Academisation update

CJK Associates

24 August 2024

Market outlook |ONS are forecasting a slower decline in pupil numbers. In 2022 a -12% decline was forecast, but this has been reduced to -8%, due mainly to revised immigration trends

Pupil numbers in Primary, Secondary and Special Schools will fall by 621,000 pupils, or 8%, from 2024-2032* (Figure 1a):

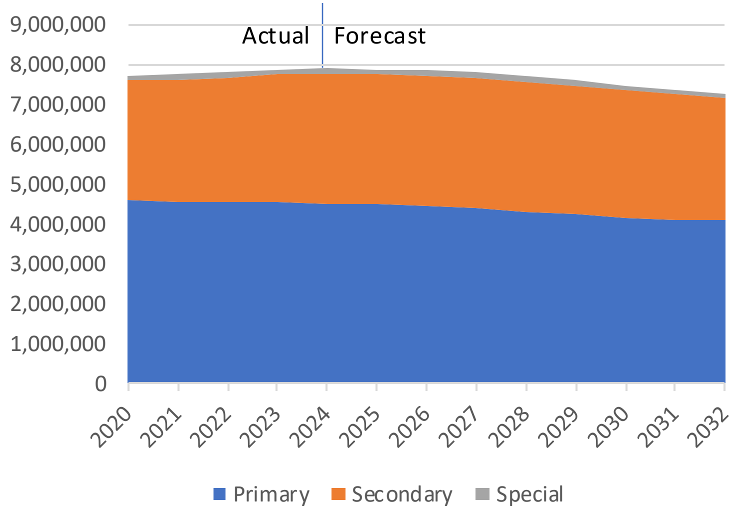
- This is 248,000 less of a decline than ONS had previously forecast. Most of the additional pupils are primary phase. The reason for this unusually large change in forecast is explained here https://explore-education-statistics.service.gov.uk/find-statistics/national-pupil-projections and is largely due to immigration.
- To clean, an 8% decline is still a challenging change to manage, but less severe than had been feared

* Previous ONS forecasts went to 2032 , but in the update they have only forecast to 2028. To drive the CJK model we have adjusted the 2028-2032 numbers as forecast in 2022 by adding the additional stock now expected.

The impact on school numbers will not be linear, and the level of elasticity is hard to predict. The impact on total funding and funds per pupil is even less predictable:

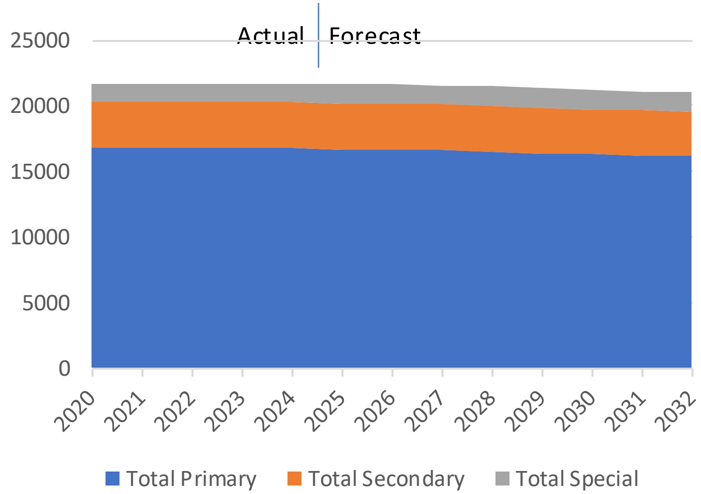
- CJK analysis shows that the system responds to changing pupil numbers in a highly elastic way, for example a 5.1% rise in pupil numbers since 2016 produced only a 0.4% rise in school numbers, and a 2% rise in teacher numbers. That is because it is hard to open or close schools, or to suddenly change workforce volumes.
- Figure 1b assumes an elasticity of 33%, so that the -0.7% CAGR in pupils equates to only a -0.3% CAGR decline in schools. In practice we might see less at first (the historical example would be closer to 20%), but eventually schools will need to close for financial viability, at which point we will likely see a swing in the other direction, as LAs and MATs rush to balance the books.
- It is a question of policy as to whether treasury banks these declines by maintaining a constant per pupil funding (which would force a broadly proportionate reduction in teachers and other spending), or maintains funding at a similar level.
- As an aside, this implies that suppliers may start to move their charging from a per pupil-led to a per school-led model.

Figure 1a: Pupil forecasts: ONS, CJK analysis



CAGRs	2022 forecast	2024 forecast
Primary pupils	-1.8%	-1.1%
Secondary pupils	-0.6%	-0.2%
Special school pupils	-0.5%	1.0%
All pupils	-1.3%	-0.7%

Figure 1b: School forecasts: CJK analysis, assumes elasticity of 33%



CAGRs	2022 forecast	2024 forecast
Primary schools	-0.6%	-0.4%
Secondary schools	-0.2%	-0.1%
Special schools	-0.2%	0.2%
All schools	-0.5%	-0.3%

Source: ONS, DFE, CJK Analysis

Market outlook | Academisation continues at a moderate pace, with 667 new Academies since summer 2023.

Academisation has picked up again in the last year, with CJK forecast expecting Academies to be the majority in all phases by 2027:

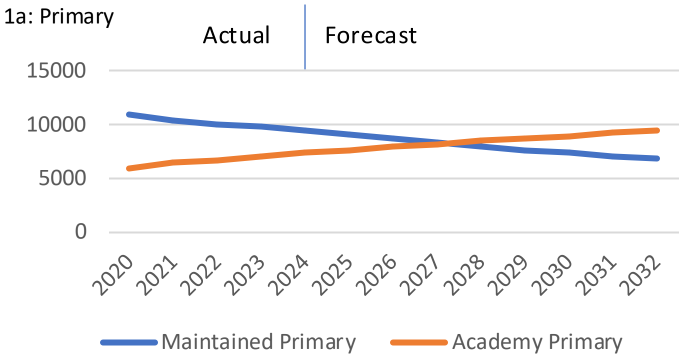
- The CJK model uses a rolling 3-year average to forecast future academisation. Historical highs were as much as 1000 per year, and at lower points it had fallen to 400. From 2023 to 2024 there were 667 new academies, which shows the policy remains relevant.
- This increases the rolling 3-year average and on this basis, academy primaries (2a) will overtake maintained schools in 2027, and academy special schools (2c) will overtake maintained special schools even sooner, in 2025.

The pick up in academisation is likely due to a mix of government policy and the policies of other actors such as the diocese and LAs:

- DfE's 2022 White Paper 'Opportunity for All' expected 100% academisation. This was not turned into law, and at this year's rate of 667 new academies it would take 15 years to achieve full academisation
- However, interest in academisation has been growing again: the pipeline of Academy applications in January 2022 was 405; in June 2023 it was 550; in June 2024 it was 873.
- The diocese have also been supportive, and some cash-strapped local authorities see academisation as a way to reduce their support costs
- So perhaps academisation will turn out to happen more quickly than the forecast produced by our rolling 3-year average model.

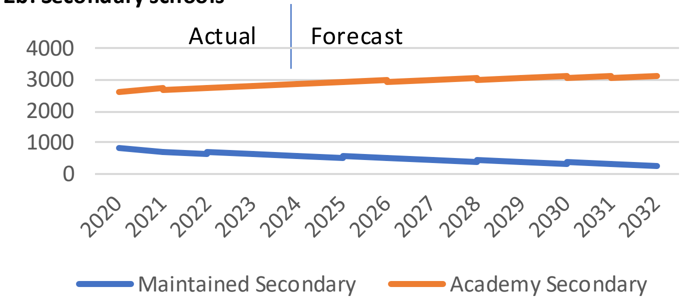
Figure 2a: CAGRs for maintained primary schools and academy primary schools.

1a: Primary



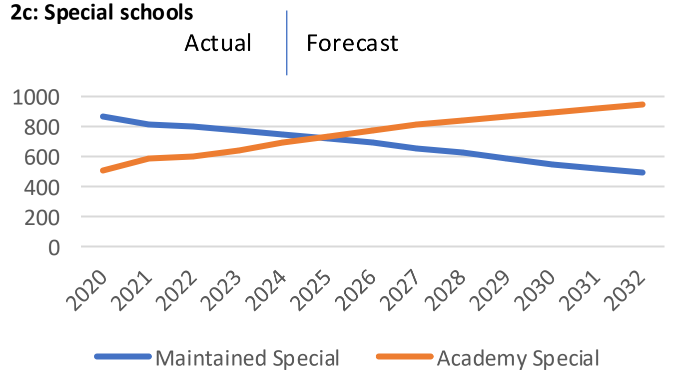
CAGRs	
Maintained primary	-3.9%
Academy primary	3.5%

2b: Secondary schools



CAGRs	
Maintained secondary	-8.1%
Academy secondary	1.2%

2c: Special schools



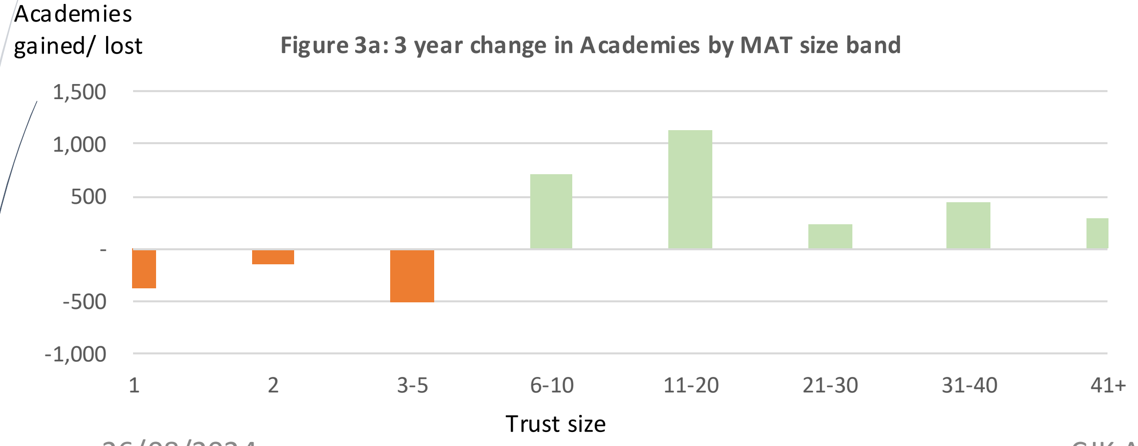
CAGRs	
Maintained special	-4.7%
Academy special	4.5%

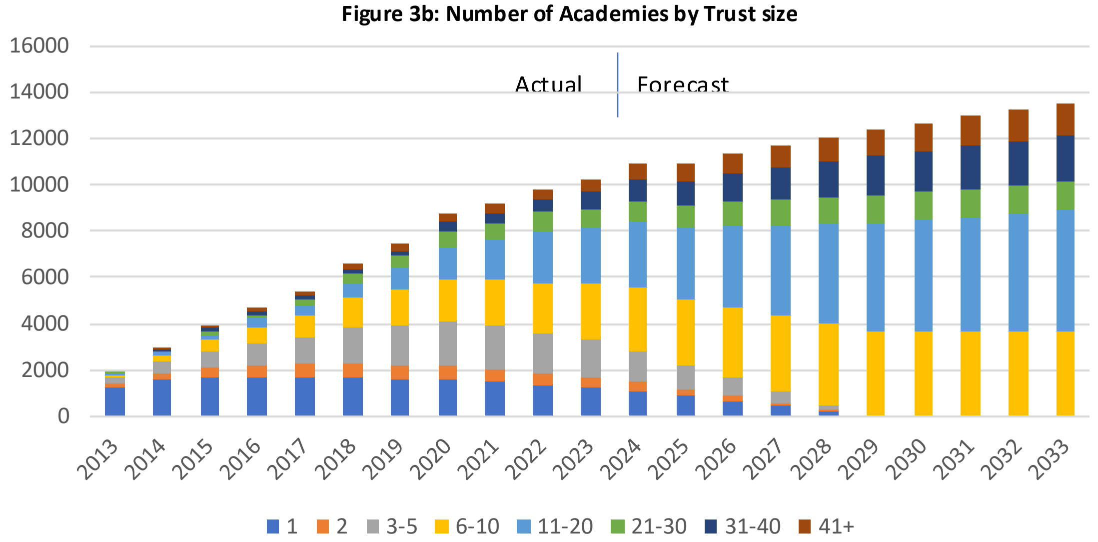
Source: ONS, DFE, CJK Analysis

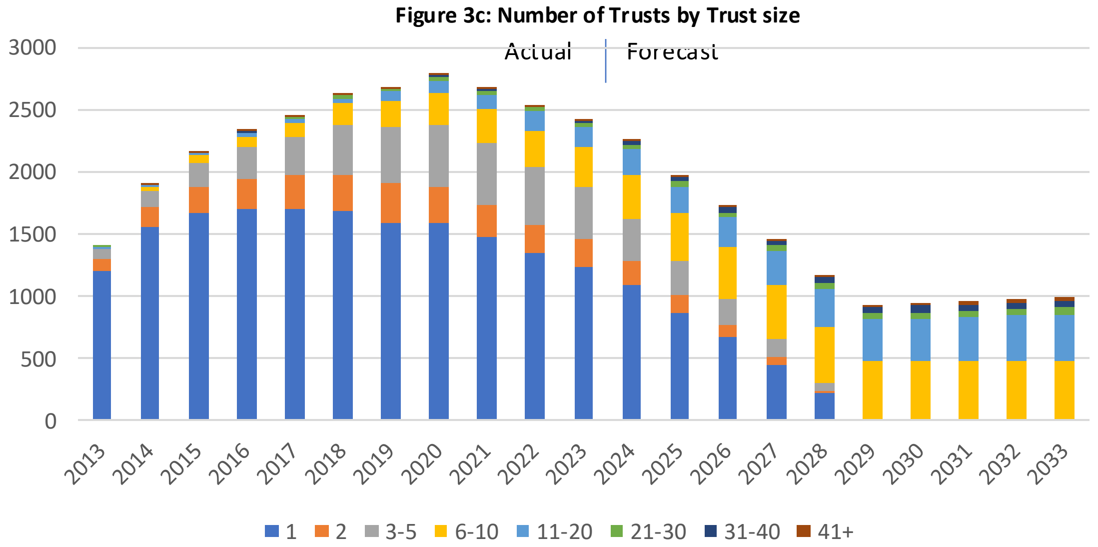
Market outlook |Policy and practice continues to favour growth in trusts of 11-20 academies. There are 1000 more academies in this size band than 3 years ago

Consolidation into fewer, larger trusts continues, and the rate of growth in medium size trusts is accelerating:

- Government policy from 2010 saw a rapid expansion in single academy trusts, as good and outstanding schools were allowed to academise individually. Since then, government policy has changed to favour larger groupings, which it believes are more effective, and easier for DfE to regulate. The 2022 White Paper stated trusts should be 7500 pupils or at least 10 schools. The modal size of trusts last year was 3-5 schools, but this year the size band 6-10 took over.
- DFE lacks direct regulations to force this change, but does have a number of levers:
  - It 'brokers' failing LA schools, academies or MATs into large successful MATs
  - When reviewing maintained school academy applications, it considers the size of trust being joined
  - Capital allocations are devolved to larger trusts, saving them time and effort in bidding to central pots
  - Grants are provided to support growth, based on a process which allows DFE to back winners
- Figure 3a shows how trust size bands of 5 and less have declined, with the largest growth being trusts of 11-20 (which gained >1000 academies in 3 years) , and 6-10.
- The CJK model (Figures 3b and 3c) uses a 3-year rolling average to forecast growth. This indicates there will be fewer, much larger trusts, with most schools in trusts of 6-10 and 11-20 schools, so offers which suit them will be vital.







Source: ONS, DFE, CJK Analysis

Trust size

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