to assist local authorities and educational institutions in providing adequate resources and support for students with SEND.

Over half of the increase in school funding between 2019 and 2024 can be explained by growth in high needs funding. This reflects the rapid growth in the number of pupils identified as having special educational needs.

Pupil Premium

The Pupil Premium continues to provide targeted funding to support disadvantaged pupils. Allocations for the 2024/25 financial year have been published, ensuring that schools can plan interventions and support mechanisms effectively.

Recent history and future outlook

Despite these funding increases, schools continue to face financial challenges due to rising costs and other pressures. The government has pledged a further £2.3 billion increase in schools funding for the 2025/26 financial year, with £1 billion dedicated to high needs funding. However, with the number of pupils requiring Education, Health and Care (EHC) plans rising, much of this additional funding may be utilised to address existing deficits in high needs budgets.

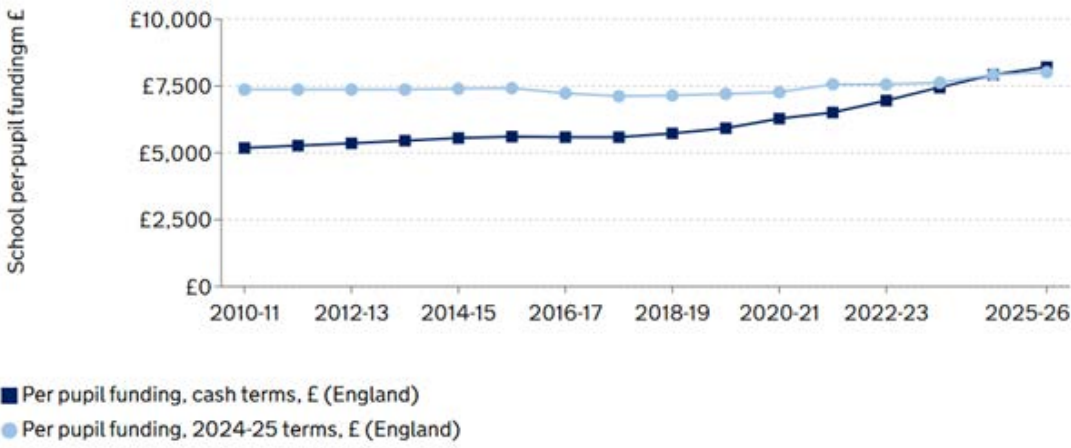
While the government has demonstrated a commitment to increasing education funding, schools must navigate ongoing financial pressures and ensure that additional funds are effectively allocated to support both staff and students.

As explored elsewhere in this report, it is likely that the rise in employers National Insurance contributions from April 2025 will not be fully funded for most academies. This point is at the heart of the argument provided by most in the sector that whilst they recognise the funding increases in recent years, it just isn't enough.

The graph below shows per-pupil funding for 5-16 year olds over the past 15 years, and this does show the commitment to education governments have taken:

Figure 1.2: Per-pupil funding for 5-16 year olds in English schools is expected to be 8.7% higher in 2025-26 than in 2010-11, when adjusted for inflation

England, 2010-11 to 2025-26



The per-pupil funding in cash terms (dark blue line) represents the actual amount of money allocated per pupil in each year, without adjusting for inflation. Since inflation erodes purchasing power over time, this measure does not reflect the true real-world value of the funding in terms of what schools can afford to buy.

Per-pupil funding in 2024/25 terms (light blue line, inflation-adjusted) adjusts past and future funding figures to account for inflation, effectively expressing all amounts in terms of their equivalent value in 2024/25 prices. This is a ‘real-terms’ measure, meaning it provides a clearer picture of how school funding has changed over time in terms of actual spending power.

The inflation-adjusted (real-terms) funding (light blue line) has remained relatively flat for much of the period. By 2025/26, real-terms per-pupil funding is expected to be 8.7% higher than in 2010/11, indicating some long-term growth, but it also suggests that for a significant portion of the past decade, funding did not keep pace with inflation. The recent rise in real-terms funding reflects increased government investment in schools, but whether this is sufficient to cover rising costs remains a key concern for the sector.

Total education spend

It is easy to see why many think the government spending on education is not sufficient. In 2023/24, total public spending on all education in the UK stood at £116 billion (including the net cost of issuing student loans and in 2024/25 prices).

This represents an 11% or nearly £15 billion fall since 2010/11 and represents the level in real terms as in 2006/07. Although this drop mostly reflects a shift in the cost of higher education from the taxpayer to graduates over time, it still means as a country we are investing far less in education that we were 15 years ago.

Education spending has also fallen as a share of national income, from about 5.6% of national income in 2010/11 down to about 4.1% in 2023/24, and there has been no increase in the share of national income devoted to public spending on education spending, despite large rises in education participation over the long run.

General Annual Grant

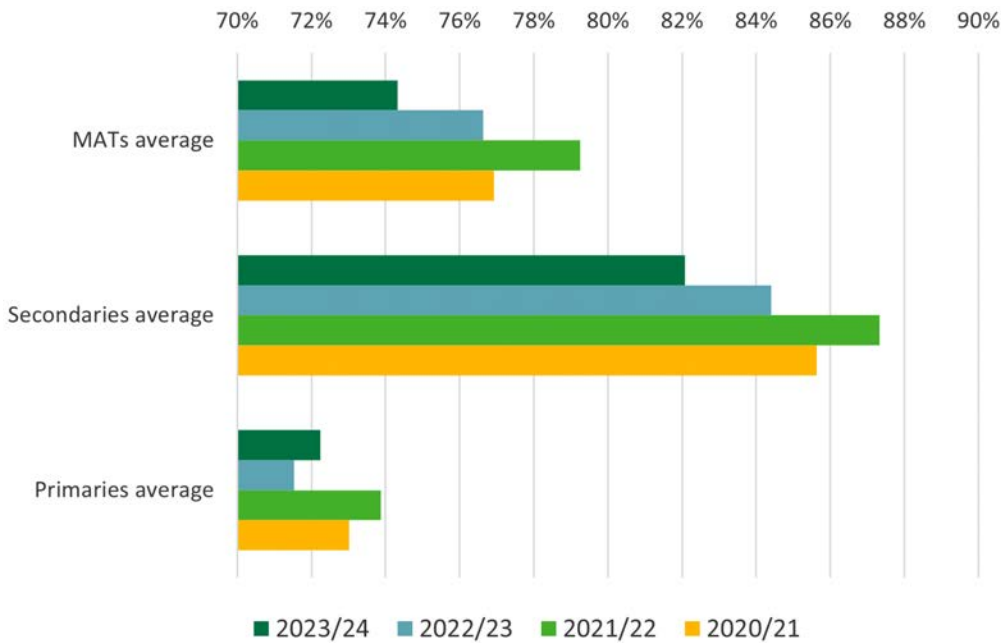
The General Annual Grant (GAG) remains the primary funding stream for almost all academies, with a few exceptions, such as Alternative Provision academies that receive a significant portion of their funding directly from local authorities. In previous years, 16-19 core programme funding was included in GAG, but recent changes to funding structures mean this is now accounted for separately under Other DfE/ESFA grants, as per the 2023/24 Academies Accounts Direction.

Schools must navigate ongoing financial pressures and ensure that additional funds are effectively allocated to support both staff and students.

The bar chart below illustrates how the proportion of academy income derived from GAG has evolved over recent years across different types of trusts:

- **MATs:** GAG as a percentage of total income has generally declined slightly year-on-year, suggesting that MATs are diversifying their income streams. This could be due to increased reliance on other ESFA/DfE grants, or commercial income
- **Secondary Academies:** The proportion of GAG funding has gradually decreased since 2020/21. This reflects both the removal of 16-19 core funding from GAG calculations and the increasing share of additional government funding streams, such as the Schools Supplementary Grant and specific grants for teacher pay and pension rises
- **Primary Academies:** Primaries are generally less GAG reliant because of other funding they receive, such as UIFSM, PE/sports grants and nursery funding. However, they bucked the trend during 2023/24 and show a small increase in GAG reliance.

GAG income as % of total income (all academies)



Other income

MATs continue to be in a stronger position to generate additional income compared to single academy trusts, often due to their ability to centralise resources, share facilities and employ dedicated business development personnel. This year’s data confirms that MATs, secondaries and primaries all show wide variations in the amount of other income generated per pupil, with primary schools demonstrating the largest disparity between the upper and lower quartiles.

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

Key trends in 2023/24:

1. Increased income from interest returns

- Many trusts have taken advantage of higher interest rates, investing surplus funds in higher-yield savings accounts and generating additional income with minimal effort
- Some have strategically deposited GAG funding in interest-bearing accounts at the start of the month and withdrawn it later to meet salary obligations, maximising returns.

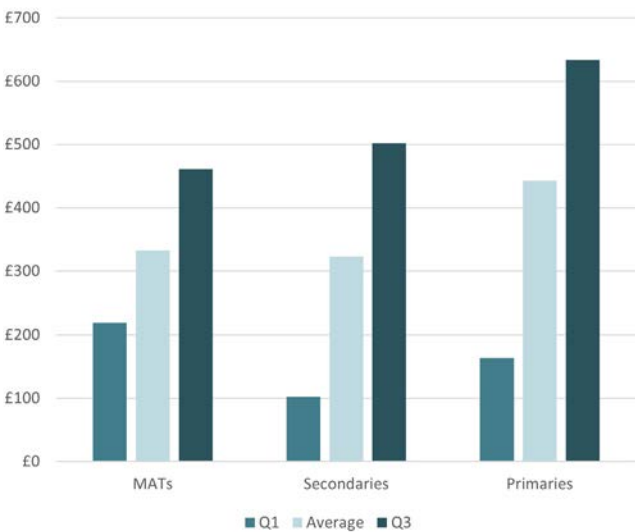
2. Significant variation in primary school income

- Primary academies have the widest disparity in income, with the top quartile generating more than £633 per pupil while the lowest quartile remains significantly lower
- Schools with before and after-school clubs continue to outperform others in self-generated income.

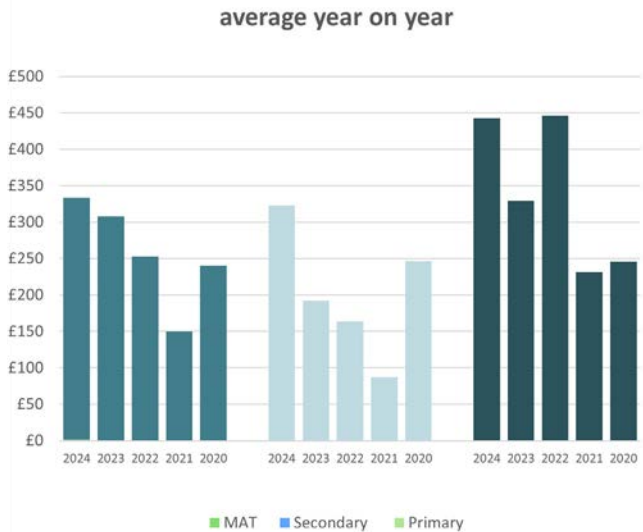
With rising operational costs, trusts will need to continue diversifying income streams. Interest rates are now heading downwards, reducing the opportunity to generate investment returns for little time and effort. Now might be the time for any trusts that have not yet explored investment platforms, which provide the opportunity to easily move money around different high interest accounts with no risk, to look at this option.

Section 2 of this report explores the state of the sector and continued growth in MATs. More sizeable MATs are likelier to exceed the VAT registration threshold (currently £90k) or the small-scale trading limit (currently £80k), and it remains important for trusts to take early professional advice about the establishment of a trading subsidiary for tax planning or risk mitigation. Planning ahead and putting the desired structure in place beforehand is better than trying to resolve an issue at a later date, by which time tax or VAT thresholds may have been breached.

Other income per pupil



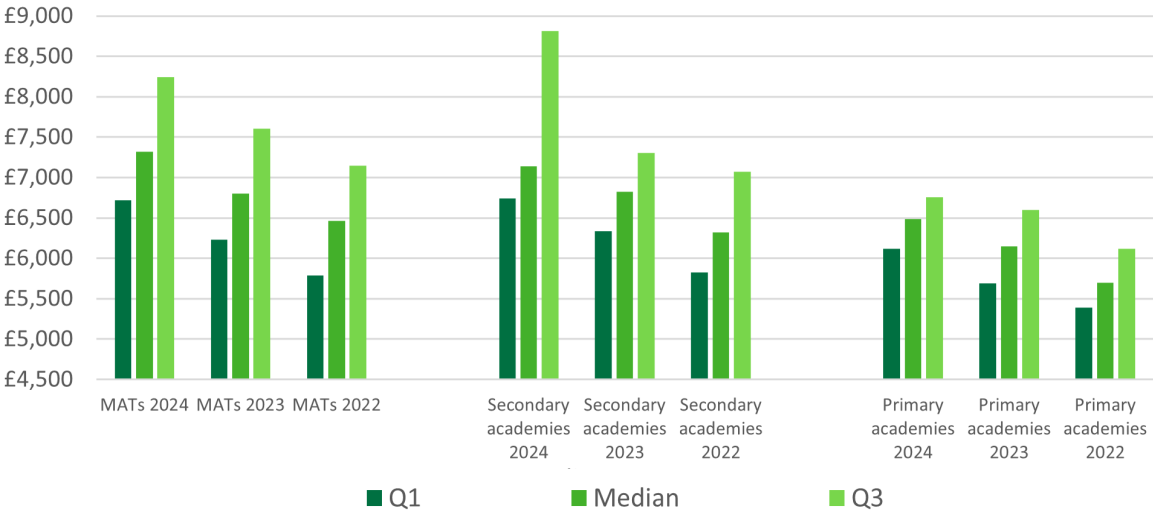
Other income per pupil - average year on year



Total revenue income per pupil

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

Revenue income per pupil



Capital funding

Academies continue to receive basic capital funding, known as Devolved Formula Capital (DFC), which consists of a £4,000 lump sum per school plus a per-pupil allocation. This funding is set at the same level as that received by Local Authority and Voluntary Aided schools. For example, a 1,000-pupil secondary school receives just over £20,000 per annum, a sum that is often insufficient given the ongoing need to upgrade IT hardware, maintain facilities and undertake essential repairs.

As a result, many trusts continue to supplement their capital funding by making revenue-to-capital contributions, ensuring they can provide students with up-to-date equipment and infrastructure.

School Condition Allocation (SCA) and Condition Improvement Fund (CIF)

In addition to DFC, academies are eligible for capital funding through either the School Condition Allocation (SCA) or the Condition Improvement Fund (CIF):

- SCA is guaranteed funding for larger MATs that meet eligibility criteria
- CIF is a competitive bidding process available to single academy trusts (SATs), smaller MATs, and voluntary-aided schools to fund specific capital projects.

Funding for Reinforced Autoclaved Aerated Concrete (RAAC) remediation

In response to safety concerns surrounding RAAC, the government has provided additional capital funding to address and permanently remove RAAC from school and college buildings. This initiative aims to ensure the long-term safety of the school estate.

DfE data has revealed that 174 schools and colleges had identified RAAC within their structures. Estimates suggest that the cost of remediation in schools is approaching £150 million, with expectations of further increases as more cases are identified and addressed.

Concerns about school estate condition

There is a growing consensus within the education sector that school estates have been neglected for far too long. The DfE expects academy trusts to manage their school estates strategically and to ensure that buildings remain safe and operational.

The DfE continues to encourage trustees, Accounting Officers and estate managers to engage with the [Good estate management for schools \(GEMS\)](#) guidance, which includes a self-assessment tool to help trusts identify and address estate management priorities.



There is a growing consensus within the education sector that school estates have been neglected for far too long.



Current and future capital funding commitments

On 26 March 2024, the DfE announced a £1.8 billion funding package for 2024/25 to improve the condition of the school estate. This brings the total investment since 2015 to £17 billion.

The £1.8 billion funding includes:

- £1.2 billion in School Condition Allocations (SCA) for local authorities, large MATs and voluntary-aided school bodies
- £450 million through the CIF programme to improve school buildings, energy efficiency, health and safety and overall compliance.

Following a rigorous assessment of CIF bids, 866 projects at 733 institutions were approved, supporting schools in keeping their estates safe and operational. The full list of successful CIF projects has been published by the DfE.

Then, in the October 2024 Budget, the government committed to providing £6.7 billion of capital funding in 2025/26 for education in England, including:

- £1.4 billion for the school rebuilding programme
- £90 million to renovate and expand the children’s home estate and
- over £2 billion into maintenance for schools.

Devolved formula capital funding rates

Academies continue to receive basic capital funding, the Devolved Capital, which comprises a £4,000 lump sum per school plus a per pupil element. This funding equates to the sums that Local Authority or Voluntary Aided schools receive. This means a typical 1,000 pupil secondary school receives just over £20,000 per annum, which does not go very far when it is the only generally available capital funding.

One key area of concern is IT investment, particularly in light of Microsoft’s recent changes to its licensing model and the broader push towards cloud-based solutions. Many trusts will need to upgrade both hardware and software in the coming years, not only to keep pace with technological advances but also to remain compliant with security and data protection requirements. The shift towards subscription-based models and cloud-first strategies means ongoing costs rather than one-off capital purchases, further stretching already limited budgets. Without dedicated capital funding for IT infrastructure, trusts will likely have to continue using revenue-to-capital contributions, redirecting funds that might otherwise be used for staffing, curriculum development, or student support services.

Another pressing issue is energy efficiency and sustainability. The drive to make school estates more environmentally friendly is at odds with the reality of limited funding. While grants such as the Public Sector Decarbonisation Scheme have helped some trusts access funding for greener initiatives, they are competitive and far from a guaranteed source of income. Meanwhile, the rising cost of maintaining ageing buildings – many of which require significant upgrades to insulation, heating systems and lighting – presents a growing challenge.

Despite increasing cost pressures, per-pupil capital funding remains unchanged at:

School Type	Per Pupil Rate	Lump Sum
Nursery/Primary	£11.25	£4,000
Secondary	£16.88	£4,000
Post-16	£22.50	£4,000
Special/PRU	£33.75	£4,000

These per pupil rates have applied for a number of years now and 2024/25 rates are being funded on the same basis. Many sector leaders understandably argue that inflationary increases should be applied to these rates.

Condition Improvement Fund (CIF)

CIF remains a highly competitive process, with funding awarded to projects that address critical building condition issues, health and safety risks and essential maintenance. CIF funding is allocated across three categories:

- Condition (eg. roof replacements, fire safety upgrades)
- Condition with expansion (eg. improvements linked to increasing pupil numbers)
- Expansion (eg. new classrooms to accommodate growing cohorts).

The DfE expect the majority of projects supported through CIF to involve the replacement of high priority components such as structural elements, boilers and electrics, fire doors and alarms, roof coverings and windows and asbestos removal.

Small projects cannot be funded through CIF due to a minimum project threshold (£20,000 for primary academies and special schools and £50,000 for secondary academies). The maximum funding available via CIF is £4 million.

Almost £450 million was available for 2024 to 2025 through the CIF programme for responsible bodies to invest in improving the condition of their schools. The 2024/25 CIF outcome was published in March 2024, earlier in the year than usual.

Applications for CIF 2025/26 closed in December 2024, and the DfE plan to announce the outcome for 2025/26 in May 2025. The application notes highlighted that the DfE will prioritise projects in the highest priority project type, which demonstrate a high urgency of need, an impact on the school or closure of key facilities and strong evidence of significant need, which meet a minimum standard in the project cost and project planning criteria. Also new for 2025/26 was a requirement for the Accounting Officer to sign a declaration with the CIF application to acknowledge their responsibility for the application, the management of any successful project, and meeting the requirements of the post approval guidance and complying with the terms and conditions.

The DfE initially confirmed 866 projects at 733 academies, sixth-form colleges and voluntary aided schools for 2024/25, marking a further drop in the total CIF funding paid and the number of successful projects.

At the same time, the average project cost has steadily increased:

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

31 projects were then successful after appeal, providing £19.5 million of funding for projects across 30 different institutions, showing the merits of appealing if an application is initially rejected.

With CIF always heavily oversubscribed, trusts should ensure they prepare high-quality applications, and many choose to engage professional advice to maximise their chances of securing funding. To be successful, applications need to be well-prepared and the difference between success and failure often comes down to the quality of the submission. A professional CIF consultant can provide:

- **Expert guidance** – navigating the complexities of the CIF application process, including eligibility criteria and priority areas for funding
- **Technical support** – assisting in the preparation of robust project justifications, costings and risk assessments that meet the DfE’s stringent requirements
- **Evidence-based applications** – ensuring that the bid includes compelling data, professional surveys and compliance with regulatory standards.
- **Strategic planning** – Advising on the types of projects that are more likely to be successful and helping trusts prioritise their applications accordingly.

The trend of decreasing CIF funding in recent times and the number of successful projects declining year-on-year, means it is more important than ever for trusts to approach their bids with a professional and strategic mindset. Given the significant time investment required to prepare a CIF application, trusts should consider whether in-house expertise is sufficient or whether external consultants can add value by maximising their chances of securing essential funding.

School Condition Allowances for larger MATs

For larger MATs, School Condition Allowance (SCA) funding provides a crucial and predictable source of capital funding. MATs with at least five academies and more than 3,000 pupils, based on the spring census, qualify for SCA funding instead of having to apply for capital funding through the competitive CIF.

Unlike CIF, which requires individual project bids, SCA is allocated automatically and offers greater flexibility in how the funding is used. Trusts can strategically plan and deploy their funding across their estate based on their own priorities rather than having to compete for funding on a project-by-project basis.

Most large trusts operate an internal application process, inviting individual academies within their trust to submit requests for capital funding. This allows central trust leadership to assess the most pressing estate priorities and allocate funds accordingly. While this approach provides trusts with greater autonomy, it also means trust leaders must have robust estate management plans in place to ensure funds are distributed effectively and align with long-term strategic goals, and there needs to be a clear and transparent decision-making framework to avoid conflicts.

Advantages of SCA Funding

- Predictability** – unlike CIF, which involves uncertainty and competition, SCA provides guaranteed funding each year, allowing for better long-term estate planning
- Flexibility** – trusts can prioritise their own capital needs rather than having to meet the specific funding criteria set by the CIF programme
- Efficiency** – avoids the significant administrative burden of preparing individual CIF bids, enabling trusts to focus resources on delivery rather than application processes.

	School Condition Allocations 2020-25				
	2024/25 Final	2023/24 Final	2022/23 Final	2021/22 Final	2020/21 Final
Total SCA paid	£560.9m (13.3%)	£495.2m (8.8%)	£454.9m (12.3%)	£405.0m (42.3%)	£283.3m (20%)
No. of trusts	473 (11%)	427 (10%)	389 (13%)	343 (18%)	290 (25%)

Unsurprisingly, with the growth in MAT sizes, 11% more trusts qualified for SCA funding in 2023/24 than the year before.

The average allocation for 2024/25 was £1.19m, up slightly from £1.16m in 2023/24.

SCA received	Number of trusts		
	2024/25 round	2023/24 round	2022/23 round
Over £5m	5	4	5
£1m – £5m	178	157	150
£500k - £1m	232	205	179
Less than £500k	58	61	55
	473	427	389

The highest allocation was £12.1m for United Learning Trust, with the lowest SCA paid amounting to £226k.

For MATs, the shift from CIF funding to SCA funding can present several challenges. While SCA provides a more predictable source of capital funding, trusts that have relied on CIF may struggle with the transition due to differences in allocation, planning and financial management:

1. Loss of competitive advantage in securing higher CIF awards

Some MATs have been highly successful in securing large CIF awards year after year by submitting well-prepared applications for significant estate improvements. These trusts may find that their SCA allocation is lower than they previously secured through CIF, particularly if they regularly won multiple high-value projects.

2. Reduced capital for large-scale projects

CIF allows trusts to bid for specific high-priority projects, often securing funding for major works such as roof replacements, heating systems and structural repairs. With SCA, trusts must spread their allocation across multiple schools, which may mean fewer large-scale projects can be completed in any given year.

3. Internal competition for funds

With CIF, individual academies within a trust could apply directly for funding. However, under SCA, the central trust leadership controls the funding allocation, meaning individual schools may have to compete for resources within their own trust rather than against other schools nationally. This can lead to tension between academies within a MAT if funding decisions are not clearly communicated.

4. Need for strategic long-term planning

CIF allows trusts to address urgent needs on a rolling basis by applying for specific projects each year. SCA, however, requires a longer-term, trust-wide estate strategy. Many trusts may lack the necessary estate management expertise or robust asset management plans to effectively allocate funds.

5. Potential delays in project delivery

CIF funding is awarded annually and, once successful, trusts can proceed with projects immediately. SCA funding is received annually but may not be enough to complete larger projects in one year, meaning trusts may need to phase projects over multiple years, leading to delays in addressing urgent repairs.

The transition is best managed through a combination of the development of a strategic estates plan, using a transparent internal application process, professional estate management support, and the use of multi-year planning for major projects.

School Rebuilding Programme

The School Rebuilding Programme (SRP) is a significant initiative by the UK government aimed at refurbishing and rebuilding school facilities across England. As of October 2024, the programme encompasses 518 projects, with schools selected based on the condition of their buildings. The DfE plans to initiate approximately 50 projects annually, ensuring a steady progression in addressing the infrastructural needs of educational institutions.

Despite this progress, concerns have been raised about the pace and scale of the programme. Over 1.5 million students are currently studying in schools requiring significant rebuilding or with major defects, highlighting the urgent need for accelerated action. In December 2024 the UK's Children's Laureate, Frank Cottrell-Boyce, emphasised that prolonged exposure to substandard learning environments can have lasting detrimental effects on students' education and wellbeing.

The issue of deteriorating school infrastructure has been further exacerbated by the presence of RAAC in some buildings. RAAC has been identified in 457 government buildings, including schools, posing risks of sudden structural failures. Addressing these concerns requires not only the removal and replacement of RAAC but also comprehensive structural assessments to ensure the safety of students and staff.

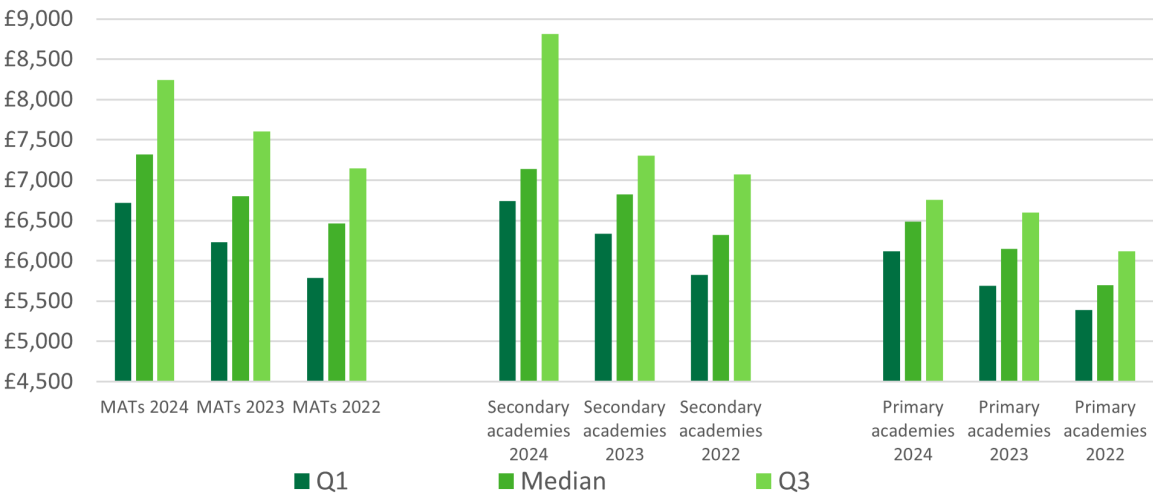
Financial constraints have also impacted the programme's efficacy. The government has committed £1.4 billion to ensure the delivery of the existing SRP, with 50 rebuilds planned per year. However, critics argue that this funding is insufficient given the scale of the problem. The Institute for Fiscal Studies reports that investment in school infrastructure is 25% lower than in the mid-2000s, underscoring the need for increased financial commitment to address the backlog of necessary repairs and rebuilds.

To effectively tackle the challenges facing the nation's schools, it is imperative for the government to allocate additional resources to the SRP. Increasing both the number of schools included in the programme and the speed at which projects are completed will ensure that students have access to safe and conducive learning environments. This investment is not only crucial for the immediate safety and wellbeing of students and staff but also for the long-term success and competitiveness of the education system.

At a rate of 50 school rebuilds per year, the 518 projects currently identified will take over 10 years to complete and, of course, this is only a fraction of the total number of schools in England. There are around 22,000 schools in England, meaning that if the programme were to expand to rebuild even 10% of them, it would take 44 years at the current pace. If the goal were to rebuild or significantly refurbish all schools over time, the timeline would stretch into centuries!

The slow pace is therefore a major concern. Without additional investment and a faster delivery rate, many schools seem destined to remain in poor condition for decades, impacting generations of students.

Spread of capital funding per pupil



The future

This transition towards the direct National Funding Formula (NFF) began in 2023/24 and continues in 2024/25.

The NFF is a mechanism through which funding is allocated directly to schools and academies, based entirely on the NFF, rather than through local authorities. This is an important shift from the previous system, where local authorities had control over how funding was distributed to schools within their area, a system that was seen as complex and often unfair, with allocations varying widely depending on local authority and regional differences.

The gradual transition from the old system to the NFF allowed for smoothing of funding changes, ensuring that schools and academies did not face drastic funding reductions or increases in the first few years of the new formula. However, some schools have still experienced significant changes in their funding levels, with many now receiving funding that more accurately reflects their needs.

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

The most common level of funding for 2023/24 on a per pupil basis was the lowest £50 range, followed by £100-£250. This is in contrast to last year when additional capital allocations boosted capital funding and consequently £250-£500 was the most common category.

Under the direct NFF, funding allocations are determined using the principles set out in the NFF, which takes into account factors like:

- Pupil characteristics (eg. age, special educational needs, free school meals eligibility)
- Geographical factors (eg. regional cost differences)
- School-specific characteristics (eg. size, sparsity).

Looking ahead, it is likely that the NFF will continue to evolve to reflect emerging priorities, such as increased funding for disadvantaged students, special educational needs and the cost of living. In addition, as the formula matures, there may be additional refinements, such as adjustments to reflect new data or emerging needs in the education system.

For larger MATs, School Condition Allocation (SCA) funding offers a predictable and flexible alternative to the competitive CIF process, enabling trusts to strategically manage their estates.

However, this shift requires robust estate planning, transparent internal decision-making, and a willingness to navigate the challenges of reduced capital for large-scale projects, internal competition for funds, and the need for long-term, trust-wide investment strategies.



Fixed assets and capital expenditure

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

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

Capital spending

Accounting standards require trusts to capitalise expenditure on fixed assets and depreciate them over their expected useful life. Trusts are free to set a suitable threshold for capitalisation with £1,000 - £5,000 being a typical range for single asset purchases, depending on the size of the trust. Higher limits may be used for bulk or group purchases made on one order, but some larger trusts set much higher limits.

It is important to remember that in most cases any significant works funded by Condition Improvement Fund (CIF) grants should be capitalised, even if the nature of the work is more akin to maintenance. It is difficult to justify an alternative approach because significant investment funded by CIF grants is likely to lead to enhancement of assets and extended ongoing benefit.

With the current drive towards decarbonisation and net zero, DfE guidance requires that all applications for CIF funding must demonstrate that the planned project will add to greater environmental sustainability at the school. Over the last couple of years we have seen many schools incurring capital expenditure to upgrade their facilities with PV panelling, modern LED lighting solutions, insulation and other carbon-reducing enhancements.

We anticipate that spending on upgrades to ICT facilities will be high on the agenda for many trusts with increasing awareness of the importance of cybersecurity and the upcoming withdrawal of support for Windows 10 by Microsoft on 15 October 2025, despite the recent announcement that schools will get discounted updates to keep Windows 10 running (Schools will pay £1 per device for the first year of support, rising to £2 in the second and £4 in the third).

The typical spend per annum

The data shows an overall decrease in the average capital spending across all types of academy trust compared to 2022/23. The average spend per pupil, which is perhaps the more relevant statistic, has also dropped, with the fall particularly marked in the primary sector.

	Average Total Spend		Average Spend Per Pupil	
	£'000	£'000	£	£
	2024	2023	2024	2023
Primaries	29	51	91	267
Secondaries	309	369	263	317
MATs	895	1,141	302	349

Breaking down these averages further, we have seen the top quartile of MATs spending over £3.5m on average, at an average cost per pupil of £523. The figures are a significant decrease compared to the top quartile of MATs in 2022/23.

A note of caution should be added due to the different ways that many academies and schools treat their expenditure and only capitalise a proportion. However, there is clear evidence in the data that overall expenditure per pupil has declined across the sector.



With rising pressures on estate condition, capital planning is more critical than ever. Trusts must take a strategic, long-term approach to investment, navigating accounting complexity while ensuring buildings are safe, sustainable, and fit for purpose.

Accounting treatment

The accounting treatment for capital expenditure can be one of the more confusing aspects of academy trust accounts, in particular the way which this interacts with associated income received towards capital projects. Grants and other capital income is recognised in full at the point when the trust is entitled to it, regardless of whether any cash has been received or when the trust incurs the related expenditure. This can result in large surpluses reported in the Statement of Financial Activities within the restricted fixed asset fund countered, over time, by the depreciation charges included to write off the cost of the capitalised assets over their useful lives.

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

Where trusts have received CIF or SALIX loans towards the costs of capital projects, the outstanding balance on these loans is set against net book value of the related assets in the restricted fixed asset fund. Repayments of these loans is usually by way of a deduction from GAG. As a result, trusts should make a transfer from the restricted GAG fund to the restricted fixed asset fund equal to the loan repayments.

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

Finance leases

Recent updates to the UK accounting standard FRS 102 are set to have a significant impact on the way in which trusts account for leases. Historically, trusts have been unable to enter into finance lease arrangements without approval from the Secretary of State for Education. The latest update to FRS 102 has introduced a ‘right to use’ concept in determining the accounting treatment for leasing arrangements. The result is that most leases that are currently treated as operating leases will now be accounted for as finance leases with the asset and liability reported on the balance sheet.

In anticipation of these changes, with effect from 1 September 2024 trusts have been able to enter into a number of leasing arrangements without obtaining approval from the Secretary of State for Education. The DfE has published a list of acceptable leasing arrangements at <https://www.gov.uk/government/publications/leasing-for-academy-trusts/changes-to-leasing-agreements-for-academy-trusts>.

School buildings

One of the key issues which some trusts have grappled with over the last year is reinforced autoclaved aerated concrete (RAAC), a cheaper and more lightweight form of concrete predominantly used in flat roofing but which is less durable and has led to concerns over structural safety in school buildings. Although DfE funding has been made available to affected trusts, many have had to close the parts of their school buildings and make use of use temporary accommodation. While the installation and short term use of portacabins has been disruptive, perhaps a more important factor is the adverse picture this presents to parents assessing their options for where to place their children and consequent impact on pupil numbers.

Unfortunately, the RAAC issue appears to be the prelude to more widespread problems in the sector with concerns raised over the structural safety of thousands of ‘system built’ schools. A National Audit Office report identified 3,600 system-built school blocks out of a total of 13,800 which ‘may be more susceptible to deterioration’.

Trusts will understandably be concerned about the potential for significant costs ahead in identifying any structural defects and undertaking remedial work, as well as dealing with the general maintenance requirements of their school buildings. In May 2021 the DfE published its key findings from a Condition of School Buildings Survey which stated ‘the total condition need, defined as the modelled cost of the remedial work to repair or replace all defective elements in the school estate, is £11.4 billion’.

The Chancellor’s Autumn Budget included £1.4 billion for school rebuilding programmes and £2.1 billion for maintenance and improvement of school buildings. Although this represents a welcome increase of £300 million on the previous year, the gulf between actual funding and what is needed remains significant.

Cash at bank balances

The results from 2023/2024 have shown a continuation of financial pressure on academies and a reduction in the cash position for most. Unfortunately, this does not look like it will improve in the short term. The increasing staff costs and overall rise in overhead expenses have further strained sector budgets, significantly impacting the cash flow of trusts.

The Core Schools Budget grant, amounting to £605 million, has been announced to support the academy sector for 2025-2026. This funding is intended to cover known pay awards, employer contributions, and rising overall costs. However, it is likely that this grant will not fully cover all additional expenses incurred by academies, necessitating the need for further funding sources or cost-saving measures.

The September 2024 National School Trust Report annual survey of accounting officers, conducted by CST in partnership with Edurio, showed that almost 20% of respondents were either not very confident or not confident at all in the financial sustainability in their Trust. This has remained consistent with the reported levels for last year.

A common misconception is that the cash balance represents available free cash. However, part of this balance is often allocated for supplier payments. It's crucial not to view the bank position in isolation, as timing is important and some of the funds may be unspent allocations intended for the next financial year.

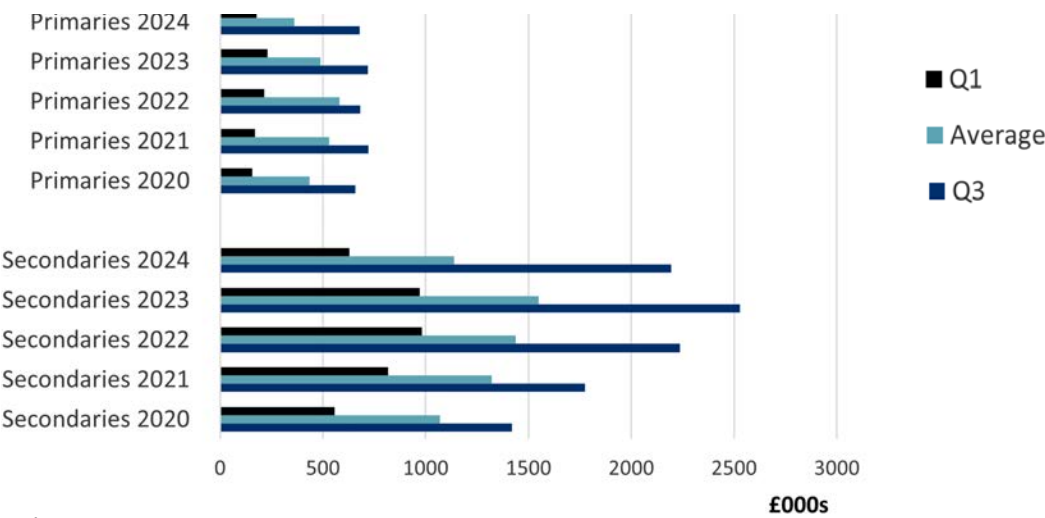
In our trusts we see the largest percentage of cash balances held in the top two ranges and this is consistent across MATs, secondaries and primaries. However the actual value on average has dropped and there is an increasing number which fall into the less than £500 per pupil categories.

Cash held per pupil 2024/2023				Cash held per pupil 2023/2022			
	Q1	Average	Q3		Q1	Average	Q3
Secondary academies	602	1,388	1,773	Secondary academies	1,036	1,395	1,902
Primary academies	648	1,112	1,647	Primary academies	763	1,202	1,544
MATs	714	1,012	1,606	MATs	899	1,270	1,595

The table above demonstrates that the secondary academies have been able to maintain a consistent average of cash held per pupil between this year and last. However, both primary academies and MATs results reveal a continuation of pressure on costs which has seen a decrease in average cash holdings per pupil.

As shown in the chart below, there has been a decrease in average cash at bank balances for both secondaries and primaries. The secondary cash balance has seen a reduction from £1.5million to £1.1million this year and for primary academies there has been a decrease to £360,000 (2023: £490,000). The gap between the upper and lower quartile results continues to be vast, however, it has seen a decrease in overall levels of cash held for all trusts.

Cash balances per pupil held at 31 August

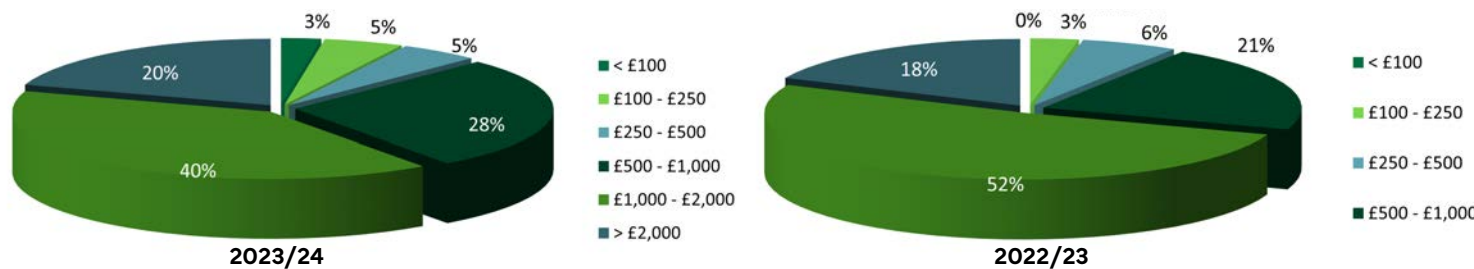


Range of cash balances held (per pupil) - MATS



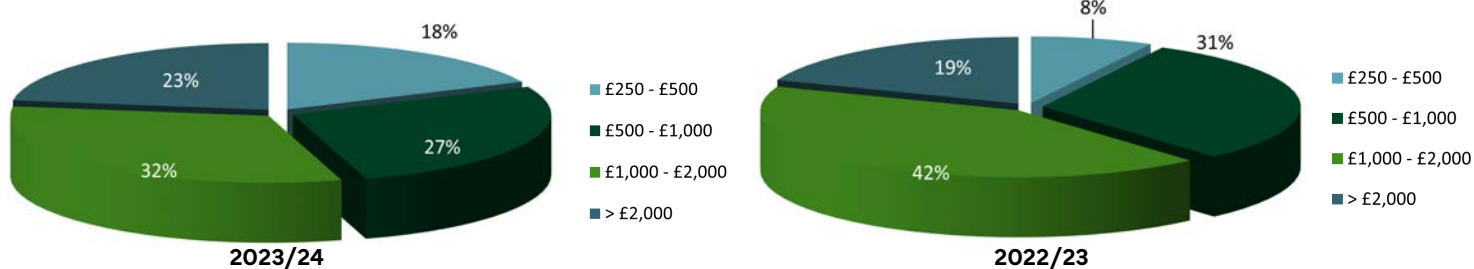
For a consecutive year there has been a decrease in the number of MATs in the top two ranges which has fallen from 64% to 51% of all trusts in the sample. The largest growth for trusts has been seen in two of the lower ranges of £100 - £500 per pupil which has risen to 13% from 2% last year. This highlights the additional financial constraints being experienced by trusts.

Range of cash balances held (per pupil) - Secondaries



Secondary academies have continued to hold a greater amount of cash per pupil on average than any other trust. The percentage of secondary academies in the top two ranges has remained consistent at 60% with a slight shift towards more than £2,000 per pupil. However, at the opposite end of the scale we have seen 3% of secondary schools drop down to the below £100 per pupil range.

Range of cash balances held (per pupil) - Primaries

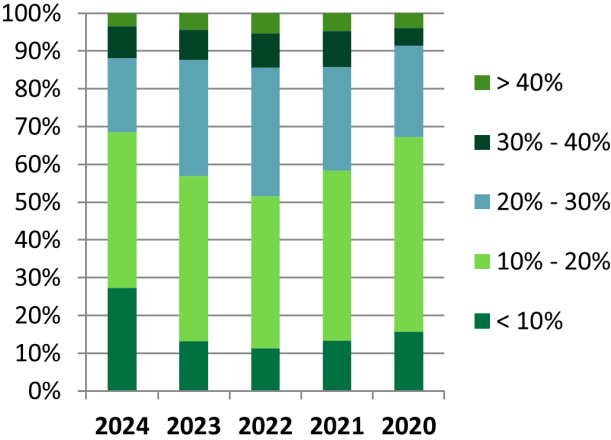


Primary academies are holding on average more cash per pupil than last year. The top two ranges have increased to a combined 55% from the 51% last year. This has shown tighter controls over costs in a number of trusts this year. At the other end of the scale there has been an increase in the lower tier to 18% from 8% last year. The bottom tier for primary academies is £250-£500 which is much higher than any other type of trust.

Cash balances vs recurring levels

Comparing cash balances against recurring revenue income is an alternative and useful way of reviewing levels of cash. On the 31 August 2024, 41% of trusts held cash of between 10-20% of their recurring income. With cash balances generally decreasing, there was an increase in the number of trusts in the bottom range this year. The percentage of trusts holding a cash balance that equates to over 40% of their recurring income remains stable at 3% (2022/23: 4%).

Cash balance: recurring income ratio



Reserves

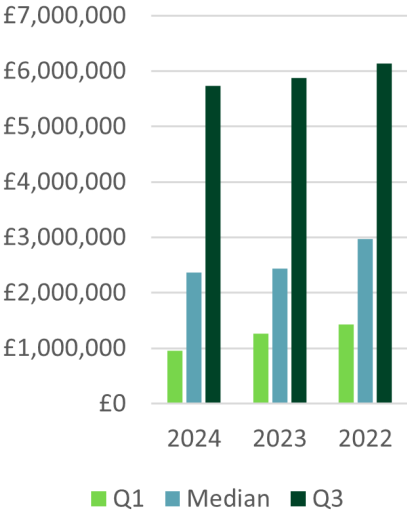
ESFA guidance published in October 2024 does not prescribe a required level of reserves to be held by an academy but suggests the onus should be on the trustees themselves to decide on the appropriate level to cover known upcoming capital projects and unforeseen expenditure. The only mandatory requirements are that a policy is in place, it is explained in the financial statements and is clear. The policy should also note the level of reserves held and the reason for holding those reserves, including details on any designated funds.

Currently the DfE tend to look at trusts who are holding reserves of less than 5% of income for possible financial vulnerability, but on the other hand they are looking at trusts who are holding more than 20% of income to ensure compliance with the ATH.

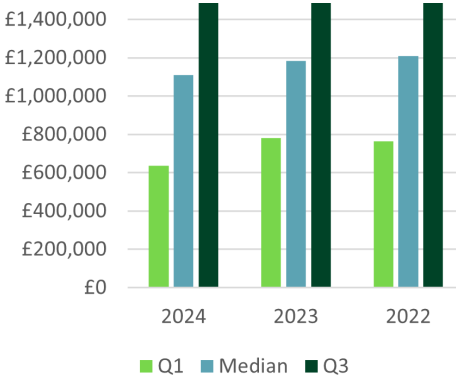
The graphs below look at the revenue income held per different trusts. It is clear that a greater level of revenue income reserves is held by MATs but it can be also seen that all trust types on average have seen a decline in these reserves over the past three years. This reiterates the financial pressure which the sector is currently experiencing.

The difference between the lower quartile and upper quartile results again show significant variance between the financially stronger trusts and those who run on much tighter finances and reserves. The top 25% of secondary academies have maintained a level of roughly £1.8m of revenue income reserves. The lowest quartile has been held at a fairly consistent level of £760k (2023: £780k). Primary academies top 25% has remained fairly consistent at just over £500k between 2024 and 2023. The larger movement for primary academies is in the bottom quartile which has seen a reduction of £60k.

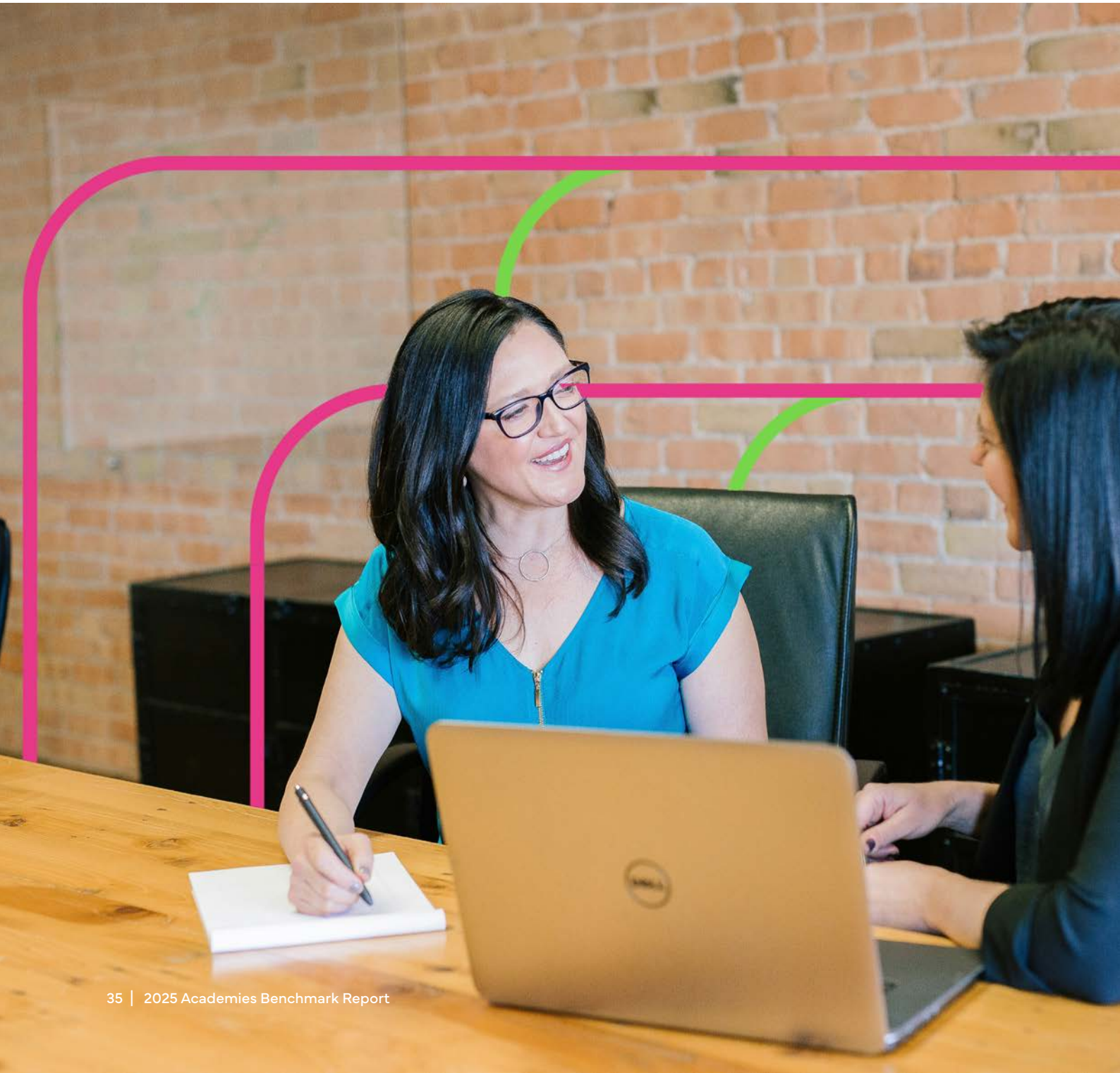
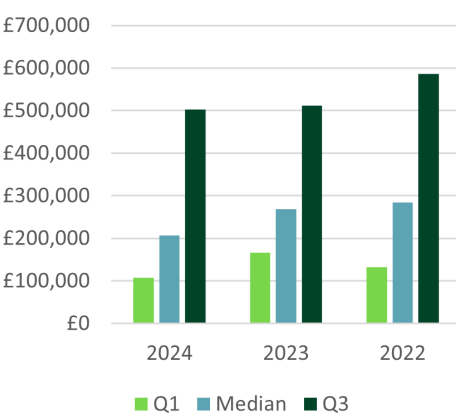
Total revenue income reserves at year end (MATs)



Secondary academies



Primary academies

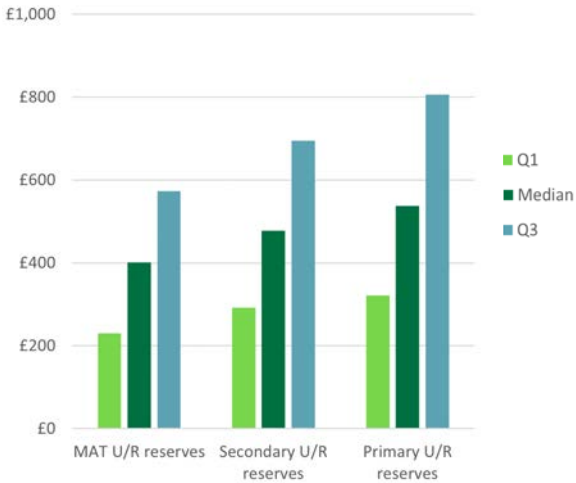


There is an increasing variance between the highest quartile and lowest for all trusts. The level of free reserves generally rises when trusts are generating their own income and suggests trusts should try and increase the number of opportunities for self-generating income.

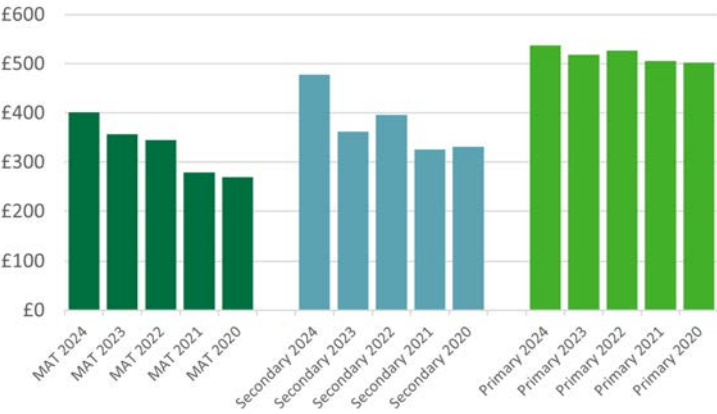
The results become more comparable when we consider the unrestricted ‘free’ reserves on a per pupil basis. These results show that primary school academies continue to hold the highest unrestricted reservers per pupil, although there has been a slight increase from the prior year. This is likley to be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

Comparing the 2024 results to 2023 results we can see that the unrestricted income reserves per pupil have increased for all trusts, however levels at primary and MAT have increased at a much lower rate than secondary, again reiterating the financial challenges faced in the year.

Total unrestricted revenue income reserves per pupil at 31.8.2024



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



“The level of free reserves generally rises when trusts are generating their own income and suggests trusts should try and increase the number of opportunities for self-generating income.”

Surplus or deficit

The Academy Trust Handbook requires trusts to approve a balanced budget which takes into account any brought forward reserves.

Brought forward reserves comprise reserves of a revenue and capital nature and arise from the following income streams:

- Funds received for specific purposes which are revenue in nature, such as the trusts General Academy Annual Grant (GAG) for each academy, which should be spent on meeting the trusts broad educational objectives
 - Funds received for general purposes which are not subject to any restrictions and commonly arise from donations and income generated from the academy trusts own activities. These funds are available for general use to be used at the discretion of the trustees to further the academy trusts charitable purpose
 - Funds received for capital purposes in the form:
 - Devolved Formula Capital (DFC)
 - Condition Improvement Fund (CIF)
 - School Condition Allocation (SCA).
- Capital funds although mainly received from the DfE/ESFA may also be received from:
- a sponsor
 - local authority
 - private donations.

The DfE does not require any specific level of reserves, either of a percentage or monetary amount, as long as the combined total of the trusts restricted and unrestricted reserves are not in deficit. The level of reserves a trust decides to hold is likely to depend on both short and long term factors including:

- type and size of academies within the trust
- demographics
- capital condition of the trust’s estate
- estate strategy
- future plans.

Around 90% of trusts hold reserves of a least 5% of total income but this may vary depending on each trust’s individual requirements, with many trusts holding one month’s expenditure to protect against unexpected fluctuations in cashflow. Where trusts hold reserves of less than 5% of their total income this may be because of increasing financial difficulties.

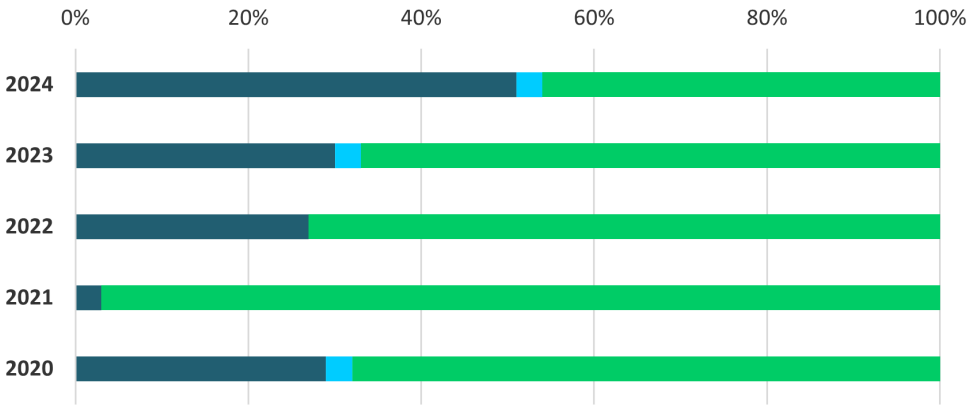
Trusts who hold high levels of reserves, which is defined by the National Audit Office and Public Accounts Committee as 20% or more of a trust’s income, are usually holding these reserves not only for contingency reasons but for long term capital projects which would not be supported by capital donations or capital grant funding. Trusts which hold excessive funds purely for contingency reasons would find this hard to justify, as trust funding should be used for the benefit of pupils. In order to determine the in year operating performance of a trust, it is generally based on the increase in revenue reserves for the year, rather than on any increase in capital reserves or in any change in the local government pension scheme adjustment. In order to be able to calculate a trust’s operating performance, the following items from the net surplus or deficit in the statement of financial activities (SoFA) should be excluded.

	(£000s)
Overall net movement in funds for the year per SoFA	324
Decrease /(increase) attributable to fixed asset fund	312
LGPS actuarial (gain)/loss	(223)
LGPS service and interest costs	125
Increase/(decrease) in revenue funds during the year	538
Add: Transfers from revenue to capital to fund fixed asset additions	30
Less: Revenue funds inherited from joining academy	(300)
Operational surplus on revenue funds before transfers to capital	268

In August 2024 there were 22,033 state schools in England educating around 8.5 million pupils aged 4 to 19 years old. 11,392 of these schools with over 3.4 million pupils were maintained schools funded by local authorities with the remaining 10,641 schools being academies with over 5 million pupils.

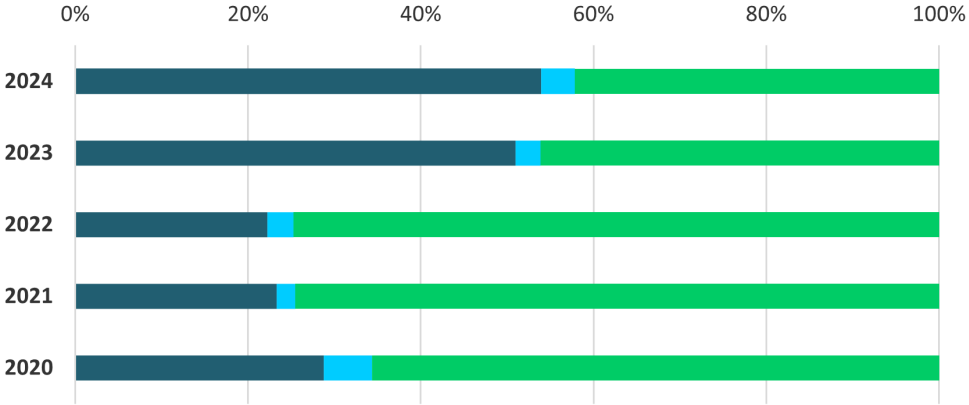
■ Deficit ■ Breakeven ■ Surplus

GAG result: secondaries



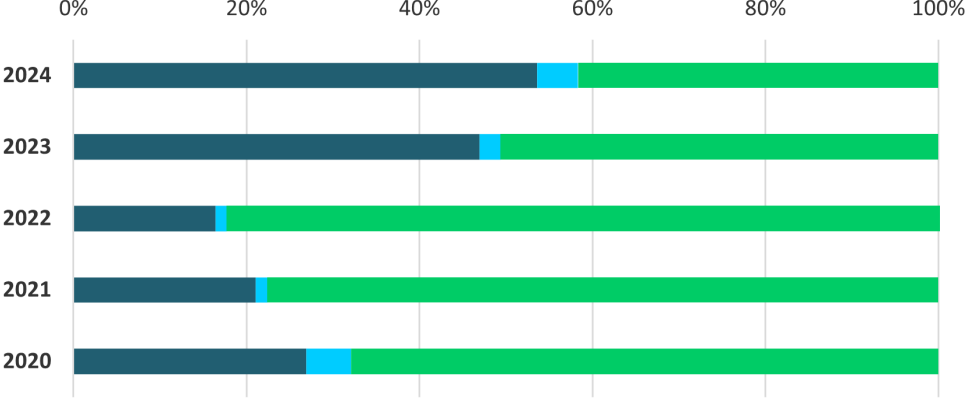
There has been a significant increase in secondary academies reporting a GAG deficit which has increased from over 27% in 2023 to more than 50% this year. This is unlikely to change in future years as single academy trusts are under increasing pressure to combat increasing costs that have not been met by additional funding.

GAG result: primaries



The number of primaries reporting a GAG deficit has marginally increased again this year from just over 50% in 2023 to 55% in 2024, as primary academies struggle to combine falling pupil rolls with increasing costs. This trend is likely to continue and will force primaries that are not economically viable to join multi academy trusts.

GAG result: MATs



MATs by their nature are of varying size, although 96% of trusts comprise fewer than 20 academies.

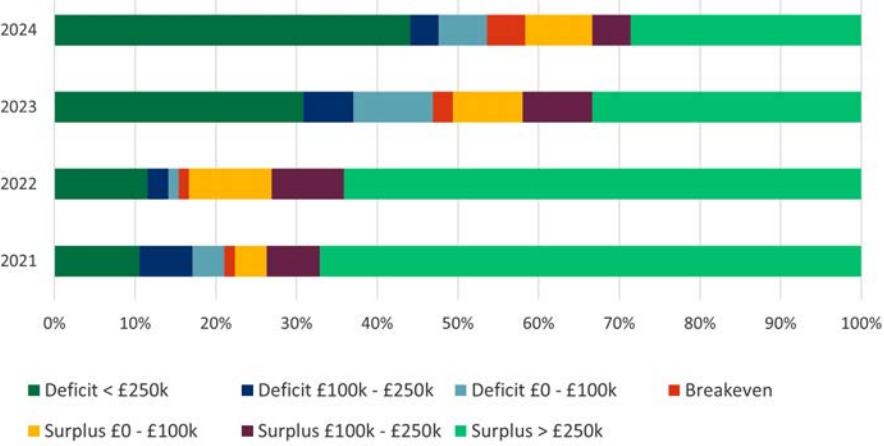
Similarly to primary academies, the number of MATs reporting a GAG deficit has marginally increased from 50% in 2023 to 55% in 2024, as MATs face increasing costs from inflation pressures that have not been compensated by increasing amounts of DfE funding.

GAG

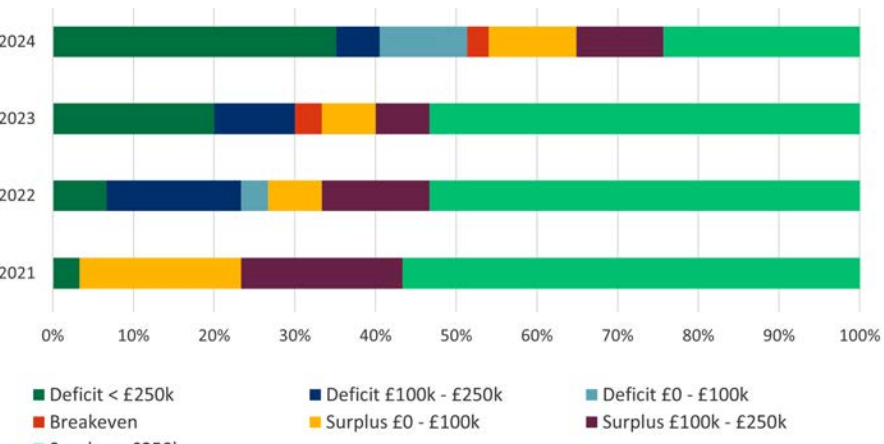
Across the academy sector generally, more than 50% of trusts reported a GAG deficit during 2024 compared to 32% in 2023, this is because of:

- increasing staff costs
- falling pupil numbers
- MATs comprising mainly primary schools without the additional funding received from secondary schools to reduce the effects of increasing back office costs
- inflationary costs in the UK not being fully offset by additional sources of GAG funding.

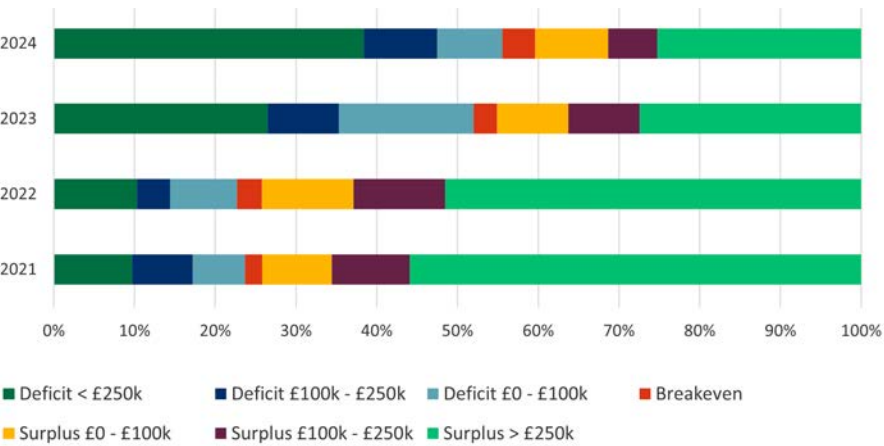
GAG result: MATs



GAG result: Primaries

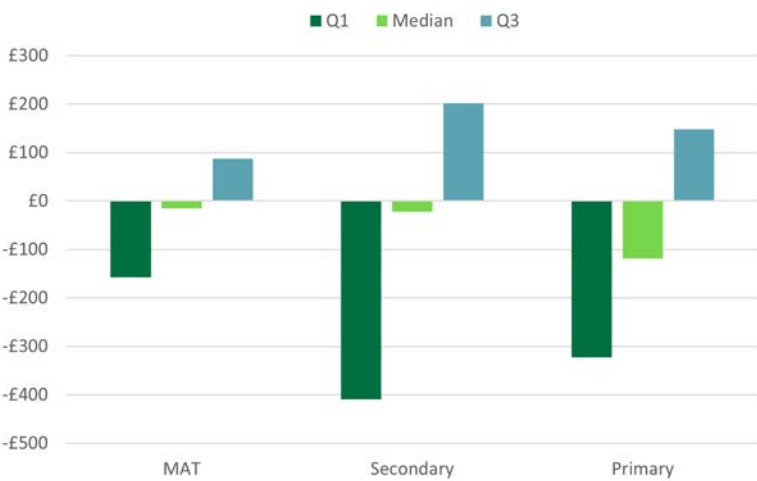


GAG result: Secondaries



“The level of free reserves generally rises when trusts are generating their own income

Per pupil GAG result

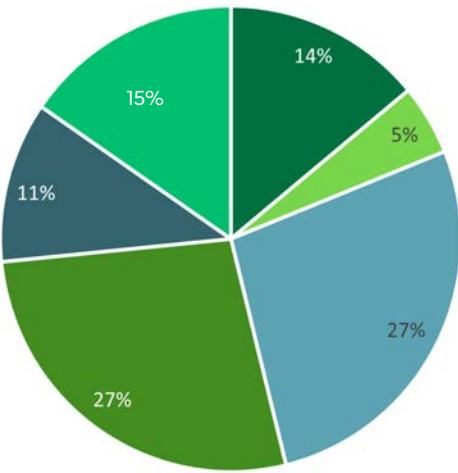


On a per pupil basis there has been a significant increase in the number of secondary schools incurring a GAG deficit from £75 per pupil in 2023 to £400 per pupil in 2024 and reflects the increased staffing costs and inflation non pay costs which are not being supported by DfE grant funding. Primary schools continue to struggle to make ends meet, with increasing numbers of single academy trusts incurring a GAG deficit.

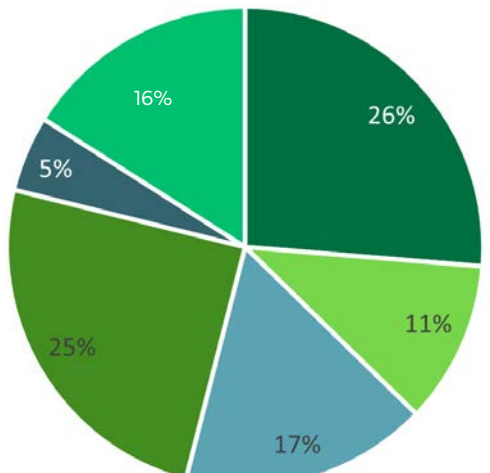
There has been little change from 2023 in the number of MATs with deficit pupil funding, although this position is likely to increase during 2025 as inflationary costs are not being compensated by increased DfE funding.

During 2024, 46% of academy trusts have continued to see their reserve funds increase compared to 56% in 2023. Most of the trusts showing an increase in reserves are multi academy trusts comprising a predominantly high number of secondary schools, who are able to centralise their back office systems to achieve improved economies of scale. Trusts that are single academy trusts or multi academy trusts comprising a large number of primary schools continue to see their revenue funds falling as costs increase.

Movement in revenue funds during 2023/24



Movement in revenue funds during 2023/24



Reason for surplus or deficit

For the first time, the number of trusts remaining in surplus fell to less than 50% during 2023/24, with 46% increasing their reserves compared to 54% during 2023.

Trusts continue to see a reduction in their reserves because of increasing:

- pay awards
- non pay cost pressures
- inflation of 3%
- amounts of reserves being used for capital projects not funded by the DfE.

Whilst inflation has eased from 8% during 2022/23 to 3% in 2023/24 schools still have to combat increasing costs arising from:

- income reducing or remaining static as primary school pupil rolls steadily decrease;
- staff reorganisations or voluntary redundancies are required to match the reduced income expected from lower pupil numbers.

With pupil numbers falling fast and capacity projected to increase, the percentage of unfilled primary school places is expected to rise from 12% to 16% over the next 5 years.

This potential overcapacity may, however, be offset by increasing numbers of pupils being transferred from independent schools, following the government’s recent policy change to levy VAT on school fees and employer national insurance costs that may not be affordable by some parents.

Spare space can create opportunities for academies as it enables academies to undertake activities that would not normally be possible. However, the cost of having so many unfilled places is likely to outweigh the benefits and cause budgetary pressures.

The most obvious way for academies to reduce costs is to reduce staffing, which accounts on average for up to 80% of an academy’s expenditure. Another possibility is for academies to pool resources with other academies located nearby or consider joining a multi academy trust.

The government’s proposed Children’s Wellbeing Bill will require all academies and maintained schools to cooperate with local authorities on school admissions and place planning, which will enable pupil numbers to be more evenly spread across all schools.

The table below at February 2025 details the number and size of trusts during 2024 compared to 2023 which comprises an increased number of academies; 11,375 (2024 : 10,746), although the number of trusts is falling; 2,181 (2024 : 2,290).

Trust Size	Academies, free schools, studio schools and UTCs	Academies, free schools, studio schools and UTCs	Trusts	Trusts	% Trusts	% Trusts
	2025	2024	2025	2024	2025	2024
1	1,028	1,119	1,028	1,119	47.1%	48.9%
2	322	396	161	198	7.4%	8.6%
3-5	1,290	1,425	328	365	15%	15.9%
6-10	2,792	2,683	360	348	16.5%	15.2%
11-20	3,182	2,686	220	186	10.1%	8.1%
21-30	1,008	867	41	35	1.9%	1.5%
31-40	1,069	940	30	27	1.4%	1.2%
40+	684	630	13	12	0.6%	0.5%
Total	11,375	10,746	2,181	2,290	100%	100%

Conclusions

Despite the increase in revenue and capital funding of more than £2 billion during 2023/24 and 2024/25 academies are struggling to make ends meet because of:

- higher staff costs
- inflation of 3% not being fully funded from budgets
- falling pupil rolls creating excess capacity
- inadequate funding for school’s capital projects not covered by DfE or CIF funding.

Academies will need to reduce costs by:

- reducing staffing
- looking for innovative ways of utilising any space capacity
- collaborating with other nearby academies to pool resources
- merging with larger multi academy trusts.

Governance and audit findings

We consider various non-financial areas, including governance, within our annual benchmarking reports to add further depth to our overall financially based findings. This includes results of our analysis of recommendations for improvements included in our Audit Findings Reports to our clients.

Changes in accounting officer and CFO

In academy trusts, the Accounting Officer holds ultimate responsibility for the trust's financial management and reporting. When there is a change in the Accounting Officer, the trust must take specific steps to ensure continuity in financial management. While turnover in key roles is inevitable, recent years have seen relatively few trusts experience a change in Accounting Officer. These changes occur for various reasons, including retirement, being headhunted, or dismissal due to poor performance.

This year, the percentage of trusts experiencing a change in Accounting Officer decreased to 6%, down from 14% in 2022/23.

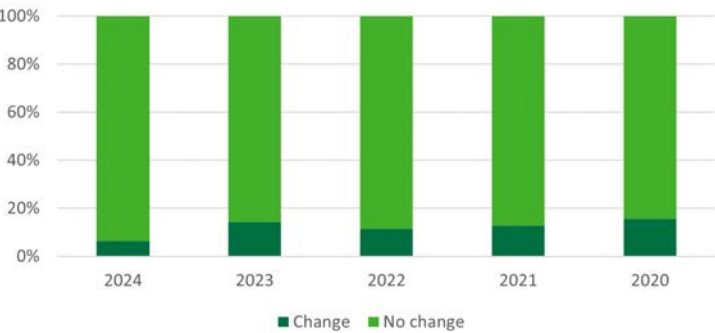
Each year, a number of CFOs leave their positions. Like many sectors, trusts seeking a new CFO face a shortage of candidates who possess both the necessary experience in the education sector and the accounting expertise required for larger trusts.

CFOs often have responsibilities that extend beyond finance, and the Department for Education (DfE) expects them to fulfill both technical and leadership roles. The DfE now requires CFOs, especially those in larger trusts, to be appropriately qualified and/or experienced. The CFO should be employed by the trust, and the DfE encourages larger trusts (eg, those with over 3,000 pupils) to consider a range of accountancy qualifications from professional bodies when filling CFO vacancies. Additionally, the DfE requires that finance staff have the necessary skills and training to perform their roles effectively.

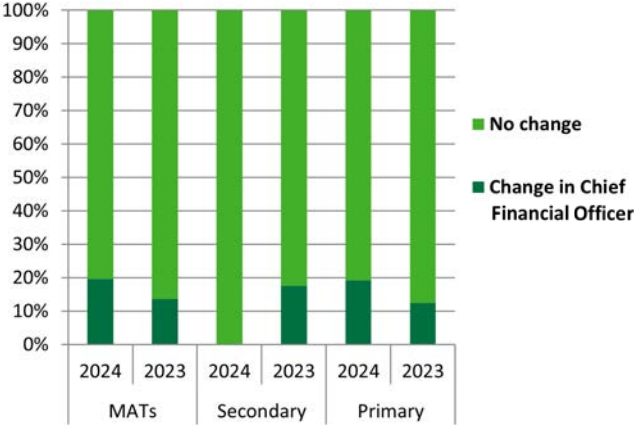
All CFOs should engage in continuing professional development (CPD) and undertake relevant ongoing training, regardless of whether they are qualified accountants. While the DfE suggests that a larger trust might be one with over 3,000 pupils, there is no precise definition provided in the Academies Trust Handbook (ATH). However, trusts are expected to have strong financial management and governance structures in place, with appropriately skilled finance staff.

The graph below shows the percentage of CFO changes in trusts for the 2023/24 year: primary trusts (19% vs. 13% in 2023), secondary trusts (0% vs. 18% in 2023), and multi-academy trusts (MATs) (20% vs. 14% in 2023).

Academies with Accounting Officer change during the year



CFO changes



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

A good audit will challenge the finance function, apply professional scepticism and often raise observations and recommendations for improvements. A well-run trust with strong control systems, financial management and governance structures, along with appropriately skilled finance staff and good leadership, would expect to receive a fairly 'clean' report from their auditors. These Audit Findings Reports are private and not available to the public on the trust's websites, but they are provided to all trustees and submitted to the DfE along with the audited financial statements by 31 December each year.

The board of trustees, advised by the audit and risk committee, must ensure the trust's management team responds appropriately, reasonably and timely to external auditors' findings, taking opportunities to strengthen financial management and control systems.

External auditors are also required to conduct a 'regularity review' as part of the audit process. This review is in addition to the normal statutory audit work and serves as an additional governance review not typically required of other organisations, maintained schools, companies or charities. The regularity review helps auditors identify recommendations for improvements, and the results must be shared with the DfE. Additionally, all academy trusts must conduct a separate 'internal scrutiny' review regularly, reporting the findings to the trustees and providing a summary report to the DfE annually.

Sometimes, a change of auditor can result in an above-average number of issues being identified, as a fresh perspective may spot issues the previous firm did not. Some audit firms and teams have more experience in the sector and can add value by providing recommendations on areas that other firms may not have experience with.

This does not mean trusts should change auditors too frequently. Trusts need to demonstrate value for money when procuring audit services, similar to other goods or services, but cost should not be the primary factor. The quality of the audit, the firm's client service, communication and reporting are all important and need to be carefully considered.

The DfE has a good practice guide to help trusts choose a new auditor. It provides details on the work of an auditor and best practices for finding and selecting an auditor who will provide a high-quality, cost-effective and efficient audit. The DfE expects trusts to retender the external audit contract at least every five years, as it is considered good governance practice.

There is no right or wrong time for an academy trust to go out to tender. The best practice guide explains that good auditing requires a thorough understanding of the audited entity, so changing auditors too often can be counterproductive. Another option is to rotate the audit partner within an audit firm, similar to how listed companies rotate audit partners every five years, to ensure the firm and senior audit team remain independent.

Due to ongoing challenges in the audit profession, including resource shortages, inflation, increased audit regulation and many firms exiting riskier or lower-recovery audits, trusts will find that audit fees are increasing at a higher rate than expected. Some audit firms have exited the academy sector due to lower recovery rates compared to other sectors.

Trustees, Accounting Officers and CFOs remain keen to ensure the audit process is smooth and there is a strong desire for the Audit Findings Report to be as 'clean' as possible. This desire may stem from familiarity with Ofsted ratings and the aspiration to be seen as 'Outstanding' or at least 'Good'. Consequently, we are often asked whether the issued findings report is a good one and how it compares to other trusts we work with. Recommendations from the audit firm should be viewed as constructive advice to help trusts improve their governance and efficiency, ultimately enhancing the level of education provided and helping students in their local communities to prosper.

The number of issues arising this year is broadly unchanged from the previous year, with the vast majority (76%) receiving between 1–5 recommendations, although there were more in this category than in previous years. There has been a decrease to 8% (from 10% in 2023) for trusts achieving a completely clean findings report with no recommendations.

	2023/24	2022/23	2021/22	2020/21	2019/20
No issues raised	8%	10%	6%	11%	5%
1 – 5 issues	76%	63%	74%	75%	79%
6 – 10	14%	19%	16%	9%	10%
11 -15	2%	7%	4%	5%	4%
15+	0%	1%	0%	0%	2%

The audit process should be an invaluable tool for building efficiencies and system improvements that benefit the trust as a whole. Audit recommendations play a crucial role in maintaining and developing internal control systems.

There is a clear distinction between lower-risk points, where action is not time-critical, and more serious issues that pose a risk to trust funds or involve significant breaches of the Academies Trust Handbook (ATH). Trusts should ideally aim to address all audit issues, though this is not always practical. More serious issues should be resolved promptly, as recurring points can lead to elevated grading by auditors.

Audit firms must state in the annual DfE Accounts Return whether previous years’ recommendations have been addressed. If trusts have repeat medium or high-level recommendations, the DfE is likely to investigate why these recommendations were ignored, potentially leading to a deeper governance investigation.

The DfE’s internal scrutiny requires a different firm to be appointed for this work, offering a fresh perspective on various topics and helping the trust develop its

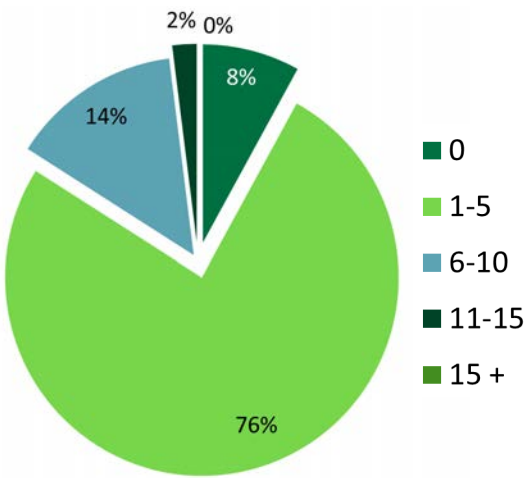
systems and improve internal controls. Many trusts use a recommendation log to track both external auditors' and internal scrutiny recommendations, ensuring timely resolution. This log should be discussed at every audit committee meeting to ensure the finance team addresses any identified issues.

Although 8% of trusts achieved the ‘holy grail’ of no issues in their audit findings report, this remains rare due to the complex rules and regulations of the ATH. There are over 100 ‘must’ requirements of the ATH, not including general UK GAAP accounting rules, the annual DfE Accounts Direction, the Charity SORP and Charity and Company law.

In our experience, many academy trusts are well-run with robust systems and controls that deter and prevent fraud while achieving value for money.

Trusts often have better systems and controls than comparable corporate entities or charities, which is appropriate given the public nature of academy schools.

No. of audit findings report (AFR) points 2023/24



The common issues identified during our 2023/24 audits include:

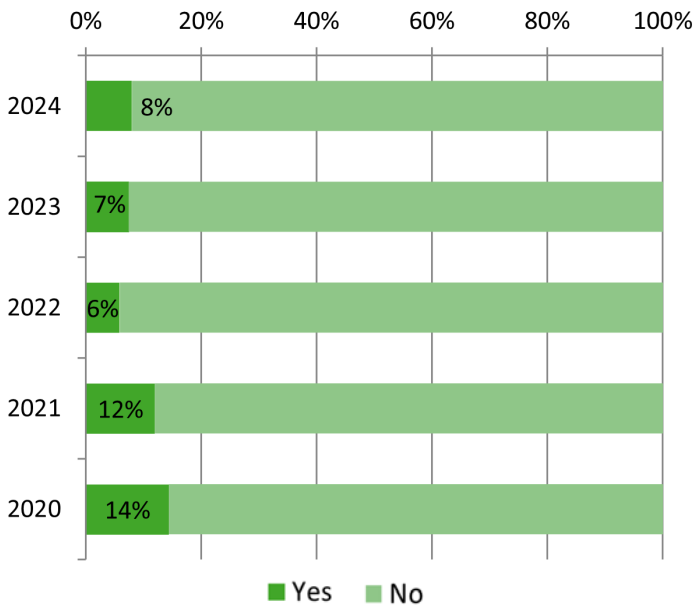
- Non-compliance with related party transaction rules, such as not notifying the DfE on time or before entering into a transaction.
- Weaknesses in the management accounting process, including the format and content of monthly accounts.
- Going concern issues, including concerns over the financial situation and depleting reserves.
- Weaknesses in fund accounting during the year.
- Non-compliance with internal procurement procedures (eg. properly raising or authorising invoices or purchase orders).
- Outdated or irrelevant trust finance policies.
- Insufficient disclosure of business interests on the trust website, including not keeping the register of interests up to date.
- Failure to review and update the risk register.

- Issues with monthly reconciliations of sales, purchase ledger, or bank control accounts.
- Problems with accounting for capital items and maintaining or updating an accurate fixed asset register.
- Generally weak accounting processes or delays by the finance team in supplying accurate financial records for auditing.

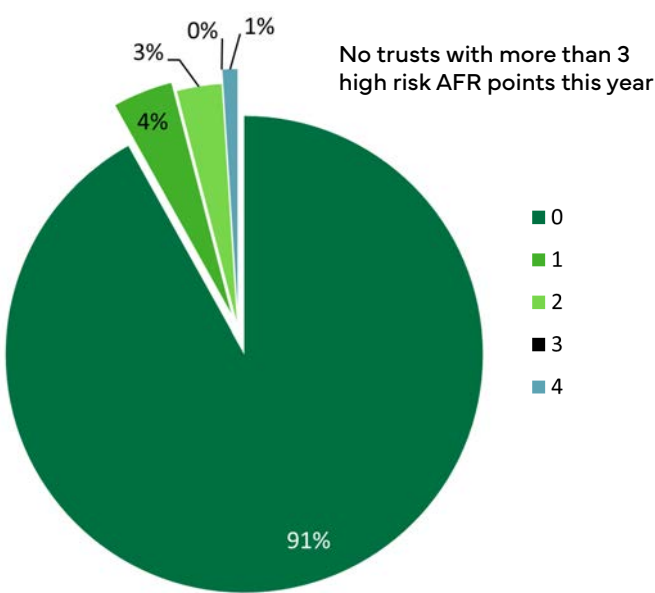
The proportion of trusts with high-risk/priority recommendations has been fairly consistent in recent years but increased slightly in 2024 to 8% (from 7% in 2022/23). It is reassuring to know that it remains relatively rare for a trust to receive ‘red’ rated recommendations.

Of the 8% of trusts that had a significant issue raised, the vast majority received only one high-risk point, making it unusual for trusts to have multiple issues warranting a severe rating. The high-risk points we identified included going concern or other serious financial concerns, failure to comply with the new related party rules, significant issues adhering to the trust’s internal procurement policies and delays in preparing adequate accounting information.

Trusts with high risk / priority audit findings report points



Number of high risk or priority AFR points





Related party transactions aren't inherently problematic, but transparency, impartiality, and strong internal controls are vital to ensure trust, prevent conflicts and uphold public confidence.

Related party transactions

The DfE requires academy trusts to maintain high standards of governance and financial management, including the management of related party transactions. These transactions occur when a trust engages with an individual or entity closely related to the trust, such as a trustee, employee, or their family member.

The DfE's requirements for related party transactions are complex, but one overriding principle is clear:

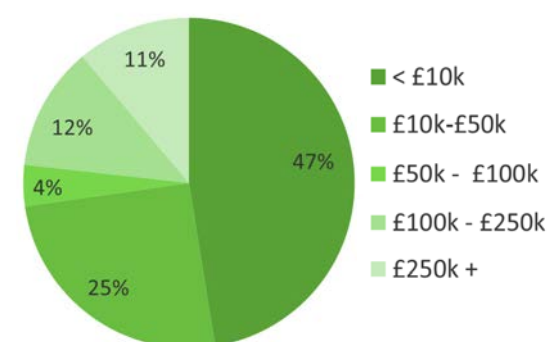
"Academy trusts must be even-handed in their relationships with related parties by ensuring that ... no member, trustee, local governor, employee, or related individual or organization uses their connection to the trust for personal gain, including payment under terms that are preferential to those that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

Trusts that do not comply with these rules should be held accountable, as the rules are designed to protect trusts from individuals with less than honorable intentions. Often, technical breaches of the related party transaction (RPT) rules occur without any fundamental concern about the underlying transaction.

Related party transactions are not inherently 'bad,' despite media portrayals. They are often entered into for legitimate reasons where the related supplier can provide valuable goods or services to the trust. However, the related party rules can sometimes discourage trusts from engaging in these transactions altogether.

Finance teams and trustees need to be familiar with the related party section of the ATH. It is important to review this guidance regularly to prevent inadvertent breaches. Trustees must manage perceived conflicts of interest as diligently as real ones. A perceived conflict of interest arises when an individual or organisation has a personal, professional, or financial interest that may influence their impartiality or decision-making. Even without an actual conflict, the perception of one can undermine public trust and confidence.

Value of highest related party transaction



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

Our data shows that the number of trusts reporting related party transactions has increased over the past three years, with 87% of trusts reporting such transactions (up from 71% in 2022/23 and 65% in 2021/22).

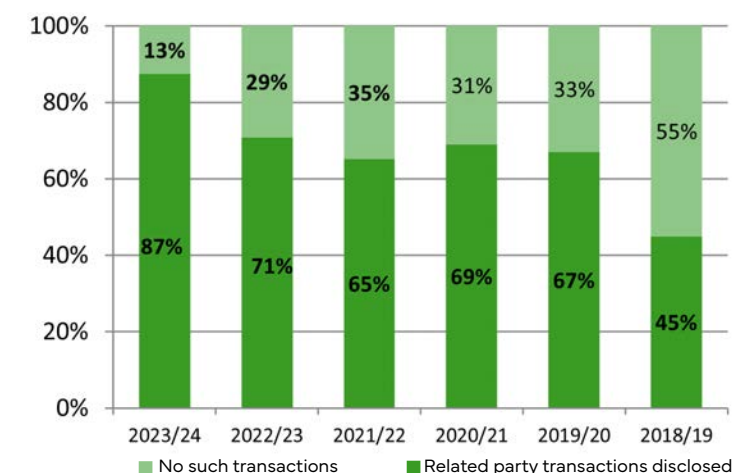
The percentage of trusts disclosing related party transactions may initially seem high, but this figure would significantly decrease if receipts and payments to non-commercial organisations were excluded. Transparency over related party transactions in the academy sector is beneficial and is not a requirement for maintained schools.

A trust's systems and controls should act as barriers and deterrents to any dishonest related party transactions. Equally important are the trust's culture, values and 'tone from the top'. Often, issues arise when an overbearing individual in a senior position exerts significant influence. Trusts should have appropriate whistleblowing policies in place so that all staff feel comfortable raising concerns without fear of repercussions.

Around a third of trusts (47% vs. 41% in 2023) that reported related party transactions did so at a relatively low level, beneath £10,000. A small percentage of trusts (11%) reported high-value related party transactions, which often include donations from related entities, costs paid to sponsors for rent and other property expenses, remuneration of staff trustees, or payments from local authority schools for support and consultancy before formally joining the trust.

These examples illustrate how easy it is to misinterpret the overall statistics. We are aware that the DfE is increasingly scrutinising intended related party transactions and, in some cases, not approving the requested transactions, rightly or wrongly.

Academies with related or connected party transactions



UHY's final thoughts

We hope you have found this year’s benchmarking report insightful

As in previous years, we have included the average data sheet on pages 53, which allows you to compare your academy trust against similar trusts. Should you wish, we would be happy to plot your key data onto graphs for comparison with the averages.

To conclude, we offer some key reminders that we believe are always worth revisiting:

For trustees

The responsibility for the trust’s strategic direction lies with the trustees. However, it is equally important for them to hold executive leaders accountable for both the educational performance of the trust and its pupils, as well as for the management of staff performance. Trustees are also responsible for overseeing and ensuring effective financial performance.

To fulfil these duties, trustees must ask the right questions and maintain a healthy level of scepticism in response to the answers. We recommend that new trustees review the [ATH Schedule of Musts](#) and that all trustees revisit these requirements annually. This useful tool is an optional resource but is an excellent way of ensuring that your trust is fully compliant, and it can often be a good idea to build a review of the Schedule of Musts into the programme of internal scrutiny.

The following resources can be very helpful:

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

For CFOs

The CFO holds delegated responsibility for the trust’s financial management and must play both a technical and leadership role. The DfE provides a wealth of data to help compare your trust against others, or even to benchmark individual academies within your trust. We recommend the following resources:

- [‘My financial insights tool’](#) comparison of financial performance against statistically similar schools across nine different cost categories.
- [Compare school performance service](#)
- [Financial Benchmarking and Insights Tool](#)

Audit Committees

An effective audit committee is a critical part of the governance structure, working under the delegated authority of the board. While its primary focus may be on financial control and the external audit process, the committee’s role in managing strategic risks is perhaps even more important. Mismanagement of strategic risks is statistically a leading cause of loss, so it is vital that audit committees address both governance and operational aspects, in addition to overseeing the internal control framework and financial matters.

A well-functioning audit committee will focus on organisational risk, challenging both management and auditors to ensure robust assurance. Simply ensuring compliance with codes and regulations is not sufficient.

Accounting Officers

Accounting Officers (AOs) are personally accountable to Parliament and the DfE for the trust’s financial resources. They must be able to provide assurance on the management of public funds, with particular attention to regularity, propriety and value for money. AOs must always adhere to the ‘7 principles of public life’.

Common shortcomings in the following areas should be addressed:

- Benchmarking – a powerful tool for driving continuous improvement, helping to identify early signs of value-for-money issues
- Conflicts of interest – the transparency of the ATH related-party rules makes these issues clear, but challenges still arise
- Senior responsible owners – a lack of senior responsible owners appointed for major projects
- Commercial expertise – insufficient commercial awareness and in-house expertise to engage successfully with the private sector.

Members

The role of a member is unique and crucial, though limited. Members should adopt an ‘eyes-on, hands-off’ approach, overseeing the strategic decisions of the trustees without direct involvement. However, they must hold the trustees to account and ensure they are kept informed about trust business, so they can be assured that effective governance is being exercised.

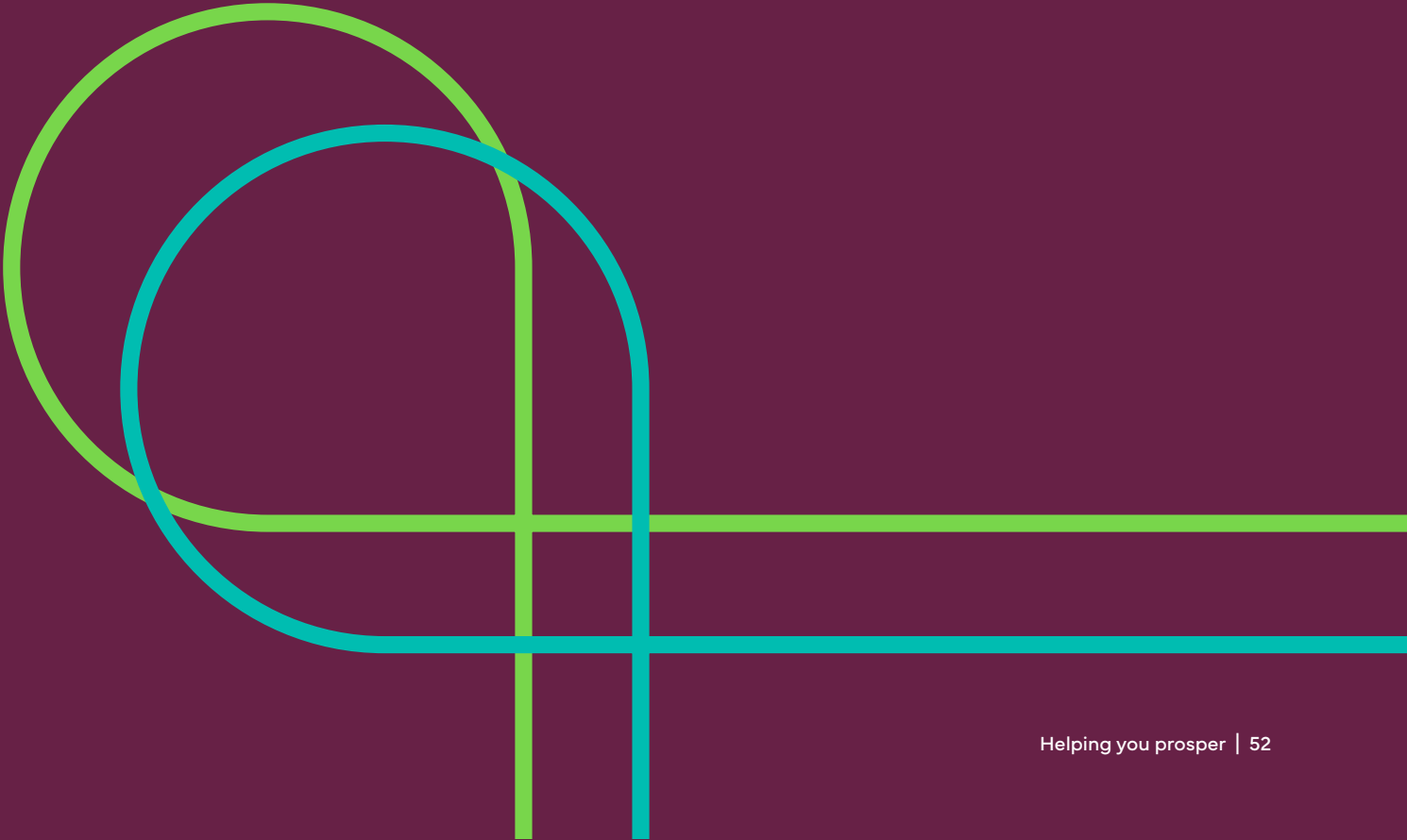
Members may exercise their right to direct the trustees in certain circumstances, such as:

- if they believe an external governance review is needed and the trustees have not carried one out
- if the board has failed to address child safeguarding issues
- if the academy trust is in breach of its funding agreement.

Some academy trusts choose to keep members informed and engaged by having one or more members serve on the board of trustees, with the Chair of Trustees often being a member. However, it is important to note that the DfE strongly prefers the majority of members to be independent from the trust board.

Next steps

If you have any questions at all, or would like to discuss any of the insights we have shared through this year's benchmarking report, please speak to your usual UHY adviser, or contact one of our specialist academies team, whose contact details can be found on p.56.



Where does your academy fit within the results?

	Your academy	MATs	Secondary academies	Primary academies		Your academy	MATs	Secondary academies	Primary academies
		Average 2023/24	Average 2023/24	Average 2023/24			Average 2023/24	Average 2023/24	Average 2023/24
Non financial data									
Number of teachers		Not included as highly dependent on number of academies in the MAT	61	19	Teach & ed support staff % of total staff costs		83%	86%	85%
Number of admin and support staff			51	28	Support/Non-teaching staff costs per pupil		£950	£796	£727
Number of management staff			7	4	Non-teaching staff costs % of total staff costs		16%	14%	14%
Number of pupils			£1,064	£ 379					
Pupil to teacher ratio		18	17	21	Supply teacher costs per pupil		£146	£107	£53
					Supply teacher costs % of staff costs		3%	2%	1%
Income									
Total revenue income per pupil		£7,318	£7,142	£6,484					
Grant income per pupil		£6,855	£6,982	£5,925	Light and heat costs per pupil		£149	£171	£114
Grant income % of total income		96%	97%	94%	Light and heat % of total expenditure		2%	2%	2%
GAG income per pupil		£5,454	£5,938	£4,678	Buildings & grounds maintenance per pupil		£107	£111	£50
GAG % of total revenue income		74%	82%	72%	Maintenance % of total expenditure		1%	1%	1%
Other income per pupil		£333	£323	£443	Cleaning and refuse per pupil		£92	£116	£64
Other income % of total income		4%	5%	7%	Cleaning and refuse % of total expenditure		1%	1%	1%
Capital grant funding per pupil		£226	£26.53	£28.05	Educational supplies and services per pupil		£272	£236	£301
Capital grant funding % of total revenue income		3%	0%	0%	Educational supplies and services % of total		3%	4%	4%
Expenditure									
Total expenditure per pupil		£7,633	7,922	6,769	Examination fees per pupil		£65	£117	£-
					Examination fees % of total costs		1%	2%	0%
GAG expenditure per pupil		£5,538	£5,953	£4,735	Staff development per pupil		£31	£29	£18
GAG % of total expenditure		72%	78%	70%	Staff development % of total costs		0%	0%	0%
GAG result		N/app - dependent on academies in MAT	£(22,449)	£(23,143)	Technology costs per pupil		£83	£77	£47
					Technology costs as % of income		1%	1%	1%
GAG result per pupil		(16)	(22)	(119)					
					Balance sheet				
Staff costs per pupil		£5,631	£5,610	£5,082	Total reserves held		£2,367,000	£1,108,000	£206,751
Staff costs % of total expenditure		74%	73%	76%	Total reserves held per pupil		£622	£1,089	£539
					Unrestricted reserves held		£1,434,000	£574,000	£145,121
Teaching & ed support staff costs per pupil		£4,495	£4,735	£4,343	Unrestricted reserves held per pupil		£401	£478	£ 538
					LGPS deficit per pupil		£213	£61	£117
					Capital expenditure per pupil		£302	£263	£91
					Cash and bank balances held per pupil		£1,012	£1,388	£1,112

Our sector experience

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



We work with numerous clients in the education sector, including academy schools, free schools and independent schools.

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

UHY are a leading UK firm of accountants and auditors driven by our purpose of helping you prosper. Our academy client base includes old style sponsored academies, new converter academies, and MATs.

As the expansion of the academies programme continues our number of clients in this rapidly changing sector has increased significantly.

Our experts enjoy the challenge of this exciting and rapidly changing sector. We keep ourselves up to date with all the DfE requirements so that we can keep you abreast of regulatory and other changes. We also prepare regular Academy Schools Updates on topical issues that affect trusts and maintain a dedicated academies blog, which we aim to update weekly. We also produce summaries of the changes in each new issue of the Academies Trust Handbook and the Academies Accounts Direction, adding our own comments and insights to provide an easily digestible summary of each new edition.

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

A selection of our key academy contacts



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We see ourselves as more than just accountants and our goal is to understand your definition of prosperity and to work out how we can help you in your pursuit of that.

Read more about us on our website at www.uhy-rossbrooke.com

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