Academy sector update 2026

Grant Thornton UK LLP

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Agenda

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Learning objectives

1. Understand the latest legal and governmental developments affecting academy trusts

2. Explore recent financial reporting updates relevant to the sector

3. Review current DfE guidance and its practical implications

4. Identify emerging sector risks and how to respond to them

01

In the news

Pay pressures across the sector

[Academy school leaders in England face pay cap to curb ‘banker-style’ salaries | Academies | The Guardian]

[Teachers in England get two-year 6.6% pay rise but schools to foot part of bill | Teaching | The Guardian]

£174k

New academy CEO pay cap

6.6%

Teacher pay rise over 2 years

£460m

Funding gap schools must find

Executive pay cap

DfE approval will be required before advertising academy trust CEO roles above the £174,000 threshold, with future rises tied to the teacher pay award. Around 1,000 MATs already pay senior staff above £200,000.

Teacher pay award

3.5% from September 2026, then 3% from September 2027. Government adds £1.8bn over two years, but unions say schools must find c.£460m from existing budgets - equivalent to 8,300 posts.

What might PM Andy Burnham mean for schools?

PM: ‘From today Britain will value the hard hat as much as the graduation cap’ - GOV.UK

Can Burnham's vision for Manchester's schools work for the rest of England? - BBC News

The announcement

- New technical education routes from age 14, alongside core academic subjects
- Aim: parity of esteem between academic and technical pathways - “no dead ends”
- Ofsted to change inspections to recognise technical education and work readiness
- Mayors, schools, colleges and employers will co-design routes around local industry
- Modelled on the Greater Manchester Baccalaureate (MBacc), launched by Burnham in 2024
- Rollout ambition from September 2028; detailed design work starts now

Implications for the sector

- Devolution is central to Burnham's outlook - expect more education decisions to shift to mayors
- As shadow education secretary, Burnham opposed academy status and school autonomy - a shift in tone is possible
- The MBacc is untested beyond Greater Manchester; some trust leaders are wary a technical push could dilute academic rigour
- DfE has historically resisted devolving education powers, so implementation may be gradual and locally variable

02

Sector risks

Financial sustainability: good year, weaker outlook

Academies Benchmark Report 2026 | Kreston Reeves

37%

of trusts reported a deficit this year - down from 60% two years ago, on tight cost control

-43%

forecast fall in reserves for secondary single academy trusts by 2026/27

90%

of trusts cite staff costs as their biggest financial challenge, up from 81%

£200k+

average large MAT CEO salary for the first time - a governance talking point

Cyber, governance and estates risk are converging

13.6

average schools per trust in 2026, up again as MATs continue to consolidate and grow

Cyber security

Increasingly cited as an emerging risk given growing dependence on centralised MIS and finance systems across MAT structures

Governance capacity

Central teams and trustees are increasingly stretched to maintain oversight as MATs grow larger and more complex

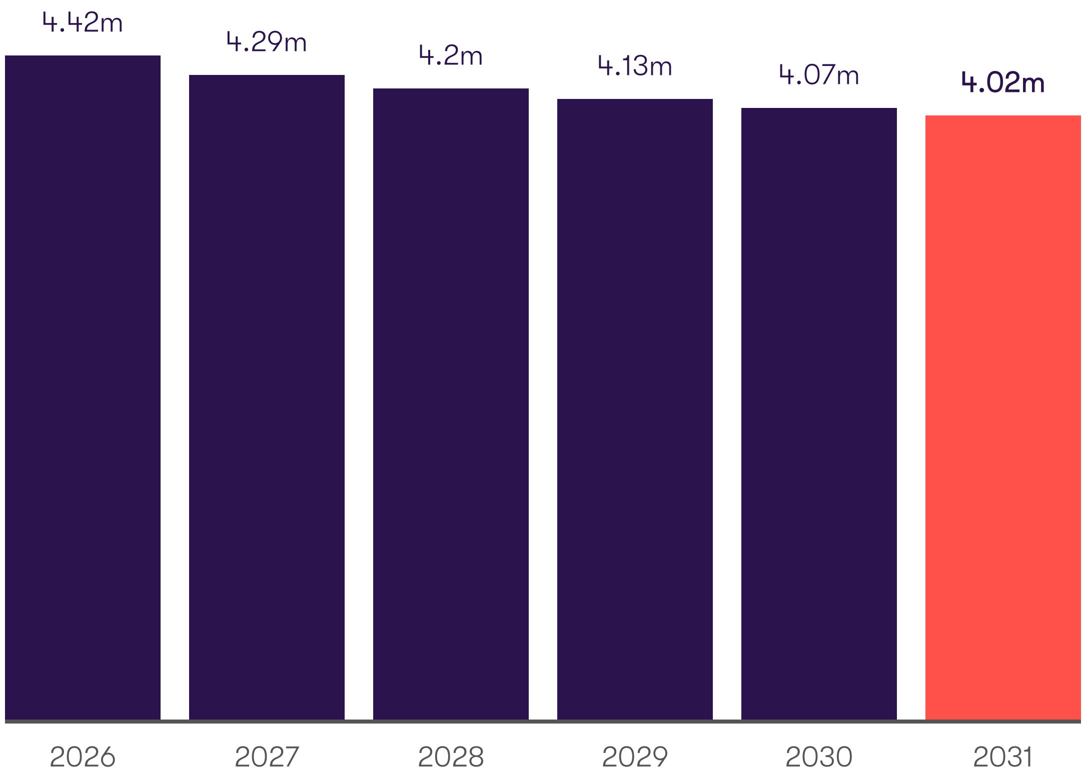
Estates and assets

Asset management is a stretch point, with deferred maintenance liabilities a recurring concern in benchmarking commentary

Falling pupil numbers: a structural, not cyclical, risk

[Release home - National pupil projections - Explore education statistics - GOV.UK]

Nursery and primary pupils (millions), projected



473,000 fewer nursery and primary pupils by 2031 - a 10.7% fall

Why it matters for trusts

- Per-pupil funding formulas mean falling rolls translate directly into falling income
- Costs (staffing, premises) are sticky and don't reduce in line with pupil numbers
- Losing 20-30 pupils can mean over £100,000 less funding, before cost savings are realistic
- SEND need is rising even as overall numbers fall, adding further cost pressure
- Trusts should model falling rolls into medium-term forecasts, not a one-off shock

03

Legal and governmental changes

Scope creep?

Academy trust handbook 2026: effective from 1 October 2026 - GOV.UK

Inclusion and collaboration (1.16-1.20)

- Trusts must embed a clear, trust-wide approach to inclusion for SEND and vulnerable pupils
- Board must have oversight of inclusive practice, via a named trustee or committee
- Trusts must cooperate with local authorities on place planning and admissions
- New expectation to support the "Experts at Hand" offer and local partnerships

Digital and technology standards (1.21)

- 6 core standards by 2030: broadband, network switching, wireless network, cyber security, filtering & monitoring, digital leadership
- Filtering and monitoring already expected under Keeping Children Safe in Education
- DfE's "Plan technology for your school" tool supports self-assessment and progress tracking
- Currently a "should" not a "must" - but signals clear direction of travel

Scope creep - and an audit question mark

- Neither change is core financial management
- Digital standards are qualitative and hard to evidence
- Expect more judgement-based scrutiny ahead

Children's Wellbeing and Schools Act 2026

Children’s Wellbeing and Schools Act 2026 Royal Assent - Parliamentary Bills - UK Parliament

Apr 2026
Royal Assent

Sept 2026
Breakfast clubs, FSM expansion, uniform cap live

2027
Multi-agency child protection teams targeted

Sept 2028
Academies must teach revised National Curriculum

Breakfast clubs

New statutory duty on all state-funded primary schools (inc. academies) to arrange a free breakfast club for Reception-Y6, min. 30 minutes before the school day. DfE funds this via a per-day plus per-pupil grant.

Uniform cost control

Schools may require no more than 3 branded items (excluding ties). Designed to reduce the cost of school uniform for families and requires trusts to review and update uniform policies.

National Curriculum (academies)

From September 2028, academies must teach the revised National Curriculum - ending the freedom (since 2010) to set their own curriculum. Applies once the revised curriculum, currently under review, is finalised.

Multi-agency collaboration

Statutory Multi-Agency Child Protection Teams in every local authority, a Single Unique Identifier to track children across services, and a new duty to share safeguarding information between agencies.

Budget and audit implications

What MAT boards, finance teams and auditors should be tracking

Measure	Funding position	What we should be watching
Breakfast clubs	DfE grant: flat £25/day + £1/pupil/day (mainstream)	Check cost recovery against actual staffing and catering spend; track grant income and use separately in the accounts
Uniform cost cap	No direct funding - a policy and compliance change	Review uniform policy and supplier contracts; evidence board approval of a compliant policy
Free school meal expansion	Funded via the national formula, but administratively heavy	Confirm eligibility-checking systems are ready for September 2026; watch catering capacity and cost
National Curriculum (2028)	Longer-term cost: staff CPD, schemes of work, resources	Start scenario planning now; monitor the government's response to the Curriculum and Assessment Review
Multi-agency collaboration	Operational cost: DSL time, systems, data-sharing	Ensure safeguarding budget and capacity reflect the new duties; watch for the Single Unique Identifier spec

Schools White Paper 2026: the SEND reform roadmap

‘Every child achieving and thriving - GOV.UK

23 Feb - 18 May 2026	White paper + consultation
2026/27 - 2027/28	Phase 1-2: best practice, SEND/curriculum prep, CPD rollout
2028 onwards	National Inclusion Standards; EHCP to ISP transition from 2029

Note: this is a policy roadmap, not a statutory timetable - legislation (the Education for All Bill) is still to follow

Tiered SEND support

Universal, targeted, targeted plus and specialist support tiers - shifting emphasis to inclusion in mainstream schools.

Individual Support Plans

Digital ISPs for around 1.4m children without an EHCP; EHCPs are retained for the most complex needs.

Disadvantage funding reform

Stepped, income-based funding replacing the free-school-meals trigger, aiming to halve the disadvantage gap.

What does this mean for academies?

Staffing, cost, and what's still genuinely uncertain

Staffing

- SENCOs shift to a more strategic leadership role - needing dedicated time and authority, not just an add-on to a teaching role
- All school staff, not just SENCOs, are expected to access national SEND training from September 2026
- "Experts at Hand" targets more specialist days per school by 2028/29 - but that workforce doesn't yet exist at scale

Cost

- A £4bn package is headlined, including £3.7bn already committed for 60,000 new SEND places and £200m+ for national staff CPD from September 2026
- Funding is aimed largely at local authorities and national training - the direct budget impact at individual trust level isn't yet clear
- Disadvantage funding reform could redistribute money between schools - some trusts may gain, others may lose, depending on pupil population

Still uncertain

- This is policy intent, not law - implementation depends on the promised Education for All Bill, not yet introduced to Parliament
- The SEND consultation closed 18 May 2026, but the government's response and final design haven't been published
- Existing EHCP and SEND legal duties are unchanged for now - no immediate compliance requirement
- Key dates (2028 National Inclusion Standards, 2029 EHCP/ISP transition) are current intentions and could still shift

Employment law and Companies House updates

Employment Rights Act 2025 | Economic Crime and Corporate Transparency Act 2023

Employment Rights Act 2025

- The biggest overhaul of UK employment law in a generation - Royal Assent 18 December 2025, phased in through 2027
- Day-one rights from April 2026: paternity leave, unpaid parental leave and statutory sick pay no longer need a qualifying period
- Stronger dismissal protections, tighter redundancy consultation rules, and new restrictions on “fire and rehire”
- HR teams should review contracts, policies and staff handbooks for length-of-service requirements that no longer apply

ECCTA 2023: ID verification

- Requires identity verification (IDV) for company directors and PSCs (Persons with Significant Control) at Companies House
- In force from 18 November 2025 for new appointments; existing office-holders have a 12-month transition via the confirmation statement, expected complete by autumn 2026
- Applies to academy trustees as company directors, and to members able to appoint or remove the majority of the board as PSCs
- Trusts are typically well used to PSC and governance registers already - the new step is the personal ID check itself, via GOV.UK One Login, the Companies House app, or the Post Office

04

FR updates

Academies Accounts Direction 2026: what's changed

Academies accounts direction 2025 to 2026

Incremental clarifications

2.8	No longer requires trade union facility time disclosure - a welcome reduction
2.23	Minor changes to streamlined energy and carbon reporting disclosures
2.51 / 2.53	Regularity and propriety definitions updated to align with Managing Public Money
2.148	Payments in lieu of notice now included within restructuring costs
2.153	More guidance on disclosing benefits for part-time or part-year higher-paid staff
2.157-2.159	Updated definition of key management personnel and their benefits disclosure
2.179	Related party disclosure clarified where the principal/CEO is a trustee

New Annex B: preparing for SORP 2026

- The 2026/27 Accounts Direction will fully adopt the new Charity SORP - academies must not early-adopt
- Trusts must document their transition approach and discuss it with auditors (see FRC's FRS 102 Factsheet 9)
- For leases specifically, a modified retrospective approach is mandatory - there is no choice here

Auditor framework updates

- Para 4.45 clarifies management representations on reporting potential irregularities
- Annex C simplified (avoids duplicating handbook content) and adds payroll/accrued remuneration tests
- Updated mandatory regulatory assurance report (Annex D) is now in the model accounts

Academy Trust Handbook 2025: key areas for the 2026 year end

Academy trust handbook 2025: effective from 1 September 2025 - GOV.UK

Digital and technology standards

Trusts should understand their progress towards DfE's 6 core digital standards, to be met by 2030 (1.16)

Estates management

Further guidance added on managing the school estate strategically, safely and effectively (1.20)

Accounting officer duties

Regularity, propriety, value for money and feasibility definitions updated to align with Managing Public Money (1.32, 1.37)

Executive pay

Board's role in setting pay is clarified - a presumption that executive pay shouldn't rise faster than teachers' pay (2.27, 2.30)

Internal scrutiny thresholds

The £50m income threshold for a dedicated audit and risk committee is based on the trust's last audited accounts (3.6, 3.16)

Cyber and intervention

Trusts must NOT pay cyber ransomware demands; DfE may recover funds where there's evidence of irregularity or fraud (6.15, 6.21)

FRS 102 and the Charity SORP: what's still unresolved

Effective for periods beginning on/after 1 January 2026 - first impacts FY27 academy accounts (year ending 31 August 2027)

The most significant change is leases coming onto the balance sheet as right-of-use assets - but two practical questions remain open with the DfE.

Query 1: what discount rate for leases?

- Academies generally can't take on debt, so there's no natural incremental borrowing rate to use
- A savings rate looks too low; the standard refers to an “obtainable” rate, which fits the spirit but introduces subjectivity - especially where a trust holds no debt at all
- Status: raised with DfE - a response isn't expected this year

Query 2: operating or fixed asset reserve?

- Operating leases are currently expensed through the operating reserve; the fixed asset reserve is restricted to fixed assets
- Once operating leases sit on the balance sheet as right-of-use assets, should this balance move into the fixed asset reserve too?
- Status: raised with DfE - a response isn't expected this year

What trusts should do now

Regardless of these open questions, academies should start reviewing their estate and lease portfolio today: identify all leases (including embedded and any short-term or low-value exemptions), gather lease terms and payment schedules, and start a conversation with us about the transition approach.

05

DfE updates

Academies Sector Annual Report and Accounts 2023/24: what it shows

Academies consolidated annual report and accounts: 2023 to 2024 - GOV.UK

£37.9m

aggregate deficit across trusts in-year, up from £18.5m the year before

75

trusts flagged by auditors for going-concern uncertainty - more than double the 32 recorded the year before

189

trusts (8.0%) flagged for a regularity exception, mainly on internal reporting and related-party transactions

99.4%

of trusts received an unqualified audit opinion for the 2023/24 academic year

Fraud: the current DfE picture

[The Government Counter Fraud Functional Strategy 2025-2026 Progress Review (HTML) - GOV.UK]

Fraud awareness good practice guide

DfE published a good practice guide bringing together resources for developing counter-fraud policies, covering prevention, detection and reporting

Impersonation scam: fake data breach letter

A letter carrying a forged ministerial signature falsely claimed a data breach at a schools' background-check provider - DfE has confirmed it as fraudulent

Reporting fraud or irregularity

Allegations of fraud or financial irregularity in academies now route through DfE's counter fraud service, following ESFA's closure in March 2025

Practical next steps

Encourage client finance and governance teams to verify any unsolicited compliance notice through a known contact before acting on it, and to check that fraud-reporting routes are visible within their risk registers and induction materials for this audit cycle.

Questions? Contact us

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