nexus
Multi Academy Trust

Medium Term Financial Strategy

2021 - 2026

1. Introduction

1.1. The Medium Term Financial Strategy (MTFS), the Trust's key financial planning document, is an integral part of the Trust's Business Planning process. The Trust operates a system of priority led budgeting, with those priorities set out in the Trust's Strategic Plan.

1.2. The MTFS sets out how the financial management process will contribute to delivering those priorities and sets out a clear framework for our financial decision making. We fully expect that it will change over time to reflect new opportunities, policy decisions and the growth of the MAT.

1.3. The MTFS includes a forward look over the next five years to assess the spending pressures the Trust is likely to face and the level of cost reductions or income generation that will need to be made to allow us to achieve our legal duty to set a balanced budget each year.

1.4. The Trust will apply the following principles to its medium term financial planning, which are those published by CIPFA:

- 1.4.1. **Organisational leadership** demonstrates a clear strategic direction based on a vision in which financial management is embedded into organisational culture;
- 1.4.2. **Accountability** is rooted in medium term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs;
- 1.4.3. **Financial management** is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and Director decision making;
- 1.4.4. **Adherence to professional Standards** is promoted by the leadership team of the Trust and our academies and is evidenced.
- 1.4.5. **Sources of assurance are recognised** as an effective tool mainstreamed into financial management and includes Director/governor scrutiny informed by the results of both external audit, internal audit and inspection.
- 1.4.6. **The long term sustainability** of schools is at the heart of all financial management process and is evidenced by prudent use of public

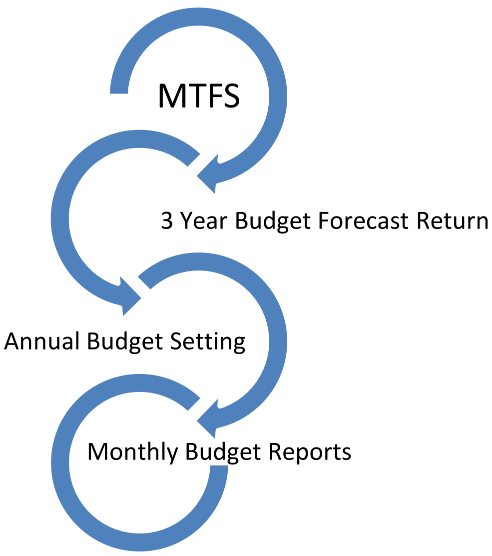
resources.

1.5. The Trust has a strategic risk register and a supplementary financial risk register, which is reviewed at least 3 times a year by the Board's Audit & Finance Committee. Scrutiny of risk generates query which then informs responsive action from the Chief Executive Officer.

1.6. The Trust is required to retain a certain level of reserves. This is to provide protection against both known and unknown risks. This includes being able to react to changes in demand and emergencies that may arise. The Trust has 4 different categories of reserve:

1.6.1. **General reserve** – the uncommitted/unspent funding across all academies and business units in the Trust as of 31 August;
1.6.2. **MAT cash reserve –** the funding the Trust keeps in reserve to support the mitigation of risks and emergencies;
1.6.3. **Capital reserve** - funding specifically held for capital purposes in furtherance of some particular aspect of the objectives of the individual academy.
1.6.4. **Pension reserve –** funding specifically held to mitigate the presence of a pension deficit.

1.7. The Trust must comply with all aspects of the Academy Trust Handbook (ATH), which is updated at least annually by the Education & Skills Funding Agency (ESFA). In line with the duties on the Trust, our financial planning framework is as follows:



1.8. The MTFS drives the structure of this tiered model, with intelligence from monthly budget reporting in turn informing the process in reverse.

2. Roles & responsibilities

2.1. The ATH provides detail on the roles and responsibilities of the defined accountability layers within an academy Trust. This has been abridged as follows:

2.1.1. **Members**

2.1.2. are the subscribers to the memorandum of association (where they are founding members);

2.1.3. may amend the articles of association subject to any restrictions created by the funding agreement or charity law;

2.1.4. may, by special resolution, appoint new members or remove existing members other than, where there is one, the foundation/sponsor body and any members it has appointed;

2.1.5. have powers to appoint Directors as set out in the Trust's articles of association and powers under the Companies Act 2006 to remove Directors;

2.1.6. may, by special resolution, issue direction to the Directors to take a specific action;

2.1.7. appoint the Trust's external auditors and receive (but do not sign) the audited annual report and accounts (subject to the Companies Act);

2.1.8. have power to change the company's name and, ultimately, wind it up.

2.2. **Directors:**

2.2.1. must ensure regularity and propriety in use of the Trust's funds, and achieve economy, efficiency and effectiveness – the three elements of value for money. The Directors must also take ownership of the Trust's financial sustainability and its ability to operate as a going concern;

2.2.2. must comply with the Trust’s charitable objects, with company and charity law, and with their contractual obligations under the funding agreement. Company directors’ duties are described in sections 170 to 181 of the Companies Act 2006, but in summary are to:

- act within their powers
- promote the success of the company
- exercise independent judgement
- exercise reasonable care, skill and diligence
- avoid conflicts of interest
- not accept benefits from third parties
- declare interest in proposed transactions or arrangements.

2.2.3. must appoint an audit and risk committee – either a dedicated committee or combined with another committee – to advise the board on the adequacy of the Trust’s internal control framework, including financial and non-financial controls and risk management arrangements, to direct a programme of internal scrutiny and to consider the results and quality of external audit.

2.2.4. must also appoint, in writing, a named individual as its accounting officer. This should be the senior executive leader. The individual must be a fit and suitable person for the role. The roles of senior executive leader and accounting officer must not rotate. The accounting officer should be employed by the Trust. The appointment of an accounting officer does not remove the Directors responsibility for the proper conduct and financial operation of the Trust.

2.2.5. must appoint a chief financial officer (CFO), who is (and whose job title may instead be) the trust’s finance director, business manager or equivalent, to whom responsibility for the Trust’s detailed financial procedures is delegated. The CFO should play both a technical and leadership role.

2.3. Accounting Officer:

2.3.1. The accounting officer role includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to ESFA's accounting officer, for the Trust's financial resources.

2.3.2. Accounting officers must be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly regularity, propriety and value for money.

2.3.3. Accounting officers must adhere to The 7 principles of public life.

2.3.4. The accounting officer must have oversight of financial transactions, by:

- ensuring the academy Trust's property and assets are under the Directors control, and measures exist to prevent losses or misuse
- ensuring bank accounts, financial systems and financial records are operated by more than one person
- keeping full and accurate accounting records to support their annual accounts.

2.3.5. The accounting officer must complete and sign a statement on regularity, propriety and compliance each year and submit this to ESFA with the audited accounts. The accounting officer must also demonstrate how the Trust has secured value for money via the governance statement in the audited accounts.

2.3.6. The accounting officer must take personal responsibility (which must not be delegated) for assuring the board that there is compliance with the funding agreement and handbook.

2.3.7. The accounting officer must advise the board in writing if action it is considering is incompatible with the articles, funding agreement or handbook.

2.3.8. Similarly, the accounting officer must advise the board in writing if the board fails to act where required by the funding agreement or handbook. Where the board is minded to proceed, despite the accounting officer's advice, the accounting officer must consider the board's reasons and if the accounting officer still considers the action proposed by the board is in breach of the articles, the funding agreement or handbook, the accounting officer must notify ESFA's accounting officer immediately in writing.

2.4. **Chief Finance Officer (CFO):**

2.4.1. The CFO and their finance staff must be appropriately qualified and/or experienced. Trusts must assess whether the CFO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on the risk, scale and complexity of financial operations.

2.4.2. The CFO need not discharge all their duties personally. The Trust may employ additional staff or contractors with the relevant skills and knowledge at the appropriate time.

2.5. **Headteachers**

2.5.1. Headteachers are responsible for the management of their academy budget on a day to day basis, in conjunction with the Trust's delegated financial powers manual. Whilst the accounting officer retains accountability, Headteachers are remunerated to discharge responsibilities for effective financial management in their academies.

3. The story so far….

3.1. The Trust was formed on 1 June 2016, and therefore only had an opening business year of 3 months in 2015-16.

3.2. In the first full year of operation (2016-2017) the Trust incorporated an additional academy mid-year (April 2017).

3.3. Throughout 2017-18 the Trust saw no further conversions, so was the first full year of relative stability.

3.4. 2018-19 saw the Trust engage in a partnership with Crags Community School, which became an "associate school" as a precursor to conversion.

Due to the school building being part of a Private Finance Initiative (PFI), the school took over 14 months to complete the conversion process, not completing conversion until 1 October 2019.

3.5. 2019-20 saw the largest in-year variation to date, as 5 schools (including Crags) converted throughout the autumn and spring terms.

3.6. During the latter months of 2019-20, and for the whole of 2020-21, all schools were impacted by the global COVID-19 pandemic. Schools were instructed to close but DfE guidance was that all pupils who were considered vulnerable as well as those who were children of key workers, must be given priority to continue to access the school setting. For our special schools this meant that 100% of the pupils on roll fell into this category and for our mainstream primary, Crags, this was 34% of pupils on roll. This meant that overheads and operating costs at the schools remained comparable with previous years as the day to day activity was largely unaffected.

3.7. Although day to day activity was largely unaffected, there were exceptional costs that schools incurred, such as the purchase of PPE and extra cleaning and sterilising consumables. Alongside this, during 2020-21 all school budgets came under pressure from the increasing costs of supply staff required due to the capacity pressures lateral flow testing created as well as the schools requiring cover staff to backfill for periods of sickness and isolation. These exceptional costs were covered by additional COVID grants, which have been received and will continue into 2021-22. At the Comprehensive Spending Review, an additional £1.6 billion was announced for education recovery as a result of COVID.

3.8. The Trust's first Free School opened in 2020-21.

3.9. A further Free School is due to open in 2022-23.

3.10. The following table details the changed MAT outturn for the first 5 business years:

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
General fund balance at year end	366,764	960,817	689,036	852,405	2,666,289	3,315,444

4. Applied methodology

4.1. As with any business, there are a number of knowns and unknowns which will impact on the Trust's medium term financial health and we must therefore apply evidence-based assumptions to help inform forecasting.

4.2. Treasury documents confirm that the spending review is allocating an additional £4.7 billion for the core schools budget in England.

4.3. According to the documents, the core schools budget will increase from £49.8 billion this year to £56.8 billion in 2024-25. This equates to an average annual real-terms rise of 2.5 per cent from 2019 to 2024. COVID catch up funding is expected to be allocated in addition to this funding increase.

4.4. The Comprehensive Spending Review confirmed the end of the public sector pay freeze. However, it is stated that this extra funding will go towards the delivery of the pledge to raise new teacher starting salaries to £30k.

4.5. As such, the following assumptions have guided our medium term financial planning:

4.6. **INCOME ASSUMPTIONS**

4.6.1. As detailed above, and by analysing past trends it is assumed that non-GAG income will increase again by 2.5% in 2022-23 but level off to 2% for the following years.

4.6.2. **Static pupil numbers for the majority of our academies** – Pupil numbers have increased during the 2021/22 academic year as a result of the extra space in schools that The Bridge has afforded but this number is not expected to rise again past 2021/22 as given the limited space and the absence of details for the Governments capital investment scheme for schools, we are assuming pupils' numbers remain broadly the same. Where we do see pupil numbers grow, the marginal increase in income should be offset by a similar increase in expenditure. This will be tracked more clearly and evidentially in the annual budget setting process and the annually updated 3-year budget forecast return;

4.6.3. **Full implementation of National Funding Formula** – whilst this initiative only affects mainstream schools at present, it has been factored into our budget planning to be realised in full by September 2023. As part of the Comprehensive Spending Review the Treasury has stated that this would be "broadly equivalent to a cash increase of over £1,500 per pupil by 2024-25 compared to 2019-20", with per pupil funding returning, in real terms, to the same levels as at 2010.

4.7. EXPENDITURE ASSUMPTIONS

4.7.1. **Inflation at 1%** - for general expenditure year on year. In the past 5 years the inflation rate has risen from 0.4% in 2015 to 2.68% in 2017 and then has steadily dropped again year on year to 1.19% in 2020. The Office for Budgetary Responsibility (OBR) forecasts CPI inflation peaking at 4.4% in the second quarter of 2022 rather than riding steadily back to the 2% target from below it. 1% has been chosen as the most appropriate proxy as this assumes our suppliers will not implement the full 4.4% immediately and it also takes into account many contracts held by the Trust which are at a fixed price for 3 years.

4.7.2. **Inflation at 3%** - on utilities, year on year. The inflation on utilities is traditionally higher than that of general expenditure. Between 2005 and 2014 the inflation on utilities year on year grew significantly but since then has either steadied or reduced year on year. 3% has been chosen as the most appropriate proxy as a result of analysing these past and present trends, alongside a consolidated tendering and procurement process whereby the schools have opted for a refreshed energy deal which is anticipated to arrest any predicted market increases. The OBR projections provide no certainty on the future of these changes.

4.7.3. **Teaching Salaries to increase by 1.5% -** year on year from 2022-23 onwards when the public sector pay freeze is lifted, for all directly employed staff; In 2020, teachers received their biggest pay rise in fifteen years in a landmark pay deal for the sector. This pay award was offset by a Pay Grant from the Government to cover the additional budget pressures this would bring to state schools. This grant is set to continue and will directly offset any additional costs over 1%.

4.7.4. **Non-Teaching Salaries to increase by 2% -** for all directly employed staff. All non-teaching staff were awarded a discretionary 2%

pay award by the Trust in April 2021 which was above the National Joint Council (NJC) award. It is anticipated that non-teaching staff will realign to NJC pay scales once the pay freeze has been lifted and 1% has been chosen as the most appropriate proxy for 2022-23 to realign with NJC, followed by a 2% pay increase year on year thereafter. Whilst it is unlikely we will see a 10% increase by 2025, it remains prudent to plan for this.

4.7.5. **Increments to be awarded in full** - for all directly employed staff. This means we are not factoring turnover into our staffing costs.

4.7.6. **Non-GAG income to increase by 2.5%** - year on year as dictated by past trends.

4.7.7. **April 2022 Health & Social Care Levy** – the new levy announced in September 2021 is estimated to result in an extra 1.25% increase in employers National Insurance contributions for the 2022/23 tax year. From 2023/24 it is planned that this will be removed and replaced with a dedicated Health and Social Care levy. In the Government's published plan for health and social care in the Comprehensive Spending Review it is noted that public services will be compensated for this, and that this will be embedded in the £4.7bn increase announced for schools core budgets. As a result of this, a net nil-effect has been shown on the 5 year forecast.

4.8. Based on the evidence of the preceding 5 business years, we can plan with confidence to increase our revenue income to keep pace with the rise in additional costs. The viability of this will be tested in our 3-year budget planning and our annual budget setting process.

4.9. The Trust will also continue to use Departmental resources - such as the Integrated Curriculum & Financial Planning and the School Resource Management & Self-Assessment toolkits – to test the robustness of our budget setting and resource management.

4.10. Clearly, growth of the MAT – either through further conversions; new schools opening; or the acquisition of – or merger with - others MATs will impact the bottom line of the business.

4.11. However, it is challenging to project if and when growth will take effect. As such, this MTFS does not account for growth of the MAT. However, the principles of MAT growth are underpinned by any school having financial health as a stand along institution. The Trust does not pool the General Annual Grant (GAG), and has no plan to. Therefore, an academy must only expend in line with its income.

4.12. Detailed due-diligence within a clearly defined decision making process ensures Directors retain firm control of MAT growth.

5. The Medium Term Financial Plan (MTFP)

5.1. The following outlines the 5 year forecast for the Trust and includes assumed income from Discovery School from 2022/23 onwards. This will be referred to each year to test the strength of our planning against confirmed actuals and also necessitate a clear explanation for any deviation:

neXus Multi Academy Trust
Learning together to be the best we can be

MTFP
Consolidated
2021-2026

Cost Centre	Cost Centre Description	Actual Outturn	2021/22	2022/23	2023/24	2024/25	2025/26
INEFA	ESFA Income	-14,080,303	-14,037,013	-15,061,690	-15,209,750	-15,283,323	-15,358,541
INLAI	LA Income	-13,110,118	-12,969,059	-14,459,336	-14,748,523	-15,043,493	-15,344,363
INOUT	Out of Authority LA Income	-1,590,530	-1,926,759	-2,026,179	-2,066,703	-2,108,037	-2,150,197
INGOV	Other Government	0	-12,000	-12,300	-12,546	-12,797	-13,053
INOTH	Other Income	-1,471,337	-1,456,890	-1,583,158	-1,614,821	-1,647,118	-1,680,060
	TOTAL INCOME	**-30,252,288**	**-30,401,721**	**-33,142,663**	**-33,652,343**	**-34,094,767**	**-34,546,214**
STTEA	Teaching Staff	10,861,460	11,872,486	12,850,800	13,043,561	13,239,215	13,437,802
STEDU	Educational Support Staff	8,695,627	9,302,370	10,047,710	10,248,664	10,453,637	10,662,710
STADM	Admin Staff	2,048,390	2,152,244	2,241,564	2,286,395	2,332,123	2,378,766
STPRE	Premises Staff	300,603	330,403	367,177	374,521	382,011	389,651
STCAT	Catering Staff	0	0	0	0	0	0
STOTH	Other Staff	365,367	421,979	426,198	434,722	443,416	452,285
ST	**STAFFING**	**22,271,447**	**24,079,482**	**25,933,449**	**26,387,863**	**26,850,403**	**27,321,214**
STIND	Indirect Employee Expenses	277,371	270,325	283,432	286,265	289,127	292,018
IE	**INDIRECT EMPLOYEE EXPENSES**	**277,371**	**270,325**	**283,432**	**286,265**	**289,127**	**292,018**
EXPRO	Premises Occupancy	1,025,726	1,110,674	1,211,764	1,232,505	1,253,713	1,275,402
EXPRR	Premises RAM	621,951	630,796	665,353	674,348	683,478	692,750
EXTRA	Transport	67,148	133,950	135,292	136,647	138,014	139,394
EXSUP	Supplies & Services	677,149	638,723	668,244	677,476	686,851	696,373
EXICT	ICT	323,283	383,533	409,285	413,378	417,511	421,686
EXGOV	Governance & Treasury	1,734,399	1,618,998	1,713,969	1,731,109	1,748,421	1,765,908
EXINS	Insurance	60,960	59,112	61,277	61,891	62,511	63,135
EXCAT	Catering	461,029	429,163	463,756	468,394	473,077	477,808
EX	**NON-EDUCATIONAL EXPENDITURE**	**4,971,644**	**5,004,949**	**5,328,940**	**5,395,748**	**5,463,576**	**5,532,456**
EDSUP	Supplies & Services	557,938	639,523	724,496	731,741	739,059	746,450
EDICT	ICT	85,929	118,490	141,694	143,110	144,541	145,987
ED	**EDUCATIONAL EXPENDITURE**	**643,867**	**758,013**	**866,190**	**874,851**	**883,600**	**892,437**
	DIRECT REVENUE FINANCING	1,438,804	12,500	0	0	0	0
	TOTAL EXPENDITURE	**29,603,133**	**30,125,269**	**32,412,011**	**32,944,727**	**33,486,706**	**34,038,125**
	In Year Outturn	**-649,155**	**-276,452**	**-730,652**	**-707,616**	**-608,061**	**-508,089**
	Prior year c/f	**-2,666,289**	**-3,315,444**	**-3,591,896**	**-4,322,549**	**-5,030,164**	**-5,638,225**
	Consolidated Outturn	**-3,315,444**	**-3,591,896**	**-4,322,549**	**-5,030,164**	**-5,638,225**	**-6,146,314**

6. Risks

6.1. All financial strategies which make predictions and assumptions past the current year come with an element of risk. This is due to the uncertainties of a changing economic landscape and the quality of the assumptions made on the known factors at the time of producing the strategy. For the Academies sector in particular, much of the financial envelope in which we work cannot be influenced by the Trust itself and we must merely react and adapt to financial policy being set by both central and local government.

6.2. As a worst case scenario, the bottom line from the MTFP table from above has been recreated assuming that all income streams remain static and funding is not increased year on year. It retains the expenditure assumptions mentioned above. The result to the carry forwards is as follows:

6.3. **Revised Bottom Line Projections – Static income**

	Predicted Outturn 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
In Year Outturn	-649,155	-276,452	-22,598	443,610	956,417	1,477,935
Prior year c/f	-2,666,289	-3,315,444	-3,591,896	-3,614,494	-3,170,884	-2,214,467
Consolidated Outturn	-3,315,444	-3,591,896	-3,614,494	-3,170,884	-2,214,467	-736,532

6.4. This table shows that if all income steams remain static, the Trust will hit a consolidated in-year deficit during 2023/24 which would increase year on year, resulting in prior year carry forwards being used to support operating activity.

6.5. The risks which may affect the robustness and accuracy of this strategy are as follows:

- Unclear Government policy for the future of SEND and High Needs Funding, with a Green Paper due in 2022;
- Revised High Needs Operational guidance still leaving an imbalance between LAs and providers;
- Inability to control or effectively forecast variations to LGPS pension deficits;

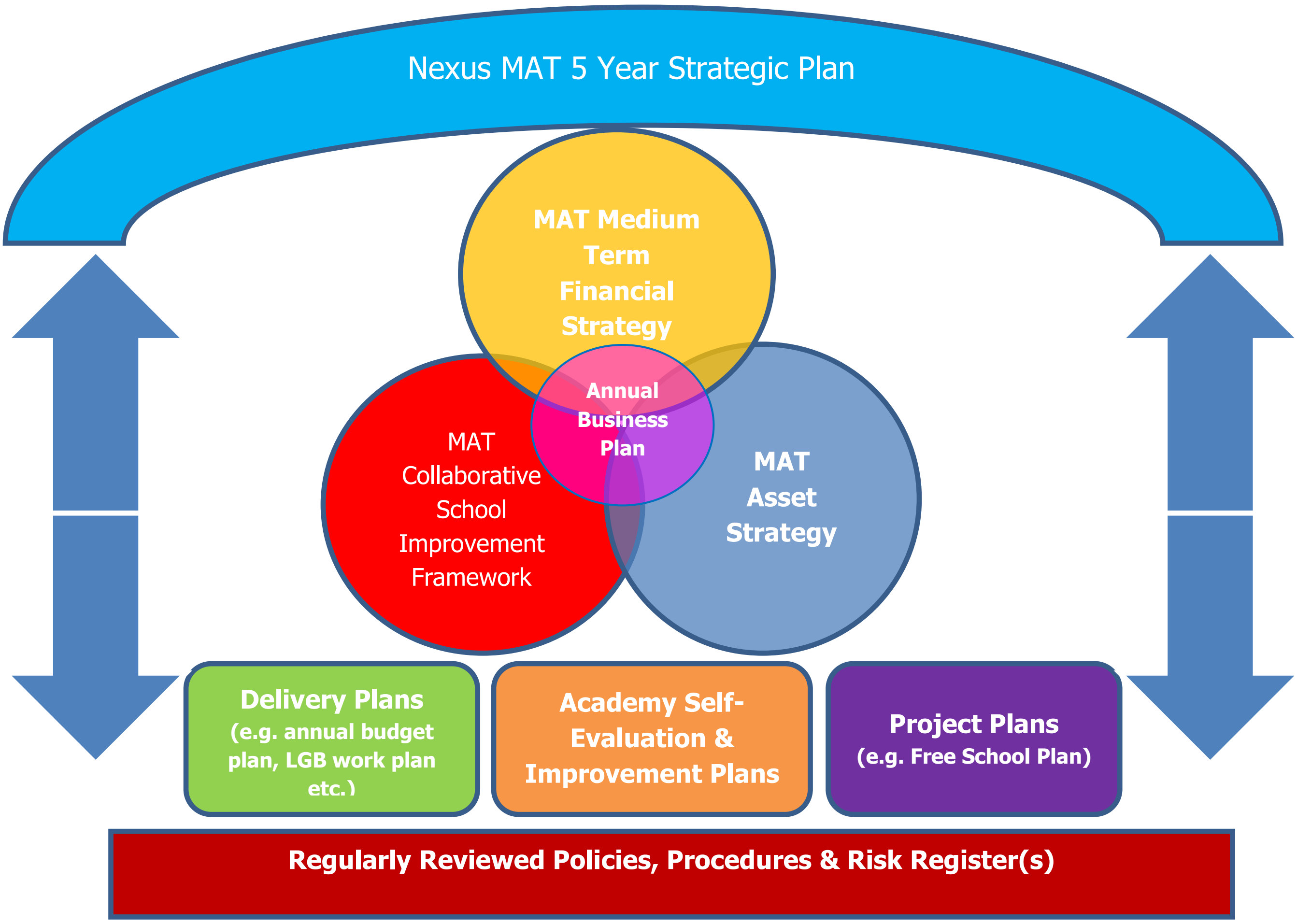
- Global recession and the unclear impact this will have on inflationary rates in the UK.

6.6. These risks are managed and tracked by:

- Regular and detailed monitoring of school budgets by a skilled central accounting team in order to highlight possible funding shortfalls at the earliest opportunity.
- Setting balanced or in-year surplus budgets so that any budget pressures are only pertinent to the current year.
- Regular meetings with the LGPS to increase awareness of the changing landscape and possible legislation change which may affect future contribution rates.

7. Governance

7.1. This document is one of the 3 main delivery strategies for realising the Trust's 5 Year Strategic Plan:



7.2. The Trust Board retains responsibility for overseeing the delivery of the 5-year plan, agreeing the annual business plan and receiving bi-monthly updates on progress.

7.3. The Audit & Risk Committee has delegated responsibilities for overseeing delivery of the Trust's Medium Term Financial Strategy.