2025 Report

Academy trust benchmarking report

Buzzacott

Key messages from 2023/24

The year ended 31 August 2024 marks our 10th annual report and for the first time, the sector on average incurred an operating deficit. Funding levels have not sufficiently covered increases to the cost base of schools over recent years and as a result trusts are utilising funds brought forward from previous periods in many instances.

Trusts are continuing in invest in their estate, and revenue spend on capital works has increased on average from the prior year to ensure continued compliance with requirements for the state of both physical and digital estates.

The increase in pay rates in the sector, combined with ongoing challenges associated with recruitment and retention of staff members have resulted in an **increase to the average payroll ratio in the sector.**

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Introduction

Introduction

Welcome to Buzzacott's Academy Trust Benchmarking Report for 2025, providing insight into current sector trends based on financial information for the year ended 31 August 2024.

We have been benchmarking financial data since 2016, and this is the first year in which we have seen trusts on average incurring financial deficits.

This highlights the scale of the collective challenge for the sector at present, with many trusts forecasting that this challenge will worsen, rather than ease in coming years based on current funding levels and projections around demographics.

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

To assist with this, we have based the analysis of ratios on the size of the academy trust:

SAT	Single Academy Trust, including both primary and secondary SATs
Small MAT	Trusts with up to 2,500 pupils
Medium MAT	Trusts with between 2,500 and 9,000 pupils
Large MAT	Trusts with 9,000 or more pupils

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

Introduction — the report is divided in to five main sections:

Part A:
Operational margins

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

Part B:
Payroll costs

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

Part C:
Financial stability

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

Part D:
Related party transactions

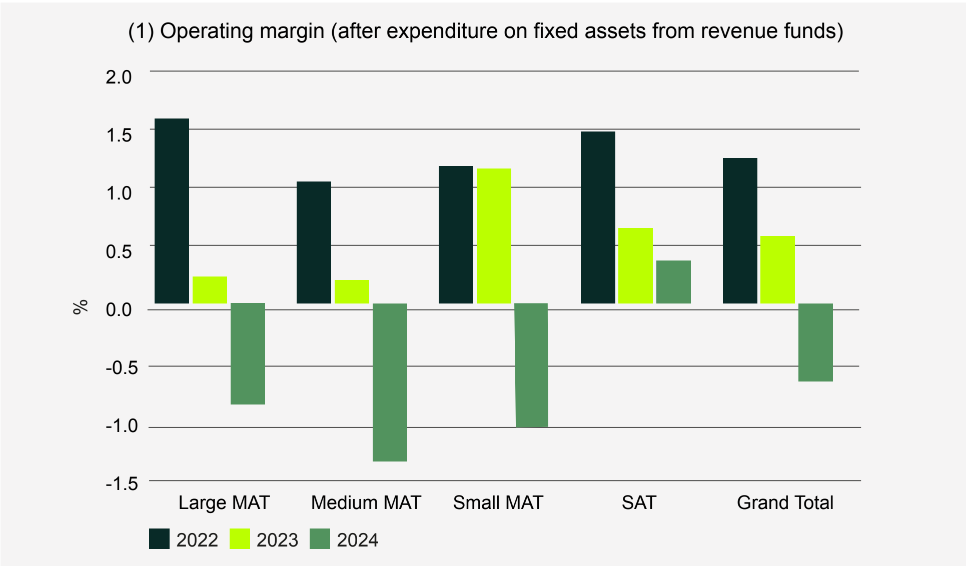
We review the level of transactions with related parties within the sector.

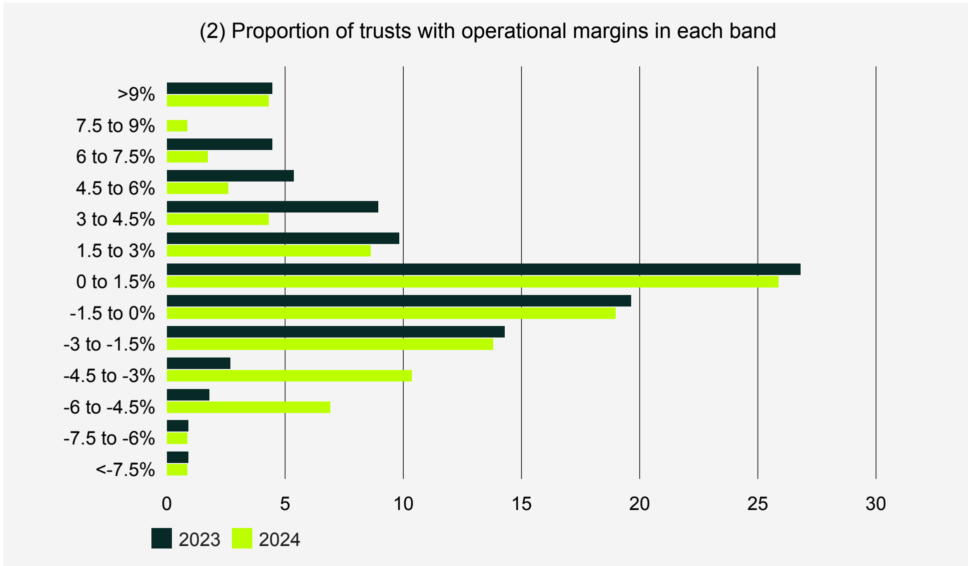
Part E:
Multi academy trusts

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

Part A:
Operational margins

Operational Margins





Operational margins across the sector have reduced in the 2023/24 financial year across all sizes of trust. The year saw the continued impact of inflationary cost pressures, both in respect of payroll costs (as seen in Section B of this report) and non-teaching costs. Although funding has risen in response to these pressures, the rate of increase has been below the increase in associated costs, resulting in a reduction of average operating margins.

The impact on operational margins is reflected within figure (1)– on average in 2023/24, operating income for the sector was below the level of operating expenditure, with the average position being one of an operating deficit, with the average margin moving from a surplus of 0.6% of operating income, to a deficit of 0.7% of operating income.

Figure (2) shows the range of operational margins in the sector. In 2023-2024, 52% of trusts within the population reviewed (2022/23: 40%) incurred an operating deficit, and 86% of trusts made a surplus of below 3% (2022/23: 77%).

Over the coming pages, we will look at key factors that have contributed to this reduction.

Key factors — payroll

The most significant factor when considering operational results of trusts is payroll. The importance of payroll is twofold: the cost is always the largest category of a trust's expenditure and significant elements of it (such as the contribution rates for pensions and national insurance) are largely out of the trust's control.

Though schools do set their teachers' pay, these are often determined by national pay scales, which trusts are not able to directly control. Trusts are, of course, able to reduce expenditure by reducing staff numbers and employing less experienced staff, but reductions are difficult to achieve and must be considered in light of the potential impact on teaching standards and academic achievement.

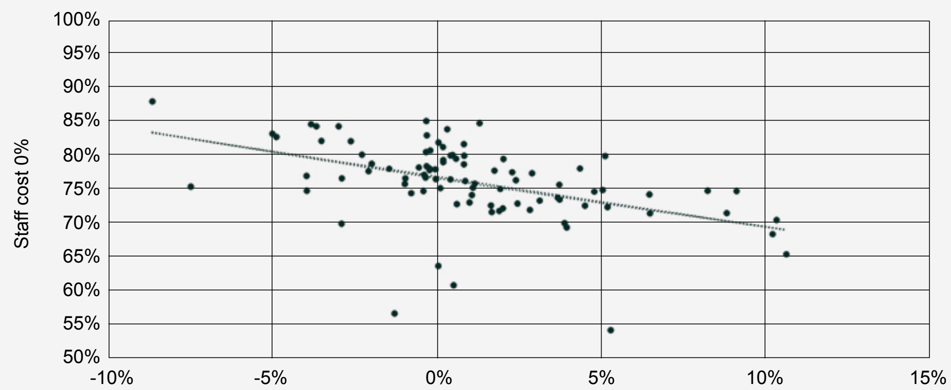
Integrated Curriculum Financial Planning can be a useful tool for considering the financial impact of decision making alongside the academic impact.

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

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

Staff costs ratio	Average op. margin (%)
Over 85%	(3.1)
80% to 85%	(0.8)
75% to 80%	0.4
70% to 75%	3.5
65% to 70%	8.2

(3) Operational margin vs staff cost ratio

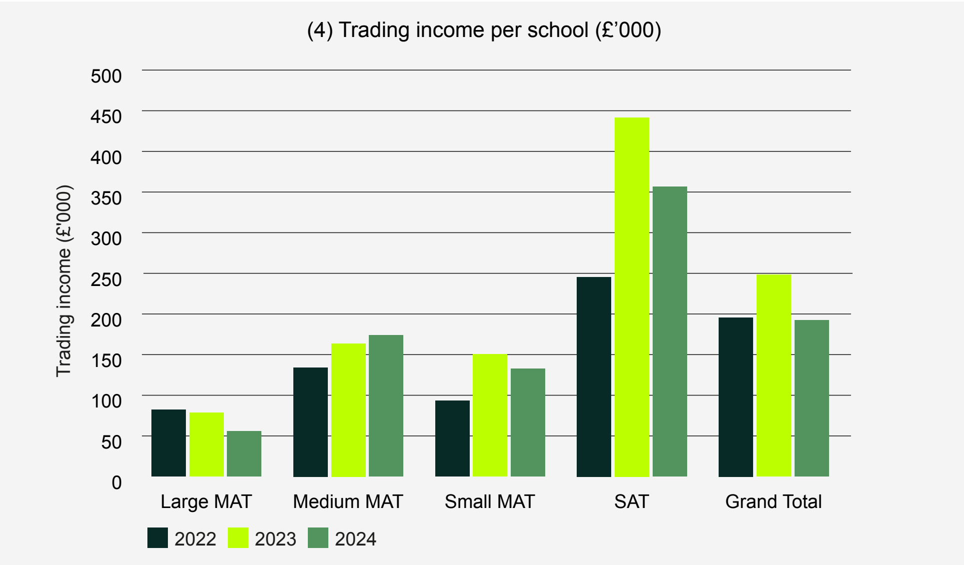


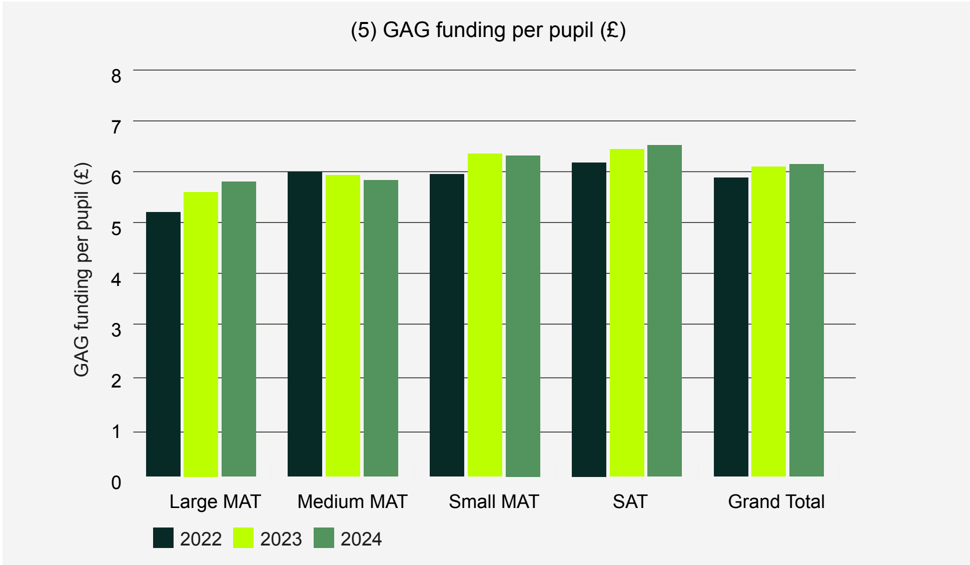
Historically, a payroll ratio of around 80% was often seen as a benchmark above which operational deficits were observed in the sector. Increases in proportional non-staff costs in recent years have however led to this level reducing and internal KPIs within the sector for the level of staff costs now often fall below 80%.

Results from 2023/24 suggest that a ratio of 76% or lower would now typically result in a surplus outturn - however some trusts with a higher payroll ratio than this are still able to maintain a surplus position.

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

Key factors — trading income and General Annual Grant (GAG) income





As per figure (4) there has been a reduction within trading income reported by the sector between 2023 and 2024. Reported income will vary depending on both the overall level of trading activity, and also the nature of any outsourcing arrangements which may be in place, for example catering contracts.

Trusts may have increased efforts to diversify their income in response to the current economic situation, in combination with the fact that the sector could take advantage of a return to pre-pandemic levels of trading for a full financial year in comparison to 2021/22.

Graph (5) shows the movement in GAG funding received by all types of trusts in 2024 resulting from a combination of factors, including changes in student numbers, and changes to the GAG funding formula in response to higher inflationary levels, and also the incorporation of the Mainstream Schools Additional Grant being included within the national funding formula.

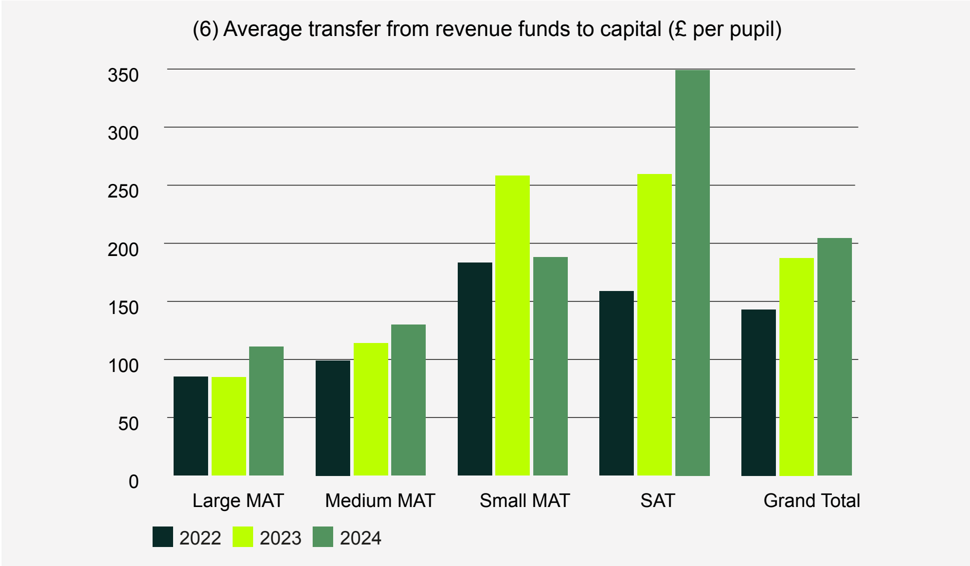
Key factors — capital requirements

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

Many trusts find that the cash they receive each year is not enough to meet their capital requirements, particularly in such a high inflationary environment at the start of this decade, and the information reported within figure (6) highlights this.

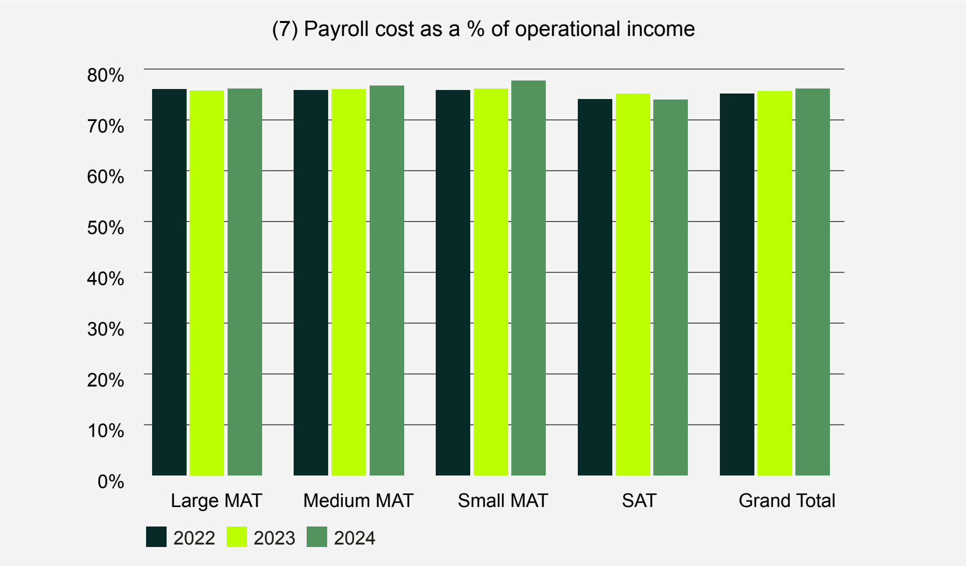
Figure (6) shows a general increase in the amount of revenue funds transferred towards capital expenditure in 2023/24. In addition to investment in the physical investment within the digital estate in the sector.

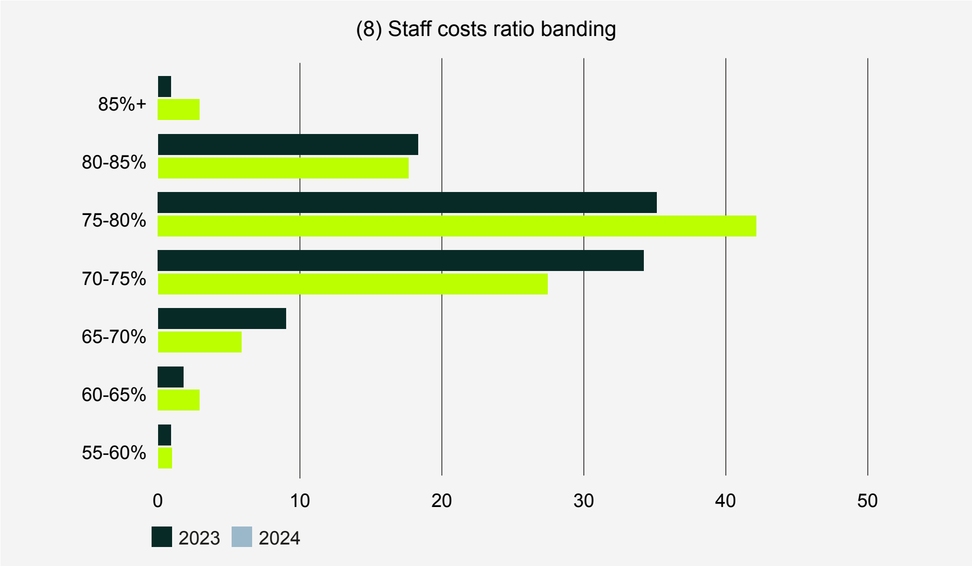
With budgetary pressures expecting to continue in the short to mid-term future, trusts may need to consider prioritisation of works within their estates strategy and make difficult decisions with respect to capital investment.



Part B: **Payroll costs**

Staff costs ratios





Recruitment and retention remains a significant risk within the sector and this, combined with the impact of pay awards for 2023/24 have resulted in an overall average increase in the percentage of operational income used on staff costs as reflected in figure (7) above.

Figure (8) above shows noticeably more trusts operating with a payroll ratio of 75-80%, with this being the most common banding for payroll costs during 2023/24.

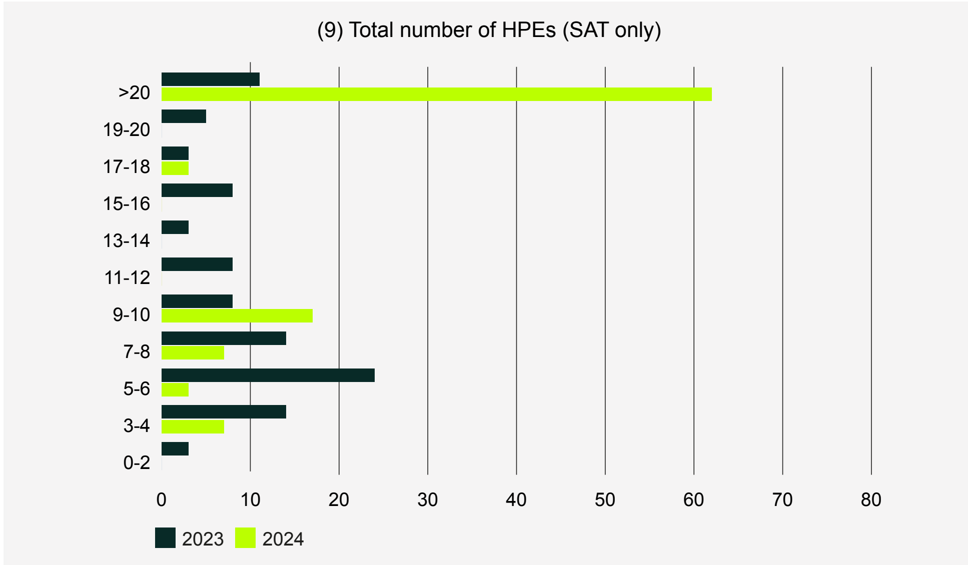
Over the coming pages we will look at other staffing factors, such as the number of higher paid staff, severance payments and agency costs.

Higher paid employees (HPEs) and key management personnel

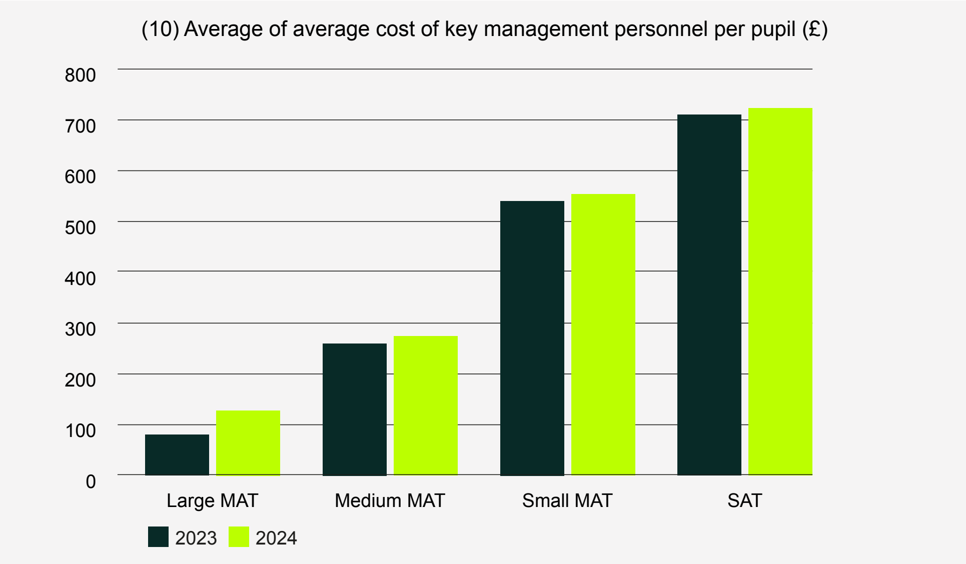
One area in which there is a large amount of variation throughout the sector is the remuneration of higher paid staff (i.e. those with a gross salary of more that £60,000 per annum) and key management personnel. These are also areas which will naturally attract a greater level of public scrutiny.

Statistics from 2023/24 show a significant increase in the average number of employees at each trust earning in excess of £60,000; this is largely attributable to increasing pay rates in the sector over a period when the level at which the £60k threshold has remained constant.

For example, for the year to 31 August 2023, leadership teaching staff would have to be at spine point L14 to earn in excess of £60,000. Following increments for the year to 31 August 2024, staff on spine point L11 and above earned over £60,000 and for the year ending 31 August 2025, this will include staff on spine point L9 and above. The increase in numbers of HPEs are not necessarily tied to any change in underlying staffing structures.



Higher paid employees (HPEs) and key management personnel (continued)



Type of Trust	Average op. margin (%)
Large MAT (>9,000 pupils)	5.4
Medium MAT (2,500-9,000 p	20.2
Small MAT (<2,500 pupils)	12.8
SAT	37.8
70% to 75%	3.5

Graph (10) above shows the average cost of key management personnel (KMP) per pupil.

In addition to changes in pay scales, this figure can also be impacted by changes in how individual trusts define “key management”.

Typically this will be the CEO/ headteacher and other members of the senior leadership team, however there is no strict criteria to apply and a broader definition will typically result in a higher number of staff members being included within the aggregated cost, and therefore a higher cost per pupil.

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

Make up of payroll costs

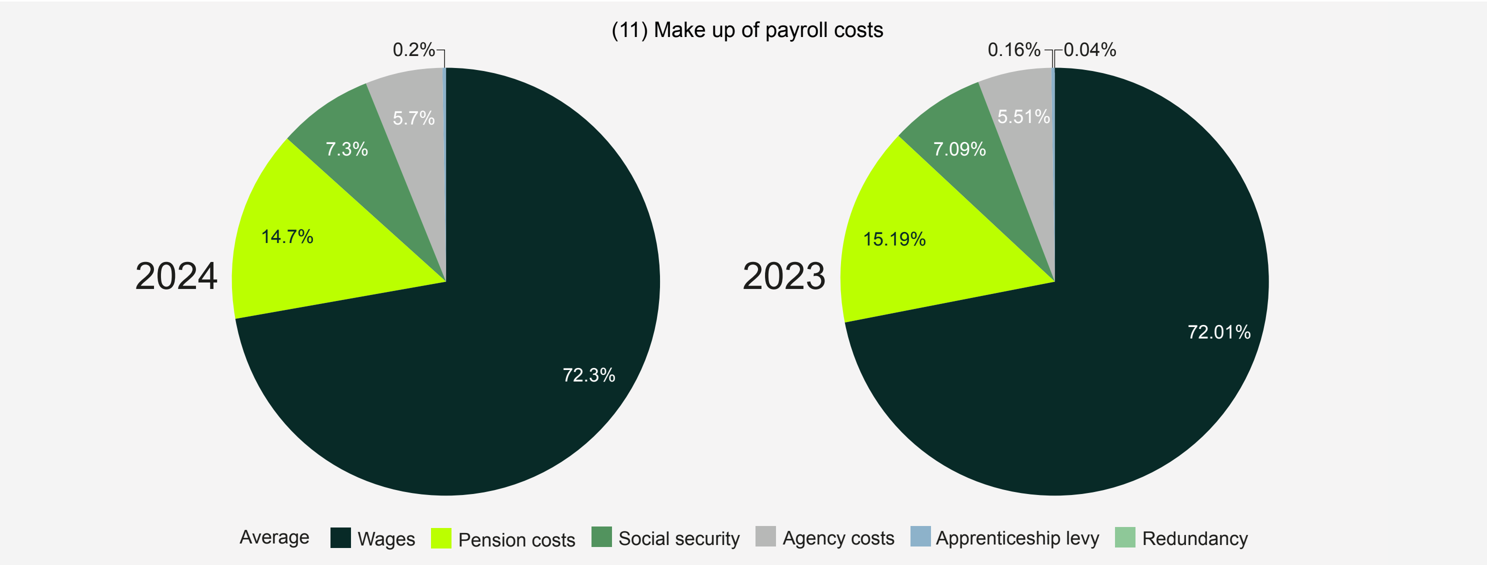
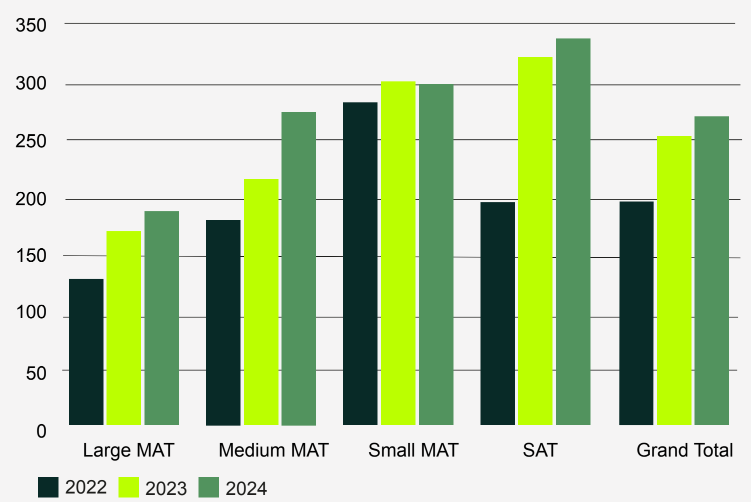


Figure (11) shows the payroll costs incurred by trusts in 2024 and 2023, while this shows a reduction in pension costs shown within financial statements, this includes the impact of year end non-cash pension scheme adjustments. For most trusts, the underlying contribution rates have remained consistent between 2024 and 2023.

Agency and severance costs

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



(13) Percentage of trusts making severance payments

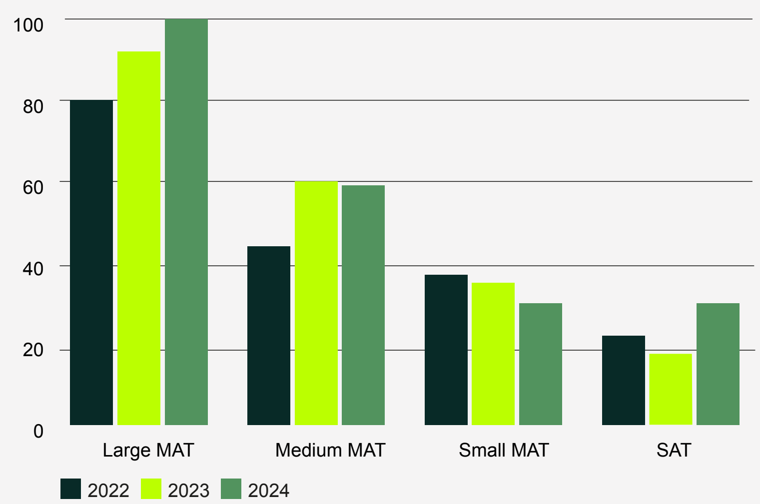


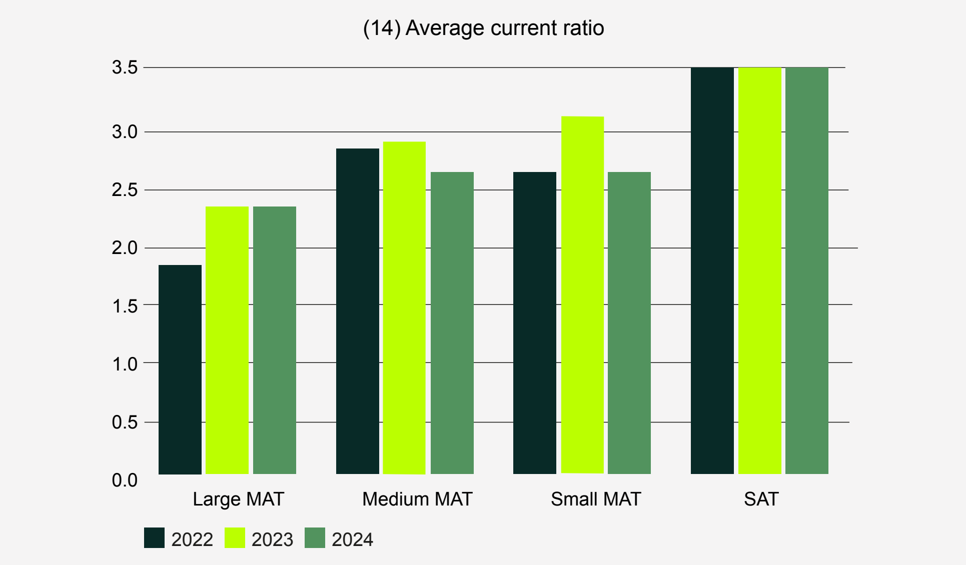
Figure (12) above confirms what we have seen on the previous pages in respect of increased agency costs, with continued recruitment challenges for some trusts.

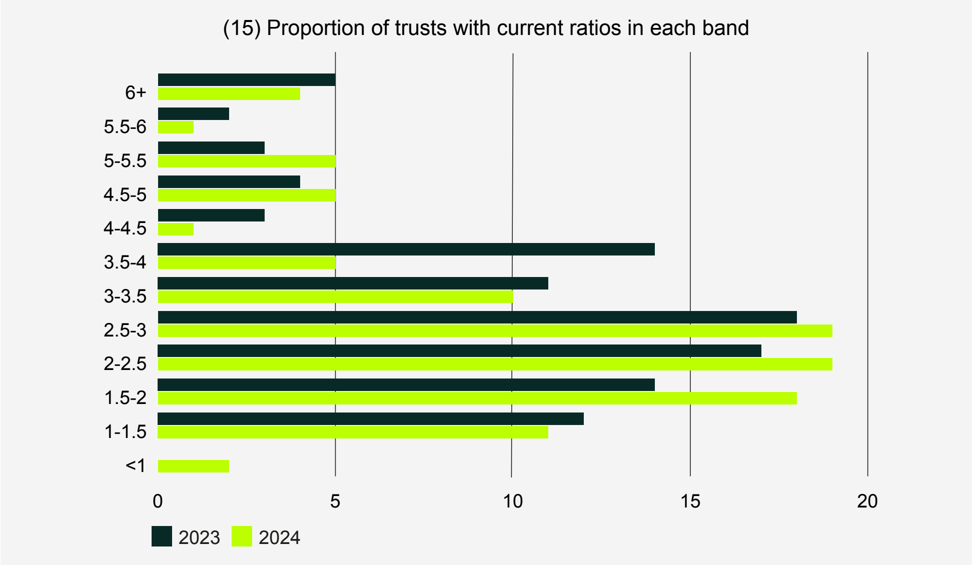
The current economic climate and increased staff costs has unfortunately forced Trusts to consider certain staffing roles within the organisation and whether a potential restructuring should take place.

Graph (13) above shows there has been a mix of increases and decreases across different types of trusts, with a general increase as the size of Trust increases due to the higher number of staff within these trusts.

Part C:
Financial stability

Current ratio

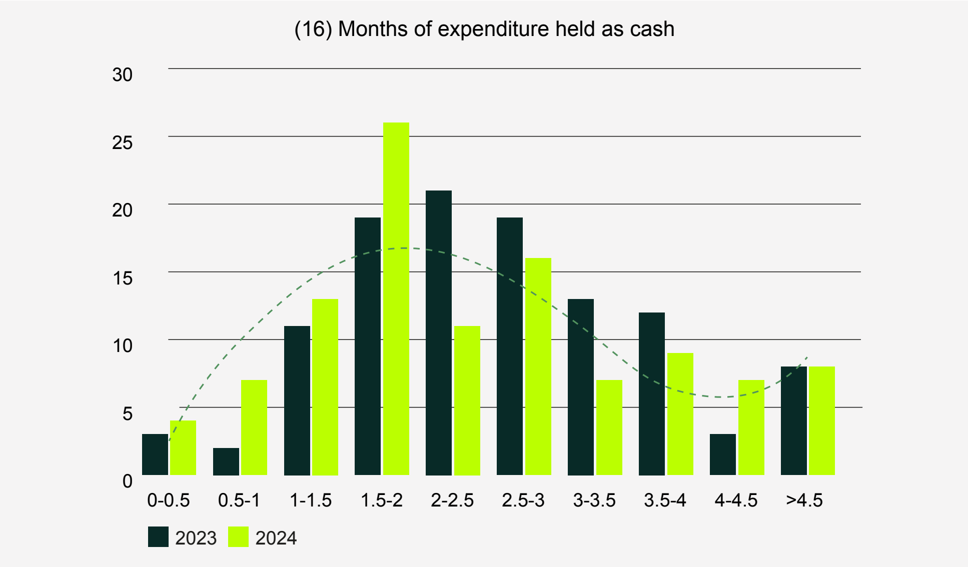


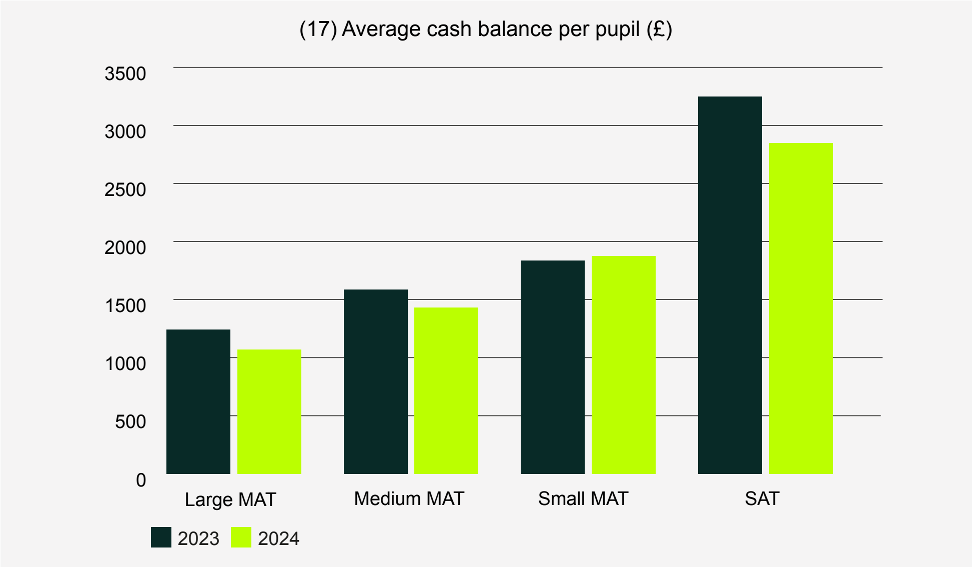


To further consider financial stability within the sector, this section reviews the strength of the balance sheet. The current ratio is a liquidity ratio that measures a trust's ability to pay short-term obligations, being the ratio of current assets to current liabilities.

It is promising to see that current ratios have on average tended to remain broadly in line with the prior year as figure (14) shows, despite the current economic climate, only two of the trusts included in our sample had a ratio less than 1 (generally seen as the minimum current ratio for a trust) and around 87% of trusts with a current ratio of above 1.5, only a slight decrease from the 88% seen in 2023.

Cash levels





When considering future financial viability, a common starting point for trusts is how much cash they should be holding at any point in time. This could be expressed with reference to monthly payroll or total expenditure requirements and it is often seen as more pragmatic to state an ideal range, as opposed to one target figure.

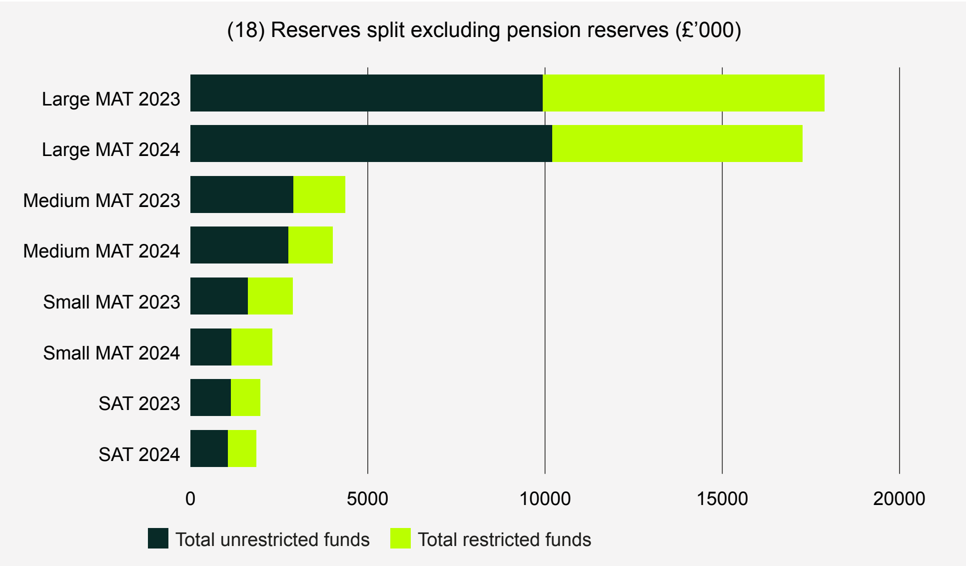
Moving on from this starting point, trusts will then want to consider capital work (be that new projects or contingencies for existing buildings) and other future exceptional costs, such as restructuring.

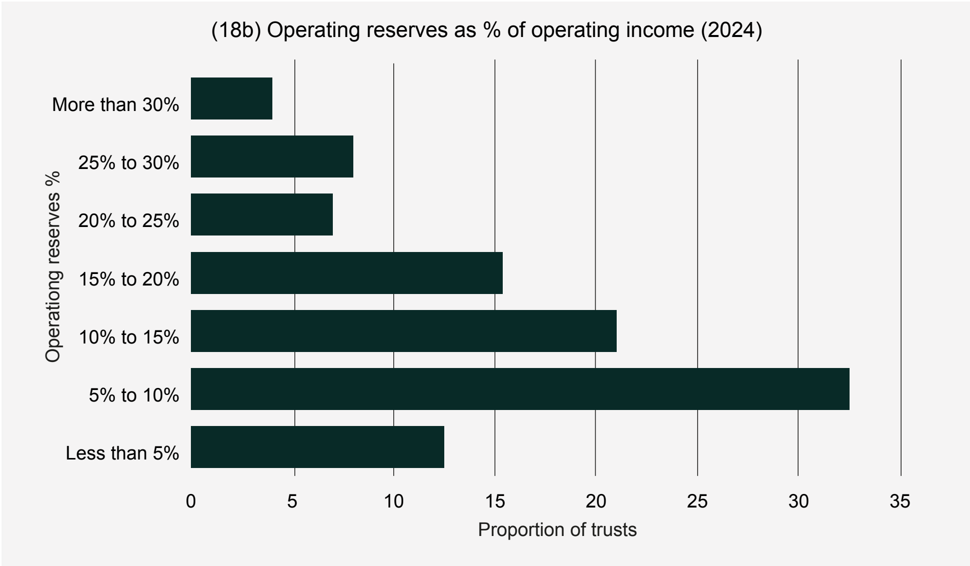
Figure (16) shows the level of cash held by trusts in our sample at 31 August 2024 expressed in months of total expenditure.

As was also the case in the prior year, the average months of expenditure held as cash tends to be between 1-3 months.

Graph (17) shows the average cash balance per pupil in a trust, in which there is a variation in the levels of movement within the average cash per pupil from the prior year. It is important to note that the cash held by each Trust is also dependent on the level of unspent capital funding at the year ending.

Reserves overview





Graph (18) shows how trust reserves are split between unrestricted funds (including designated funds) and restricted funds (excluding fixed asset funds and pension reserve), for 2023 and 2024.

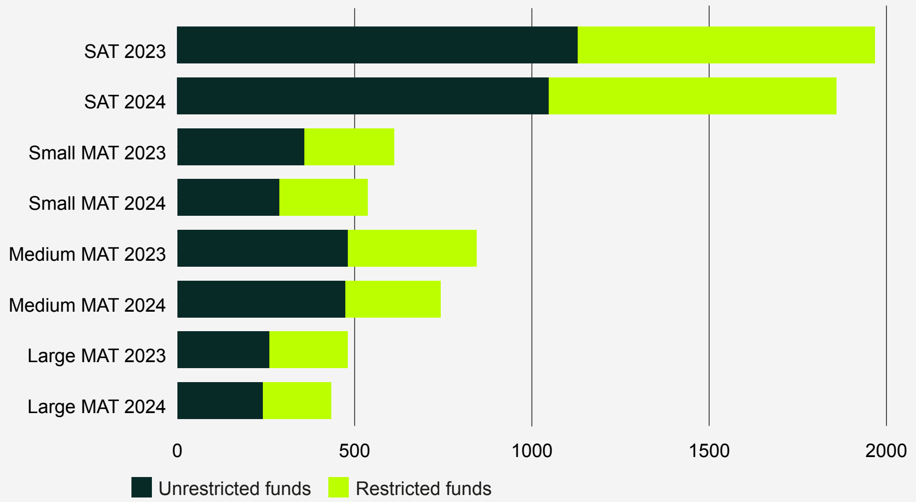
We can see from the graph that, as also seen in the prior financial year, unrestricted funds make up a bigger proportion of trusts' overall reserves. This can be attributed to the deficits incurred on funds during the year, with trusts typically electing to utilise restricted funding before unrestricted funding when assessing cost allocation.

The ESFA recommends that the amount an academy trust sets aside is based on the type and size of the academy trust as well as the particular risks that it faces (for instance, if they are locked into a PFI contract). Our academies reserves insight article provides further guidance around some of the key areas a trust should consider when planning reserves, in addition to the ESFA guidance issued in their October 2024 update.

Type of Trust	Average operating reserves as % of operating income
Large MAT (>9,000 pupils)	8.8
Medium MAT (2,500-9,000 pupils)	11.3
Small MAT (<2,500 pupils)	11.5
SAT	19.7

Reserves per school

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



	Large MAT		Medium MAT		Small MAT		SAT	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Unrestricted	56%	54%	64%	57%	53%	59%	56%	57%
Restricted	44%	46%	36%	43%	47%	41%	44%	43%

Graph (19) normalises the reserves of each MAT by the number of schools at each trust. As per prior years, this illustrates how, as a trust grows, appraisal of risk can, in some areas be assessed at trust rather than school level when considering the overall reserves policy. This often results in the reserves policy of a larger MAT being set to a lower relative level in proportion to operating income or expenditure than in a smaller MAT or SAT.

The graph also again shows the trend of unrestricted funds generally forming a larger proportion of Trust's reserves in the 2023/24 academic year.

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

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

Reserves per school (continued)

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

The table shows the number of trusts within each size that this applies to. We can see that as the size of trust decreases, the number of trusts reporting reserves of at least 20% of their operational income increases. This is also reflected in graph 19 earlier in this report, where the total amount of operational funds per school appears to be greater as the size of trust decreases.

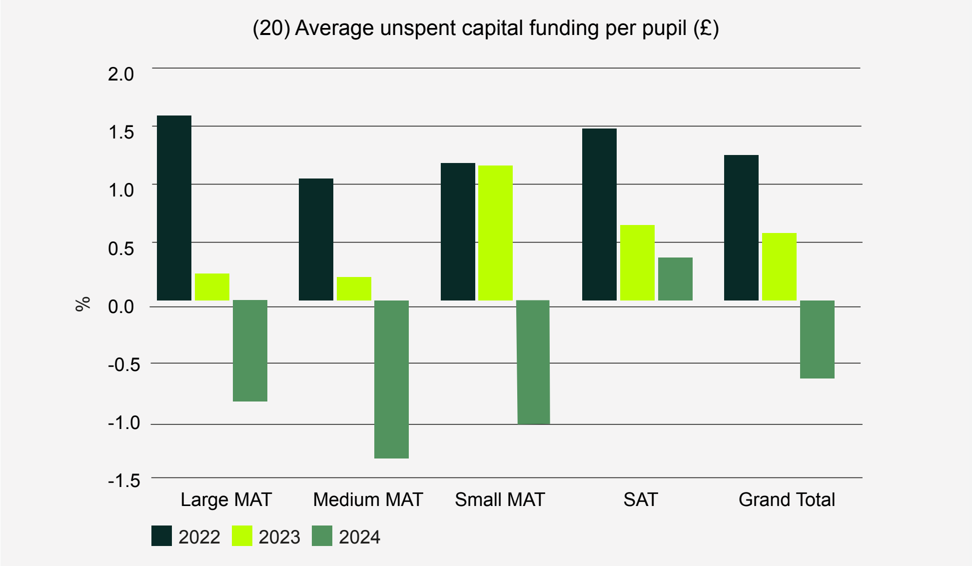
It is important to note that this may also be a result of Multi Academy Trusts pooling their risk across the relevant schools within the Trust as a whole.

Unspent capital funds held in fixed asset reserves should also be considered as part of the broader reserves strategy and planning. Figure (20) compares the level of unspent capital funding within Medium and Large MATs between 2022 and 2024. We have included these sizes of trust here due to them typically meeting the requirements for SCA funding.

As with revenue funds, the level of capital funding held per pupil will depend on the risk profile of the trust, and while large MATs will have greater capital demands each year across the trust, the amount of annual funding they receive is also greater which means requirements to set aside funding for future capital requirements can be reduced.

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

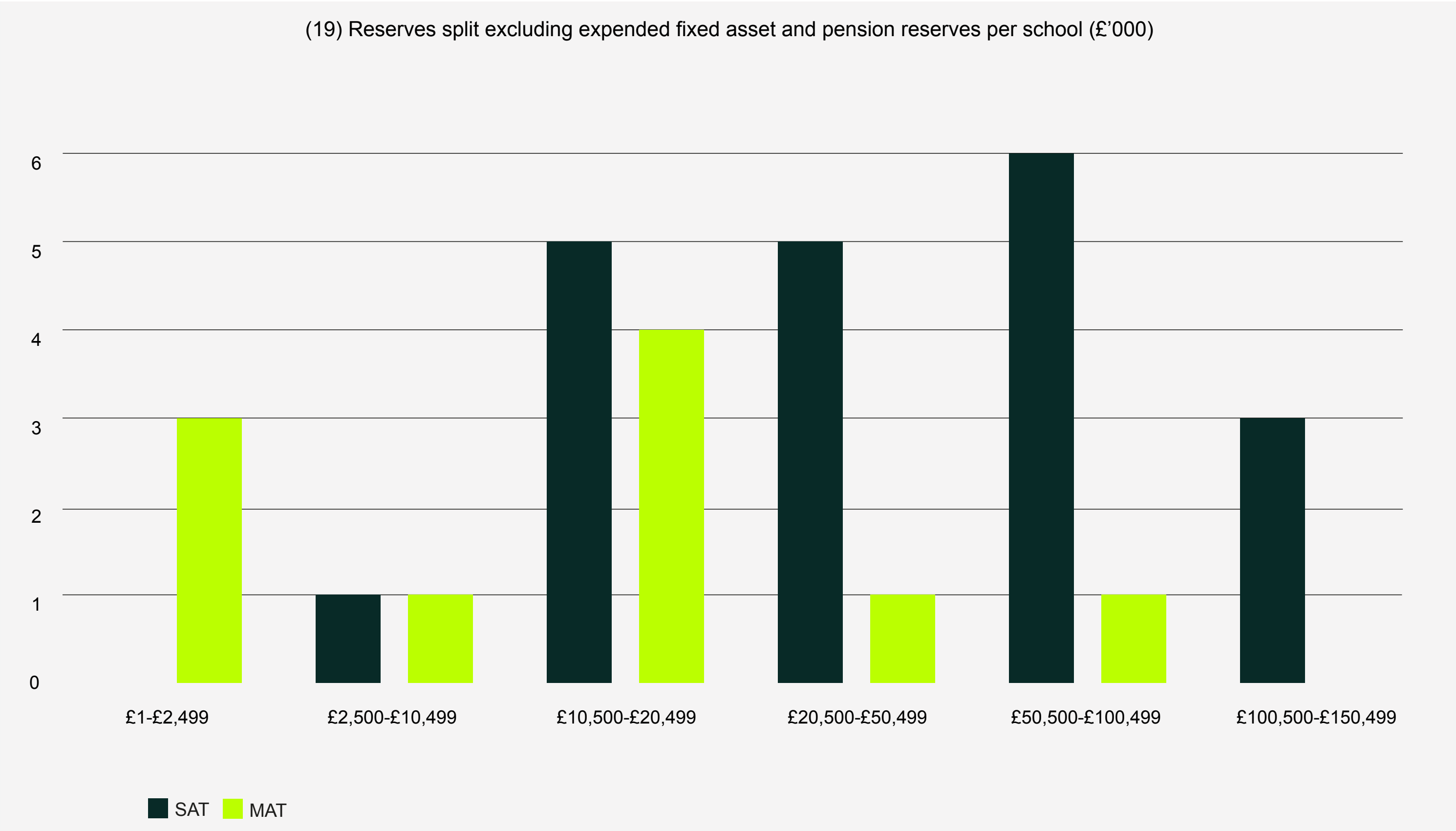
It is worth noting that given the average unspent capital funding per pupil has remained largely unchanged from prior year, higher inflation will result in a decrease in the real terms value of such funding which is one of the explanations for such an increase in the average transfer of revenue to capital funds seen earlier in this report. Trusts will want to consider this as part of their capital project planning for the 2025/26 academic year and beyond.



Type of Trust	Number of trusts with at least 20% operational funds as a proportion of operational income
Large MAT (>9,000 pupils)	0
Medium MAT	1
Small MAT	3
SAT	16

Part D:
Related party transactions

Related party transactions



Related party transactions (RPTs) continue to fall under the intense scrutiny of the ESFA. The number of RPTs incurred by the Trusts included in our sample increased from 31 in 2023 to 46 in 2024.

Of the 46 trusts with RPTs, 13 trusts incurred aggregate transactions above £20,000. This is a reduction from the 26 trusts in the prior year. As is always the case, trusts should be prepared to demonstrate to the ESFA that their usual procurement processes have been followed, conflicts of interest managed, and the best value for money achieved.

Part E:
Multi Academy Trusts – central services

Multi Academy Trusts — central services

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

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

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

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

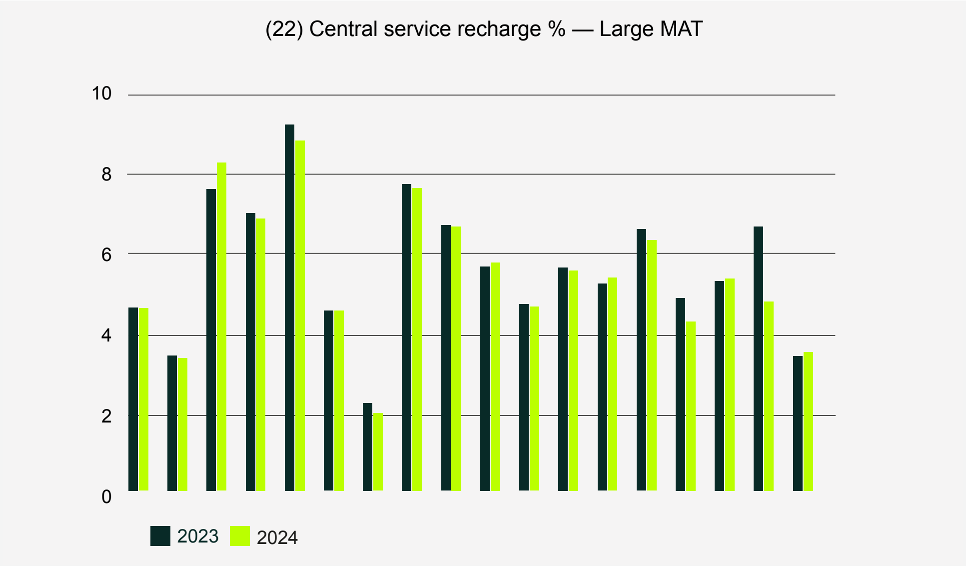
- A flat rate across all academies;
- A percentage of income (or specific income streams such as General Annual Grant);
- A combination of the two; or
- A rate that takes into account other factors such as pupil numbers, staff head count, Ofsted ratings or needs assessments.

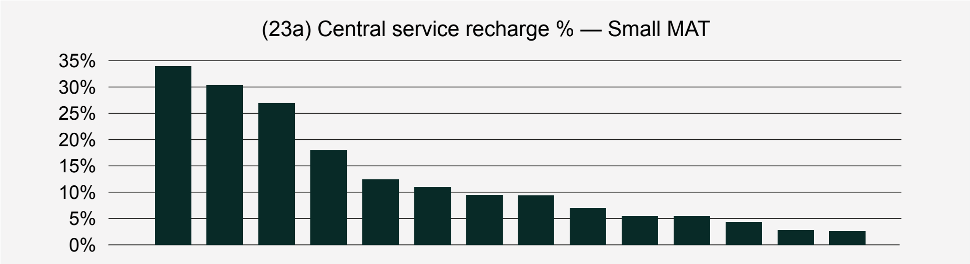
There is a great deal of variety in the sector. Overall, we can see that the majority of trusts applied the charge as a percentage of grant income, typically around 5 – 7% (Graph 22 on the following page).

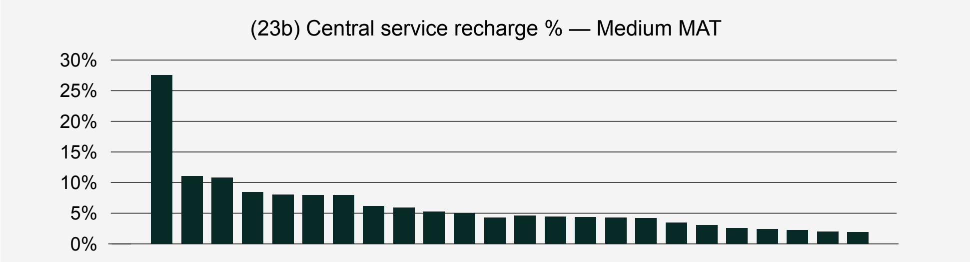
The second method of financing a MAT is GAG pooling. Here, GAG income is received for the trust as a whole and is then distributed by the central office across the individual academies. This can be used within a trust alongside mechanisms such as integrated curriculum and financial planning to ensure that funds are being utilised within the trust as a whole in the most effective way, and also to help to mitigate the impact of challenges such as lagged pupil numbers at specific schools which may be causing budgetary disparity.

The number of MATs operating a GAG pooling model is increasing, with more MATs now having the processes in place to deliver a pooled funding mechanism.

Central services charge as a proportion of grant funding







Larger Multi Academy Trusts with more than 25 schools

Graph (22) provides details of central services as a percentage of grant funding for a number of larger MATs with more than 25 schools. Each bar represents an individual MAT, the names of which are anonymised.

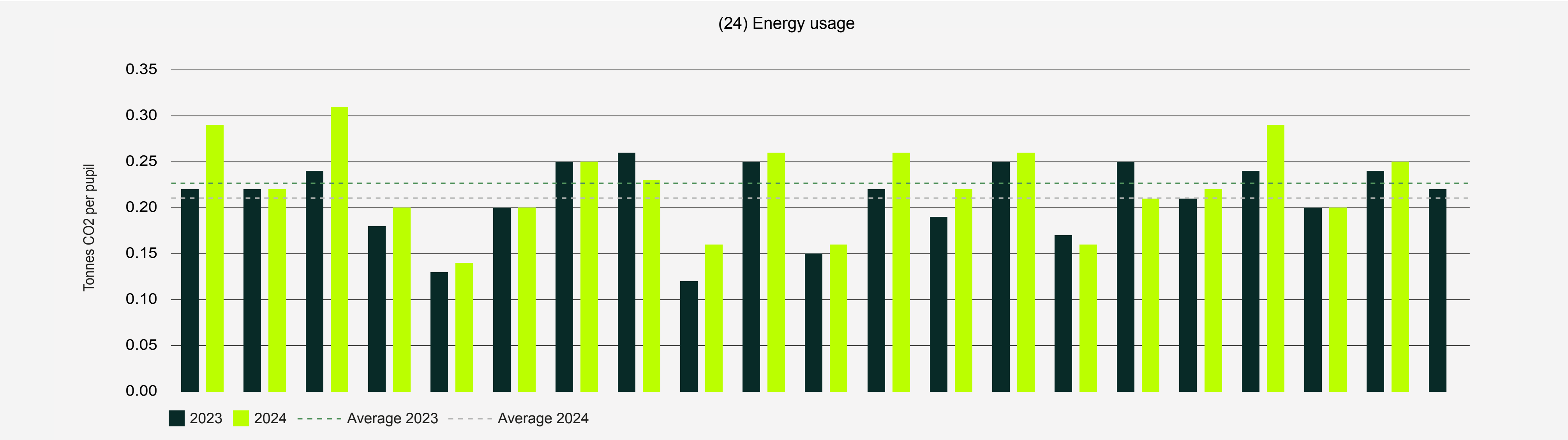
Most larger MATs included in the sample above (names have been anonymised) levied central services charges at a percentage in line with the prior year.

Other Multi Academy Trusts

As has been the case in prior years, there is much more variation for smaller MATs than the large MATs shown above. The more central functions undertaken by head office, the greater the percentage is likely to be. Graph (23a) and graph (23b) plots the central charge for each non-larger MAT.

As can be seen clearly, there is a large amount of variation, dependent on the extent to which services are centralised at each trust. These graphs are an indicator of the level of centralisation rather than financial effectiveness.

Central services charge as a proportion of grant funding



Energy efficiency is an increasing focus of trusts, and changes to procurement frameworks are enabling environmental and social factors to be more significant factors in decision making. The energy usage identified by a sample of large MATs for 2024 and 2023 has been summarised in the graph above.

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

Appendix 1:
Glossary

Appendix 1: Glossary

Academic year
The data used in the report is based on the 2023/24 academic year, being the year from 1 September 2023 to 31 August 2024.

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

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

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

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

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

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

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

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

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

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

SAT
Single Academy Trust. One company running one school.

SCA
School Condition Allocation capital funding.

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

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

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

Appendix 2: Statistical notes

Appendix 2: Statistical notes

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

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

Type of trust	Description	Sample size for 2024 data	Sample size for 2023 data	Sample size for 2022 data
Large MAT	MAT with more than 9,000 pupils	25	25	20
Medium MAT	MAT with between 2,500 and 9,000 pupils	29	30	32
Small MAT	MAT with less than 2,500 pupils	20	20	19
SAT	Single Academy Trust (includes Primary, Secondary and Special)	30	36	41
Total		104	111	112

Appendix 3: **Our team**

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Buzzacott has a team of over 100 specialist academy auditors supported by a range of other experts.

We have been involved in the academy sector from the days of the first academies and are the market leader for academy trust audits in London and Greater London.

We support long-standing single academies, brand-new convertors, and both growing and large multi academy trusts.

Auditors
An extensive team of auditors that have worked with academy trusts for the past 20 years.

VAT
Our VAT consultancy team includes academy VAT experts.

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

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

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

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

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