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Making the grade – developments in the supply teacher market

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Introduction

Supply agencies play an important role in enabling schools to cover staff absence and as a stop-gap for difficult to recruit roles. However, increasingly schools are looking for greater value from their agency provider and have been actively seeking ways to reduce spend.

In this paper, we investigate reasons for schools' focus on value; how the use of supply is evolving, and the ways in which supply agencies are reshaping their businesses to adapt to these changes. Our work is based on interviews with supply agencies and heads / deputy heads of schools together with an online survey of senior managers in schools.

Supply teacher agencies play a key role in providing schools with the flexibility to meet their resourcing needs

Over the last decade, supply agencies have played an increasing role in helping schools find supply teachers, as local authorities have devolved this role. Positions range from short-term (< 6 weeks) and long-term (> 6 weeks) cover for teacher absences to interim roles for difficult to recruit roles.

As figure 1 demonstrates, over the last 5 years schools have increasingly sourced supply teachers via agencies rather than direct (through own or LA contacts, often referred to as “black book”). This change has been accelerated by the break up of LEA teacher supply pools as a result of academisation.

Schools’ requirement to cover short-term absences (principally sickness) are typically broadly stable, rising in-line with overall teacher numbers. However, the market to cover long-term absences has grown significantly driven by challenges in teacher recruitment and retention.

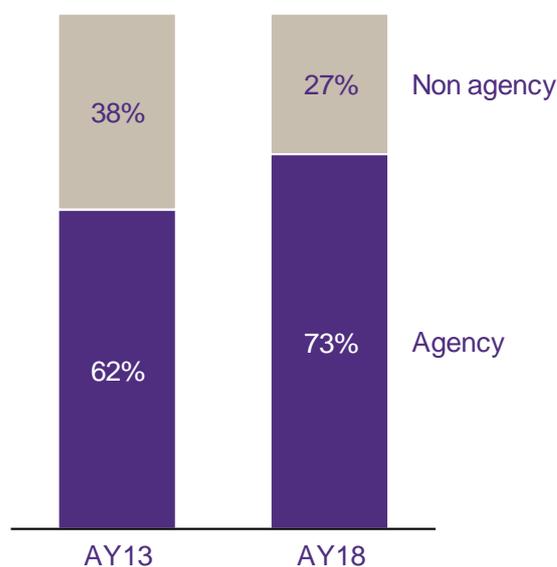
The UK has one of the highest Pupil Teacher Ratios (“PTRs”) in the developed world. This together with rising pupil numbers has led to a shortage of teachers, particularly in STEM subjects and certain regions such as Inner London.

The teacher shortage has been exacerbated by recent trends in teachers leaving the profession and failures to meet Government teacher training recruitment targets:

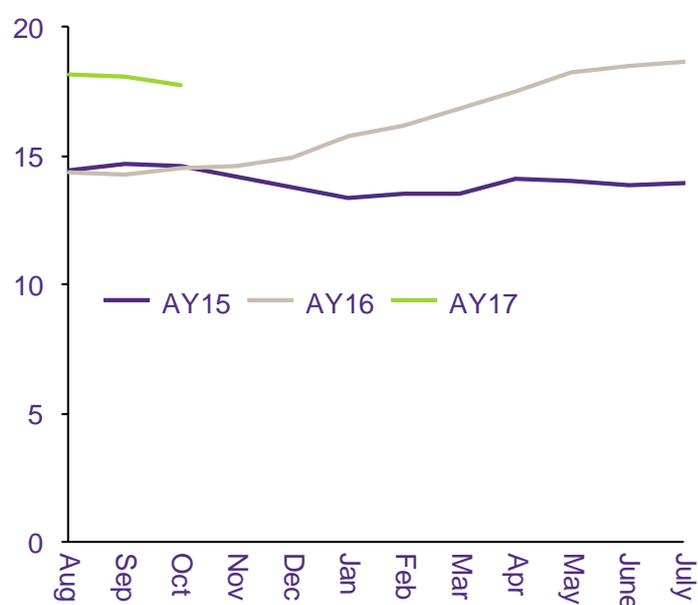
- From Academic Year ending August 2013 (“AY13”) to AY17 the number of teacher exits (excluding retirements) in state schools in England increased by 9% pa
- The government only hit c.83% of its recruitment target for secondary teacher training candidates over the last three years

Figure 2 underscores the increasing level of teacher vacancies year on year.

1. Total supply teacher spend by channel ¹



2. UK teacher job vacancies (000s) ²



In recent years, government austerity has put budgetary pressure on schools

Following years of funding rises, schools funding has been flat on a per pupil basis since 2012 and is expected to decline at c.0.5% pa in the period to AY20 in real terms and on a per pupil basis.

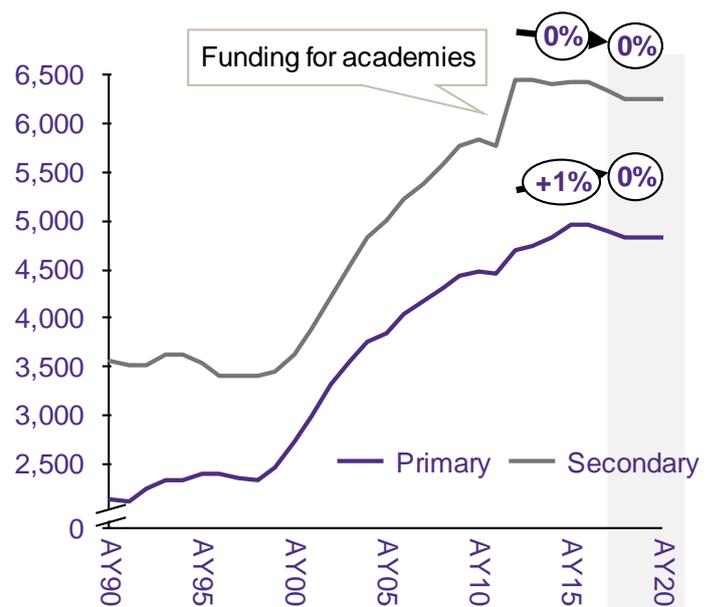
The government also plans to change the way funds are distributed with the introduction of the new National Funding Formula. Schools in densely populated areas are expected to lose out, although full implementation has been delayed until AY21.

DfE figures show that the number of LA schools going into deficit has risen from c.30% in AY12 to 65% in AY17. Schools have been forced to tighten their belts accordingly and have been seeking cost efficiencies across budget areas.

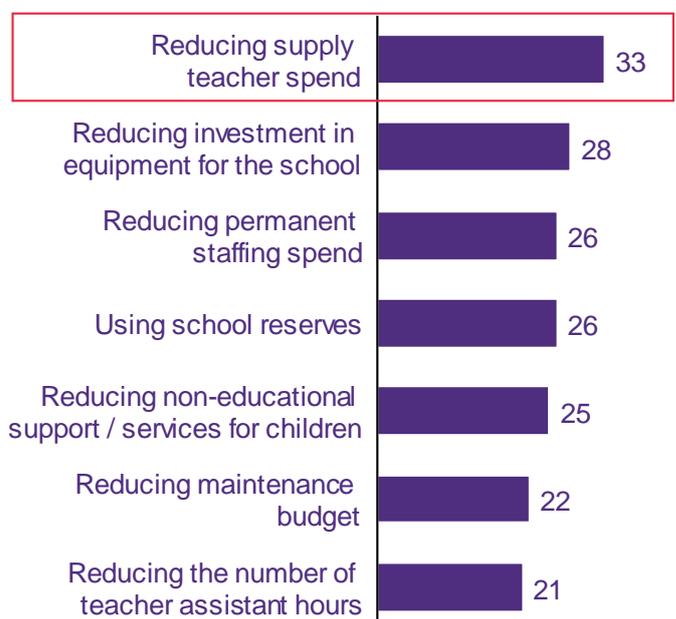
Many of the head teachers we spoke to have cut their spending on supply and most require clear value for money in their spend.

“We went into budget deficit two years ago and since then have been trying to claw that back. This year we have hit our target, we hope that next year we can do the same and get back in the black. We’ve reduced our senior leadership team, admin staff and teaching staff – we are cutting everything we can.” – Head, Primary LA

3. DfE funding per pupil by phase of education, AY18 prices (£) ³



4. Given schools’ budgets have been under pressure, in which areas have you made savings? ⁴



This has resulted in a reduced spend with supply agencies, particularly by academies

Data from DfE (see figure 5) shows that the supply market has declined by c.3% pa since AY15, following a period of rapid expansion.

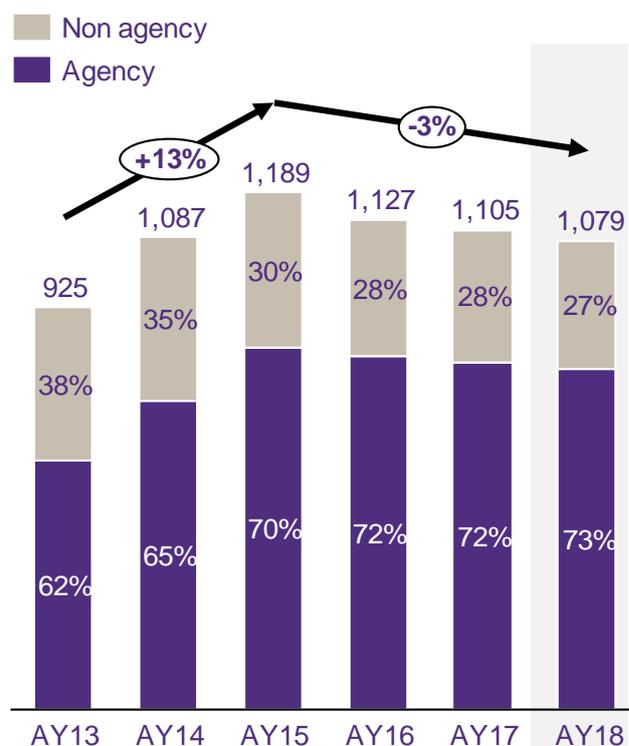
As shown in figure 6, academies have led the way in reducing spend per pupil as they pioneered cost-cutting measures such as use of cover supervisors, instigating more flexible curriculums, longer teaching hours and merging classes where appropriate. In contrast, LA school agency spend per pupil has been more stable, albeit with slight reductions in AY17.

Our discussions with supply agencies identified greater margin pressure as schools have taken advantage of a glut of supply agency options to demand better service and / or better pricing:

- There is evidence that multi academy trusts have been utilising their buying power to secure preferential rates
- Many schools have altered their demand towards lower margin support staff / TAs

This has resulted in a wide disparity in financial performance for supply agency businesses across the market.

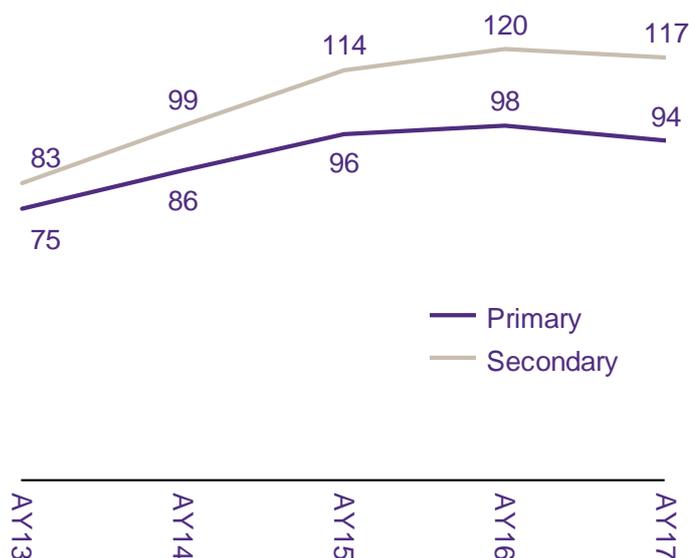
5. Total supply spend by channel (£m) ¹



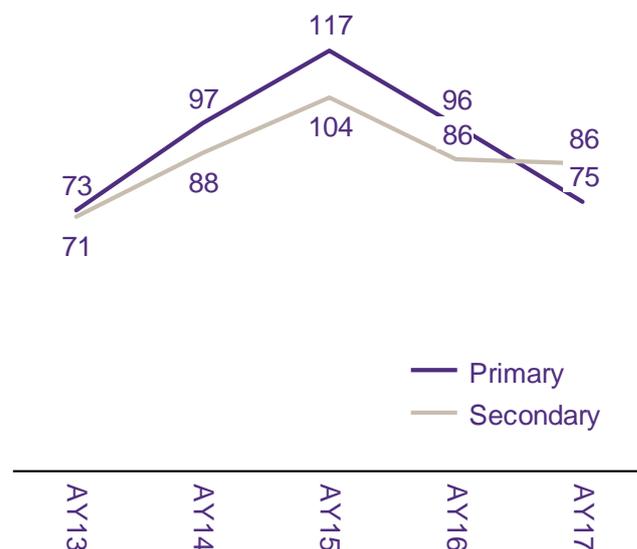
* AY18 spend is an estimate based on Grant Thornton survey

6. Agency spend per pupil (£) ¹

LA maintained



Academies



Despite these pressures, agencies with a more differentiated / focused offering are growing

Despite the challenging market conditions, we spoke to many agencies which have continued to grow. Our research identified five broad strategies being adopted by more successful agencies. The overriding theme is delivering a highly efficient and differentiated service offering to schools.

Agency growth strategies:

Operational excellence	<ul style="list-style-type: none">• The supply agencies we spoke to view technology as a means to improve operational efficiency and protect margins, with some already experiencing benefits. This includes technology to deploy staff more efficiently, increase candidate utilisation and reduce costs
Focus on long-term supply	<ul style="list-style-type: none">• Ongoing shortages of teachers alongside teacher retention issues are expected to lead to continued opportunities for agencies with a developed long-term placement and teacher sourcing capability
Non qualified teachers/ TAs	<ul style="list-style-type: none">• Increased use of cover teachers and teaching assistants has seen growth in demand for non qualified staff and we expect this to continue in the near term future. Schools were generally positive regarding the ongoing use of cost effective TA staff to fill short-term resourcing challenges
Product innovation / other budgets	<ul style="list-style-type: none">• We noted strong demand for more value-added / productised supply agency offerings. Innovative offerings include provision of SEN specialists, access to non-qualified teacher experts (e.g. use of inspirational figures such as ex-athletes as mentors, outcome teaching interventions and teacher training / CPD support)
Permanent recruitment	<ul style="list-style-type: none">• A growing number of teachers are using agencies for permanent positions as they believe agencies can help find better roles and negotiate better terms. Whilst many head teachers would prefer to recruit directly to reduce costs, they recognise the value agencies add in increasing application numbers. Given, the forecast challenges in teacher recruitment, this area of the market will likely provide further growth opportunities

Conclusion

Reducing supply spend remains a priority for schools as they seek efficiency savings in response to continued budget pressure. This could lead to further market erosion, particularly as LA schools look to emulate savings made in academies. Our survey with schools found reducing supply teacher spend was the #1 budget area where schools are targeting spend reductions.

However, schools also note that they frequently underestimate their spend on supply and that it is challenging to forecast supply spend as long-term sickness is inherently hard to predict. Furthermore, the supply agencies we spoke to do not expect supply days to fall significantly as teacher recruitment and retention remain challenging.

There is an expectation of further margin pressure on agencies from the Crown Commercial Service (CCS) supply teacher framework. This was launched in August 2018 to help improve transparency around fees charged by supply agencies with a long-term goal of driving down costs. Supply agencies have conflicting opinions about the impact of CCS. Some agencies highlighted that previous government initiatives have failed to gain traction whilst others think that given DfE backing, the framework is likely to have a long-term impact even if the initial impact is expected to be limited. Overall consensus was for margin pressure to continue over the next three years.

We consider that agencies which position themselves as full-service recruitment and retention partners to schools are best placed to form sticky relationships. The best performing agencies are likely to offer a range of traditional supply services, intervention and permanent recruitment services, as well as leveraging technology to improve operational efficiency and reduce costs.

The changing market dynamics may lead to another period of consolidation in the industry as larger agencies can utilise their scale to build long-term relationships with academy trusts and maintain greater profitability levels.

References

- 1 DfE – Income and expenditure in academies in England 2012/13 to 2016/17; LA and school expenditure 2012/13 to 2016/17
- 2 Burning Glass data from the Migration Advisory Committee January 2017 Partial Review of the Shortage Occupation List Review of Teachers
- 3 Institute for Fiscal Studies – Public Spending on Children in England: 2000 to 2020, June 2018
- 4 Grant Thornton survey

Contacts



Ven Balakrishnan
Partner | Strategy Group
T +44 (0)20 7865 2695
E ven.balakrishnan@uk.gt.com



Andrew Hawkins
Director | Strategy Group
T +44 (0)20 7184 4622
E andrew.p.hawkins@uk.gt.com



Tom Eskill
Manager | Strategy Group
T +44 (0)207 728 2598
E tom.eskill@uk.gt.com



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