Frank Field
Education Trust

Future Multi Academy Trust (MAT) consolidation is inevitable but how will this happen?

By Dr. Chris Hampshire MBA (Dist.) PhD

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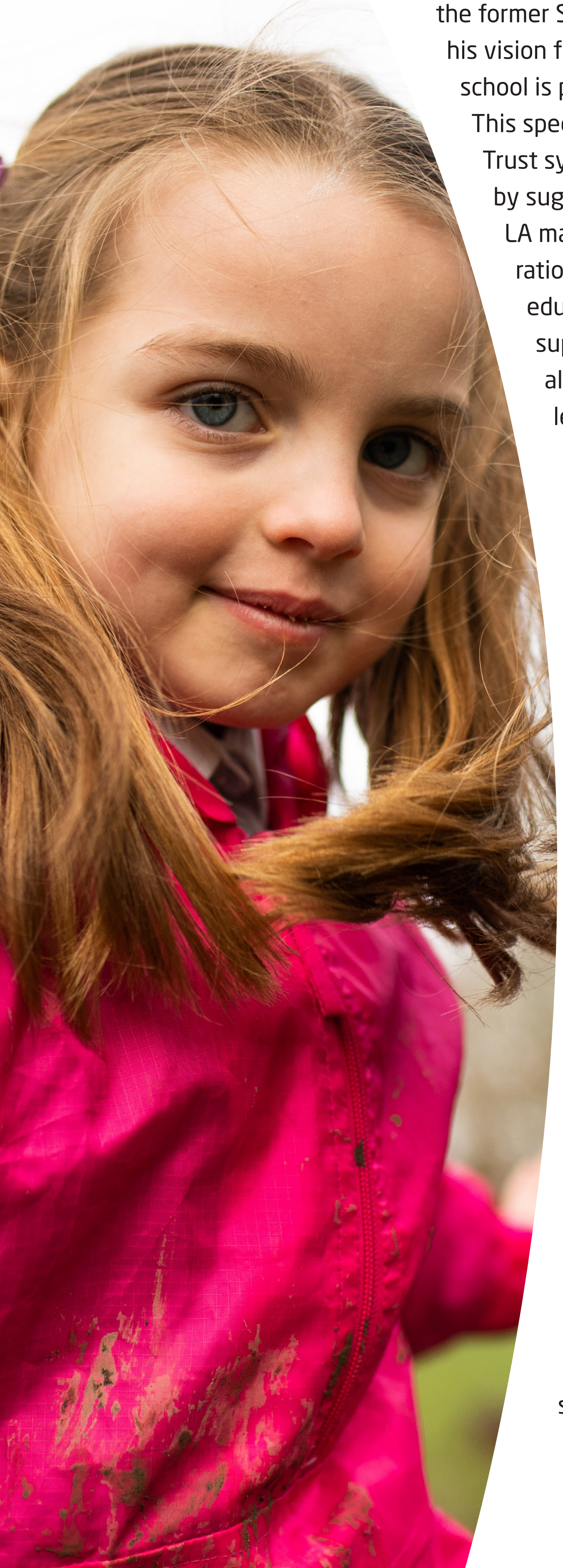

On 28th April, in his speech to the Confederation of School Trusts (CST), the former Secretary of State for Education, Gavin Williamson, outlined his vision for the future of the state-funded school system, where every school is part of a 'family of schools in a strong multi-academy Trust'. This speech, went beyond simply supporting the current multi-academy Trust system, built on strong multi-academy Trusts as its foundation, by suggesting an end to the current pick-and-mix combination of LA maintained, empty MATS and standalone academy schools. The rationale behind this endorsement of the multi-academy Trust education system was a belief that the strongest leaders can support more Trusts and schools whilst developing staff, thereby allowing schools to focus on teaching and learning - ultimately leading to improved outcomes for students.

The thread through the speech was the impact of strong governance, across groups of schools, which has the potential to deliver a greater impact than other models. This point was reinforced with the confirmation that the Government does not consider single-entity Trusts to be a viable proposition. As a result, the future is likely to see the growth of multi-academy Trusts through mergers of Trusts and/or conversion of schools into the existing multi-academy Trusts.

For academy Trusts looking to expand, this provides a clear indication that the Government is committed to a fully academised state-school system that includes consolidation of multi-academy Trusts across England. In some circumstances, maintained schools will be directed to join a particular MAT and will have little, if any, input into that decision. Under performing LA schools, judged by Ofsted to be inadequate, will be issued with an academy order by their Regional Schools Commissioner (RSC), requiring them to become an academy and join a MAT specified by their RSC.

This paper is not aimed at schools looking to choose a MAT to join as, it is aimed at MATs who are looking to grow through the integration of other Trusts, or welcoming maintained schools.

The guidance in this paper is intended to help ensure that the MAT develops an appropriate growth strategy, for the right reasons, and outlines how this can potentially be delivered, helping the Trust to thrive, both in the short term and in the years to come.

Due to a lack of schools open to a merger, there has been an increase in competition from other MATs who are wanting to attract new schools to their Trust. Academy Trusts have grown unevenly across England, which has sometimes resulted in a large school Trust in a local area restricting the expansion opportunities of other smaller Trusts in the same area, meaning growth can only occur if they expand their catchment area.

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In addition, challenges exist where a school wants to join a MAT, but has a financial deficit that the academy Trust would need to take onto its balance sheet. This is reflected in the fact that 26% of school Trust CEOs felt that their biggest strategic priority was financial sustainability, although a lack of school improvement support capacity is more likely to be a significant issue for a small MAT than for a large MAT that already has 20 or more schools in the Trust.

In summary, MAT growth is most successful when it is very carefully aligned with the mission, vision and values of the Trust that the scatter gun approach would fail to address.

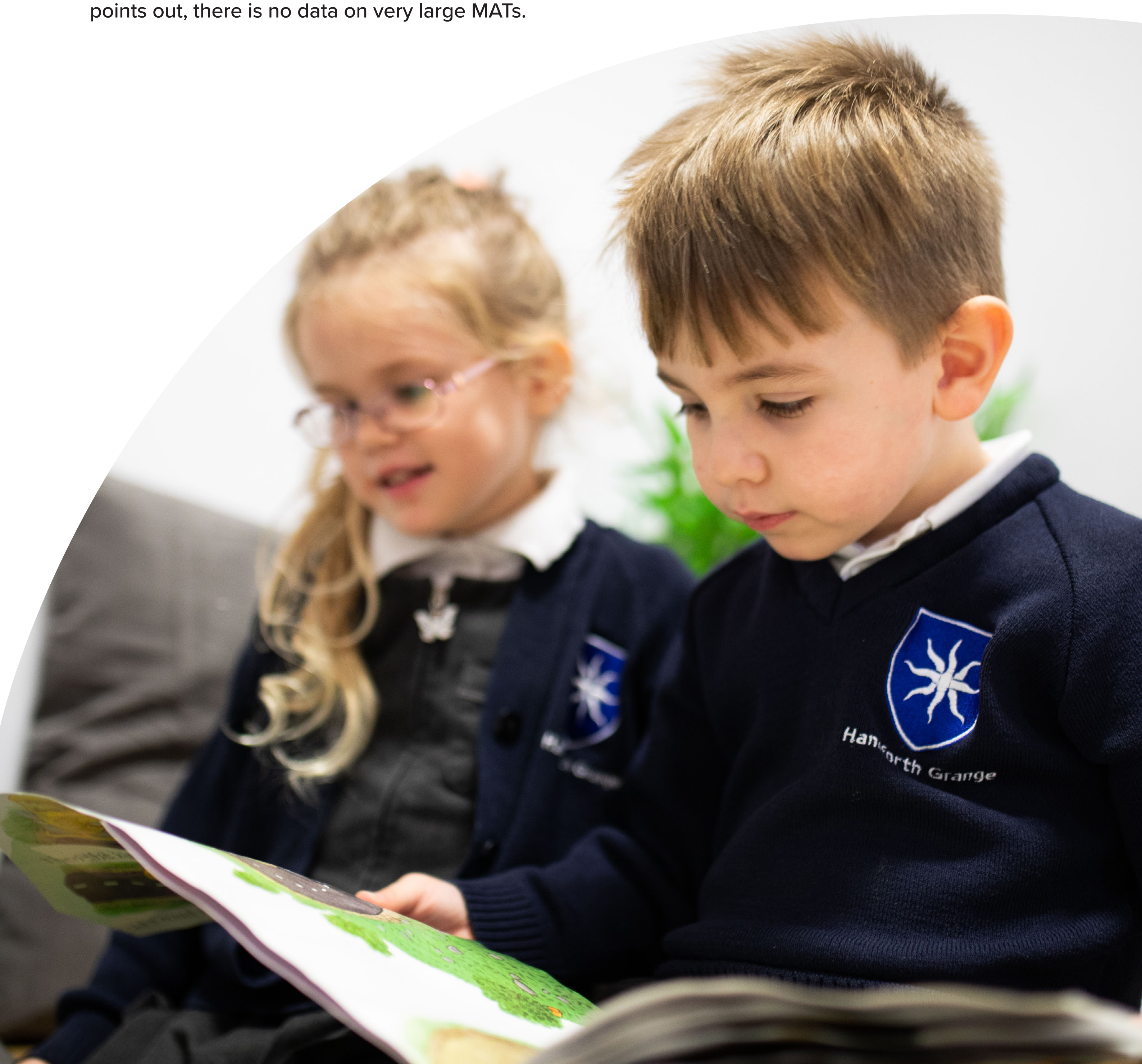
For a start, while each MAT has direct control of its expenditure costs it really has little certainty about its projected income. Such projections depend on careful and detailed assessment of the different cost and revenue scenarios including the DfE funding formula and pupil numbers. It is worth noting that school spending per pupil in England will be about the same level in 2022/23 as it was in 2009/10 with no real growth in spending per pupil over the past 13 years. This represents a significant squeeze on a MATs' revenue.

And in spite of even the most careful scenario analysis, a number of unexpected costs can arise. The 7.2 per cent increase in employer pension contributions from September 2019 is a case in point. The government will compensate MATs for these increased costs and has committed to £1.5 billion in spending to continue this compensation through to 2022/23. However, each MAT will need to assess the impact of the government not continuing to fund these increased employer contributions after that date.

Furthermore, each MAT will incur additional annual costs should education spending fail to keep pace with any annual increase in salaries. The 2019 spending review proposed an increase in education funding of MATs of £7.1 billion between 2019/20 and 2022/23 covering pupils aged 5 to 16. However, each MAT determines what, if any, annual pay award is given to employees, but any increase beyond government funding creates additional cost pressures on short- and long-term finances for each MAT.

Single school trusts are very limited in their ability to use economies of scale to deliver cost-savings compared with MATs, who can centralise functions like procurement, IT and HR. This centralisation allows each school within the MAT to benefit from shared expertise and collective purchasing power. But once a critical mass of schools and pupils within a MAT is reached, only very marginal cost savings are achieved thereafter. The DfE appears to hope shared expertise and services will be sufficient to incentivise MAT mergers and growth, but the jury is out. Leaders will certainly be wary of the risk of over-reaching.

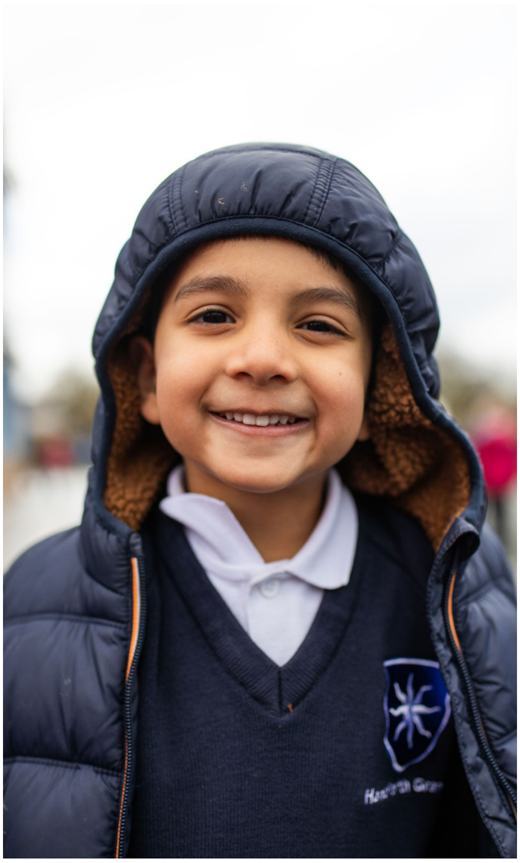
Financial and operational considerations aside, improving pupil outcomes should be the ultimate success criteria for any MAT. On that front, according to the DfE itself, there is no clear relationship between the size of a MAT and its performance on the Progress 8 measure. Smaller MATs apparently have more variable Progress 8 scores compared with larger MATs. But the difference is marginal and, as Jon Coles points out, there is no data on very large MATs.



And in the end, it is the Members of each MAT who have the final decision on whether it is in the best interests of their organisation to grow or merge. MAT mergers or a take-overs should be based upon detailed analysis – including current and future government policy, financial aspects, ability to improve pupil outcomes, etc. Any financially viable MAT over a 3- to 5-year term has very little incentive to engage.

Nevertheless, some MAT mergers and consolidation will occur. Changing internal and external market forces will occasionally outweigh other considerations, including financial viability. But the long and short of it is that only a small number of MAT mergers are likely to proceed in the short term.

That is, unless the DfE move to incentivise them, for example by changing the rules to include mandatory re-brokering of schools in a 'requires improvement' category.



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