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# Academies insight

Welcome to the Spring edition of Academies insight.

As academy trusts continue to navigate a complex and evolving financial landscape, staying informed of regulatory updates and sector trends is increasingly important. In this edition, we highlight the key developments shaping financial reporting and strategic planning for the year ahead.

The **Academies Accounts Direction 2025 to 2026** has now been published, alongside updated Model Accounts and the Framework and Guide for External Auditors and Reporting Accountants. While the core principles remain consistent, this year introduces a number of important clarifications and refinements.

Alongside these regulatory updates, we also explore insights from the latest **Kreston UK Academies Benchmark Report 2026**, which provides a valuable snapshot of financial performance across the sector. While headline figures suggest a stronger year for many trusts, underlying pressures continue to present significant challenges.

In addition, with the deadline approaching, we provide practical guidance on completing the **Teachers' Pension End of Year Certificate** to help ensure accuracy and avoid common pitfalls. Finally, we look ahead to developments in school estate funding and investment, including proposed changes to the **Condition Improvement Fund**.

As always, if you have any questions about the topics covered in this newsletter or would like tailored advice, our team is here to help. Please get in touch using the details below.



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## Academies Accounts Direction 2025 to 2026

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The Academies Accounts Direction (the Direction) 2025 to 2026 has now been published. In addition to the Direction, updated versions of the Academies Model Accounts 2025 to 2026 and the Framework and Guide for External Auditors and Reporting Accountants are also available.

The Direction outlines requirements for academy trusts preparing their annual report and financial statements for accounting periods ending on 31 August 2026. As the requirements in the Direction are mandatory, it is an essential reporting document for all those involved in the preparation of the annual report and financial statements.

### Changes to the Academies Accounts Direction

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This year's changes include a number of important clarifications and updates to existing disclosure requirements. The overall aim remains to improve consistency, reduce unnecessary complexity, and support transition towards future reporting developments.

Here are the key updates to note:

#### + **Removal of trade union facility time disclosures**

The requirement to report on trade union facility time within the annual report has been removed. This simplifies disclosures and brings academy accounts more closely in line with the wider charitable sector.

#### + **Updates to Streamlined Energy and Carbon Reporting (SECR)**

The thresholds for SECR disclosures have been aligned with the latest Companies Act size criteria (turnover of £36 million, balance sheet total of £18 million and 250 employees, with two of the three thresholds to be met for two consecutive years).

In addition, there is now an expectation for academy trusts to have a Climate Action Plan in place and to demonstrate progress against it. Academy trusts may wish to consider enhancing their disclosures to reflect activity in this area.

## + Clarification on staff-related disclosures

Several updates have been made to improve consistency and transparency:

- + Payments in lieu of notice (PILON) should be included within restructuring costs;
- + Expanded disclosures for higher-paid staff (over £60,000), including narrative for part-year and FTE-adjusted employees where remuneration exceeds the threshold;
- + The definition of key management personnel (KMP) has been widened to include former KMP engaged via consultancy or similar arrangements, with associated remuneration required to be disclosed; and
- + Clarification that accrued KMP remuneration forms part of the financial statement disclosures.

## + Related party transactions

Additional clarification confirms that related party disclosures apply where the Principal or CEO is also a Trustee, including their remuneration.

## + Revised definitions of regularity and propriety

The definitions have been updated following changes to Managing Public Money guidance, with greater emphasis on Parliamentary authority, legal compliance, and the role of internal controls. This may impact the Accounting Officer's regularity statement and the associated assurance work.

## + Academy conversions

There are no changes to the accounting guidance for academy conversions or transfers. However, the inclusion of a template disclosure remains a helpful reference point, particularly given the continued policy focus on increasing the number of schools within academy trusts.

## + Preparation for the new Charities SORP

The Direction includes guidance on the upcoming Charities Statement of Recommended Practice (SORP), which will apply to most academy accounts for periods ending 31 August 2027. Early adoption is not permitted.

The Academies Accounts Direction for 2026-27 will comply with the new Charities SORP 2026 and provide further guidance.

Key areas highlighted include:

- + The removal of the distinction between operating and finance leases, with most leases to be recognised on the balance sheet as right-of-use assets and lease liabilities; and
- + Updated guidance on revenue recognition, with increased emphasis on performance obligations (although this is not expected to significantly impact grant income for academies).

## Changes to the Academies Model Accounts

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The Model Accounts help academy trusts see what the accounts should look like and have the same contractual status as the Direction.

Updates this year are largely driven by the changes outlined above, with amendments to reflect revised disclosure requirements and improved clarity in presentation.

## Framework and Guide for External Auditors and Reporting Accountants

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The Framework and Guide continues to support audit and regularity reporting across the sector. It applies to all external auditors and reporting accountants who deliver statutory audits and regularity reviews for academy trusts.

The updates to definitions of regularity and propriety, alongside wider clarifications in the Direction, may have an impact on audit approach and reporting, particularly in relation to internal controls and compliance.

**The complete Academies Accounts Direction 2025 to 2026 can be downloaded [here](#).**



# Kreston Academies Benchmark Report

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The **Kreston UK Academies Benchmark Report 2026** highlights trends and insights for the sector to consider and draw on in trust planning. With 250 academy trusts contributing data – representing more than 2,500 schools – the report offers a broad snapshot of the current financial position across the academy landscape.

Last year's report conveyed a particularly challenging position. While the figures were concerning, they were not entirely unexpected and reflected the ongoing pressures academy trusts face in managing budgets and resources. This year's outlook initially appears more positive, although the report questions whether this fully reflects the underlying financial position and the level of confidence that such performance can be sustained in the years ahead.

## Do the figures reflect the full picture?

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At first glance, the figures appear favourable compared with those in the previous report. The proportion of academy trusts reporting an in-year deficit in 2024–25 fell to 37%, a significant improvement on the prior year's 60%.

Trust size continues to influence financial performance:

- + Single academy trusts (SATs) and smaller multi-academy trusts (MATs) reported modest surpluses;
- + In contrast, medium and large MATs performed more strongly, with average surpluses of £0.4m and £1.1m respectively; and
- + Overall, academy trusts of all sizes reported an in-year surplus on average - the first time this has occurred since 2021 and a notable turnaround from the position reported in 2024.

However, the report notes that these headline figures may distract from some of the ongoing financial pressures faced by many academy trusts. While the results suggest this could be the strongest financial year since 2022, there is also a broader context to consider, with other factors at play that point to continued challenges.

Reduced levels of confidence are evident in some of the statistics – particularly when it comes to expectations for growth and projected reserves.

- + Only 36% of academy trusts expect to grow in the next year; and
- + 59% within two years;
- + Down from 61% and 83%, respectively, in last year's survey.

One possible explanation might be the removal of growth funding. However, respondents indicated that this had a relatively limited impact on their plans. Instead, pressures arising from the finances of individual schools, and their impact on the academy trust as a whole, appear to be a more important factor.

## Impact of Core Schools Budget Grant

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Whilst the 2024-25 financial year has enabled academy trusts to outperform budget, the report observes that this has largely resulted from funding received during the year in the form of the Core Schools Budget Grant (CSBG).

This grant is provided to help cover key costs - in particular the teachers' pay rises. The allocation of this funding was not known by the sector until after their Budget Forecast Returns were submitted. Many academy trusts assumed additional funding would be provided to cover the pay rises, however the provision exceeded expectation and avoided the need to draw on existing budgets.

## Free reserves

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*"We use the movement in free reserves as the best metric for assessing financial performance."* The report uses this statement to emphasise the role of free reserves in giving clarity to the overall financial position.

Free reserves are essential for managing cashflow and enabling investment in areas such as IT systems, curriculum, SEND, and building maintenance and improvement. Without sufficient reserves, academy trusts may lack the financial capacity to respond to emerging needs or opportunities.

For all academy trust types, the actual free reserves were better than forecast. However:

- + There are still 26% of academy trusts with free reserves of less than 5% of total income;
- + This is a reduction from last year's figure of 31% but still more than in 2022 (17%); and
- + When the report considers free reserves as a percentage of total revenue income there is very little change at all.

Department for Education guidance suggests that around 80% of academy trusts hold reserves of at least 5% of income, often equivalent to about one month's expenditure to support cashflow. Reserves below 5% may indicate financial vulnerability, while higher levels support capital investment. With around one in four academy trusts below this threshold, funding essential investment from reserves alone appears challenging.

Budget Forecast Returns indicate limited optimism across the sector, with reserves expected to fall on average this year.

- + Free reserves are forecast to decline over the next two years for all trust types except medium MATs, ranging from an 11% fall for large MATs to 43% for secondary SATs; and
- + If realised, reserves for secondary SATs would be less than twice those of primary SATs, despite serving four to five times as many pupils on average.



## Key financial pressures

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Financial pressures persist, with the report outlining the usual areas of strain for academy trusts. The majority (90% - up from 81% last year) indicated that teaching and support staff costs are their biggest financial challenge, with other pressures including a growing demand for SEND provision, the need for ongoing maintenance and upgrades to school buildings and falling pupil numbers.

### Teaching costs

Pay rises for teaching and support staff, alongside higher tax pressures, have increased the challenge of budget planning.

- + Across academy trusts of all sizes, an average of 76% of income is now spent on staffing, with most trust categories allocating around two additional percentage points of income to staff following recent pay and tax announcements.

### Maintenance

Capital funding, including the competitive Condition Improvement Fund (CIF) for academy trusts not eligible for School Condition Allocation (SCA), is widely considered insufficient to address the needs of an ageing school estate.

A related issue concerns schools delivered through the Private Finance Initiative (PFI). Recent BBC reporting highlighted potential risks as some Private Finance Initiative (PFI) contracts approach their end. In one example, a contract concluded before essential repairs were completed and the provider entered liquidation shortly afterwards, leaving the building in poor condition. The case raises wider questions about whether similar issues could arise elsewhere. Academy trusts with PFI arrangements should ensure repair works are closely monitored and that handover processes are carefully managed.

### SEND

The current SEND system remains a major risk, with funding shortfalls and systemic challenges. The Schools White Paper, now delayed to early 2026 to allow further consultation with families, postpones clarity on SEND reforms. Additional funding for schools and local authorities is expected, but full details are still awaited.

### Pupil numbers

Since the VAT change, over 100 independent schools have closed or merged, with up to 25,000 pupils assumed to have moved to state schools. While this may reduce expected government revenue from the policy change, it could benefit academy trusts able to absorb these pupils.

As most funding is pupil-based, taking students from the independent sector may help offset the shortfall. Whether government revenue from independent schools will be reinvested in state education remains uncertain.

### School meals

- + 89% of academy trusts said the funding they received for school meals was insufficient to cover the cost of providing them.

## Key takeaways

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Academy trusts of all sizes have reported their strongest financial performance in three years. However, these surpluses largely reflect tighter budgeting and unexpected in-year funding, rather than any easing of underlying financial pressures.

The Kreston survey shows a wide range of views on growth, with 59% of academy trusts expecting to expand in 2026-27, down from 83% last year. Declining pupil numbers and rising costs underscore the need for careful, well-informed decision-making. Academy trusts must plan strategically within current resources and focus investment where it will have the greatest impact.

# Tips for Completing the Teachers' Pension End of Year Certificate

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With the submission deadline approaching, employers participating in the Teachers' Pension Scheme (TPS) will need to begin preparing their annual End of Year Certificate (EOYC). The unaudited certificate must be submitted by the final working day in May.

The EOYC confirms that pension contributions have been correctly administered and paid to the scheme. The template is completed using payroll data, detailing the contributions paid during the financial year and the pensionable salaries on which they were calculated.

To assist with accurate completion, we have set out some practical guidance below - covering the three key sections of the certificate.

## Section 1: Total Actual Contributory Salary

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The total contributory salary represents the sum of all pensionable pay paid during the financial year to employees who are members of the Teachers' Pension Scheme. This figure should be derived from payroll records.

Only pensionable pay should be included in this figure. Therefore, total pay figures should be adjusted to exclude situations where a teacher:

- + Has opted out of the Teachers' Pension Scheme;
- + Is aged 75 or over;
- + Is in non-pensionable employment;
- + Is contributing to the Local Government Pension Scheme rather than Teachers' Pension Scheme; or
- + Is receiving non-pensionable payments.

## Section 2: Summary of Contributions

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This section summarises the contributions deducted from pensionable pay and paid to Teachers' Pensions during the financial year.

The Contributions Paid (Box 2d) figure is pre-populated within the EOYC template by Teachers' Pensions and reflects the total value of contributions received for the year via the Employer Portal.

It is important not to amend this figure, as doing so may result in the submission being rejected. Any queries regarding the value shown should be directed to Teachers' Pensions.

## Section 3: Analysis of Contributions by Tier

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In this section, the Contributory Salary and Contributions should be analysed by tier. The totals for each column must agree with the corresponding entries reported in Section 2.

Consistency checks should be performed by confirming that the contributory salary, when multiplied by the relevant contribution band percentage, matches the contributions deducted.

If inconsistencies arise in the banding checks, they should be reviewed carefully, as they may indicate errors in the application of contribution tiers or the identification of pensionable pay.

Incomplete information, or discrepancies between this section and Section 2, may result in the need for a Supplementary Tiered Contributions Certificate, which requires additional audit work.

### Final steps

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Once all the information has been completed in the template, the following steps should be completed:

- 1 Save the file – Select 'Save File' on the unaudited EOYC.
- 2 Generate the completed version – The file can then be printed or exported once finalised, which will also attach the relevant declaration form.
- 3 Upload the file – Log into the Employer Portal, navigate to the 'Upload a File' section, select the completed file and upload it.
- 4 Issue to the auditor – The EOYC and declaration must be signed by the officer with financial responsibility (for example the Chief Financial Officer) and provided to the auditor.

The auditor will perform the required checks and submit the audited certificate by the last working day in September.

Ensuring the EOYC is completed accurately and submitted on time will reduce the risk of follow-up queries from Teachers' Pensions.



# Condition Improvement Fund and School Estate Investment

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Schools and colleges built between 1941 and 1980 represent a significant proportion of the estate - accounting for 43% of school space and 30% of the college estate, according to the **Education Estates Strategy**. This presents a growing challenge, as many sites require significant maintenance, refurbishment, or, in some cases, full replacement where repair is no longer viable.

In response, the Department for Education (DfE) has set out a long-term vision through its 10 year plan. This signals a shift towards more proactive estate management and strategic, long-term maintenance planning, alongside targeted investment in rebuilding and renewal.

## The figures

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Investment in education capital is set to reach £38 billion between 2025–26 and 2029–30 - the highest level since 2010. This includes:

- + Over £12 billion in maintenance funding for schools and colleges;
- + Over £10 billion for the School Rebuilding Programme;
- + Up to £3.1 billion for the provision of mainstream school places; and
- + At least £3.7 billion for new specialist places.

Around 2,800 Responsible Bodies - those accountable for managing school and college estates - will play a central role in delivering this investment.

The strategy combines funding, new initiatives and policy reform structured around three core themes: manage, improve and renew, and build and rebuild. Key highlights under each area include:

### Manage:

- + Launch Manage Your Education Estate digital service (Feb 2026) to centralise guidance, data, tools, funding, and communication;
- + Require an annual return from Responsible Bodies (from Autumn 2026) on how they are meeting expectations in the School Estate Management Standards;
- + Pilot self-reported data collection in line with common standards starting in 2026–27, with national rollout from Autumn 2027; common data standards published from April 2026 and two-way data sharing introduced by 2028; and
- + Develop a framework (by Autumn 2026) to help use surplus land and buildings supported by pilot projects linking to community services.

### Improve and Renew:

- + Invest almost £3 billion per year by 2034-35 in capital maintenance and renewal;
- + Introduce a new programme by Autumn 2028 to replace the Condition Improvement Fund (CIF) – making it easier to access maintenance funding;
- + Launch £710m Renewal & Retrofit Programme (to 2029–30) for major condition works, climate resilience, and decarbonisation; starts April 2026 (East Midlands, Yorkshire & Humber, South East), expands from 2027, nationwide by 2029;
- + Invest £3.7bn (2025–30) to improve accessibility and inclusivity in mainstream schools for SEND pupils, with new guidance on high-impact adaptations; and
- + Provide targeted support for digital connectivity with £325 million to 2029-30 for the expansion of Connect the Classroom.

## Build and Rebuild:

- + Invest almost £20bn (to 2034–35) to rebuild over 750 schools/colleges; with over 500 already in the programme and a further 250 added by 2027, prioritising worst condition sites and future need, with projects considering SEND, nurseries, and family hubs;
- + Continue to develop design standards for more inclusive and long-lasting buildings and testing new solutions, technologies and construction methods;
- + Permanently remove Reinforced Autoclaved Aerated Concrete (RAAC); and
- + Expand 16–18 education capacity with £395m investment (to 2029–30), including £184m devolved to strategic authorities.

Although the changes won't take effect for a few years, now is a good time for academy trusts to review the proposed CIF updates, as the new approach could make it easier to access funding for essential projects.

## Reforming capital maintenance funding

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The Condition Improvement Fund provides a route for standalone academies, and smaller academy trusts (fewer than five schools or 3,000 pupils), to secure capital funding for projects that keep buildings safe, compliant and operational. While the focus is primarily on essential condition works, the fund also supports a limited number of expansion projects.

CIF is designed to address significant building issues that cannot be covered through revenue funding or other sources - typically relating to poor condition, compliance, or health and safety risks. Funding is currently allocated through an annual competitive bidding process.

- + In 2024–25, 2,016 academies, sixth-form colleges and voluntary-aided schools applied for funding across 3,034 projects;
- + Of these, 866 projects at 733 institutions were approved, according to **DfE transparency data**;
- + Equating to a success rate of just 28.6%.

The DfE is set to increase capital maintenance funding to almost £3 billion per year by 2034–35, providing greater certainty for Responsible Bodies over future allocations. Alongside this, earlier visibility of any significant methodology changes is intended to support longer-term, strategic estate management and reduce the limitations of the current system.

- + The new programme, due to launch in Autumn 2028, will replace the Condition Improvement Fund; and
- + This will remove the need for full competitive bids, with funding informed instead by improved estate data.

While the move away from CIF bidding should reduce administrative burden and provide greater certainty, it will place increased emphasis on the quality of estate data and long-term planning.



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