



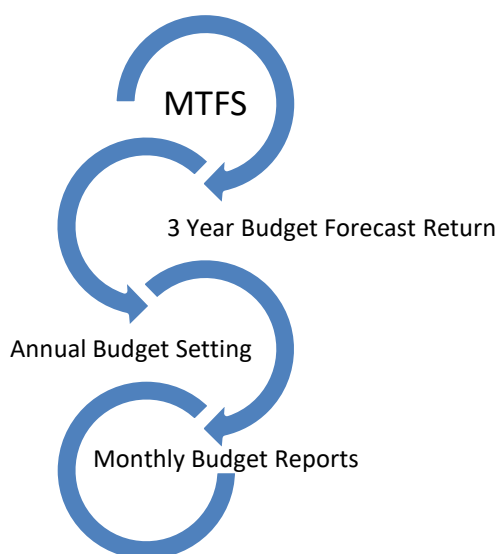
Medium Term Financial Strategy  
2023-2026

# 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 three years to assess the spending pressures the Trust is likely to face and the level of cost reductions or income generation needed to ensure the Trust retains a healthy reserve level.
- 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. As of September 2023, the Trust has two separate committees; Audit and Risk, and Finance and Infrastructure. Both committees meet 3 times a year.

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 Craggs 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 Craggs) 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, Craggs, 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, with another following in 2022-23
- 3.9. A further two academies joined the Trust in 2022-23, as a result of a re-brokerage from an existing Trust. One of these was a sponsored academy.



3.10. The following table details the MAT revenue reserve (general and cash reserve) for the first 5 business years:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Revenue fund balance at year end</b>	366,764	960,817	689,036	852,405	2,666,289	3,315,444	3,929,058

## 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. The 2024 General Election introduces additional uncertainty as to the future of education funding, and likely further delays in a review of High Needs funding allocations and the commissioning arrangements around this..
- 4.3. Recent pay awards have been agreed with little or no notice to plan for the in-year impact, and support staff pay awards have not been met with additional grant funding. Recovery Premium ceases from 2024-25, representing over £500k a year to the Trust.
- 4.4. As such, the following assumptions have guided our medium term financial planning:

### 4.5. INCOME ASSUMPTIONS

- 4.5.1. A 3% increase in income annually (applied to total place and base funding for our special schools, and General Annual Grant [GAG] funding for our mainstream school).
- 4.5.2. **Broadly static pupil numbers for the majority of our academies** over the 3 year period, with some variation across schools according to capacity and changes to published admission numbers or planned places. 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. EXPENDITURE ASSUMPTIONS**

**4.6.1. Inflation at 0%** - for general expenditure year on year (increases to contract costs have been built in where known). Whilst RPI is currently at 9% (July 2023) we are assuming inflationary pressures will be offset by procurement driven efficiency savings, and reduction in spend in order to stay within agreed budgets.

**4.6.2. Teaching Salaries to increase by 3%** - year on year from 2024-25 onwards; 2023 pay award as per the July 2022 School Teachers Review Body report, but with a minimum 4% increase. Note that whilst the final pay award has been agreed at 6.5%, Teachers Pay Additional Grant is expected to offset the additional cost.

**4.6.3. Non-Teaching Salaries to increase by 3%** - year on year from 2024-25 onwards; with an assumption that the April 2023 award will remain as offered (a £1,925 flat rate increase to all staff).

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

**4.7.** 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.


**4.8.** 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.

**4.9.** 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. The MTFs includes known partnership fee income in 2023-24, and an assumption of growth of 3 additional academies from 2024-25 onwards, with average top slice income estimated.

- 4.10. The principles of MAT growth are underpinned by any school having financial health as a standalone 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.
- 4.11. 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 3 year forecast for the Trust. 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:

 MTFP Consolidated	2023 - 24	2024 - 25	2025 - 26
<b>Income (£k)</b>			
GAG	19,574	20,139	20,214
Local authority income	27,685	29,616	30,431
Other ESFA revenue income	1,059	337	300
Pupil Premium	1,074	1,074	1,074
Sponsor Capacity Grant	50	0	0
Universal Infant Free School Meals	54	54	54
Start Up Grants	2	0	0
Post 16 Bursary Funding	44	44	44
Income from trading activities (includes top-slice)	3,330	3,901	3,870
Other income, including investment income	646	568	568
Revenue surplus transfer of an existing academy into the trust	0	0	0
Revenue surplus transfer to academy on conversion	200	0	0
<b>Income Total</b>	<b>53,716</b>	<b>55,732</b>	<b>56,555</b>
<b>Expenditure (£k)</b>			
Teaching staff	-19,224	-20,638	-21,550
Educational support	-16,975	-17,965	-18,579
Administrative Staff	-4,242	-4,490	-4,682
Premises Staff	-682	-708	-736
Other Staff	-575	-544	-527
Supply/Agency Teaching staff	-60	-30	-30
Indirect employee expenses	-319	-363	-333
<b>Sub total - staffing costs</b>	<b>-42,076</b>	<b>-44,739</b>	<b>-46,436</b>
Premises costs	-3,031	-3,012	-3,018
Governance costs (including top-slice)	-2,599	-2,751	-2,716
Supplies and Services - Educational	-1,614	-1,533	-1,535
Supplies and Services - Non Educational	-1,810	-1,833	-1,865
Supplies and Services - Educational ICT	-233	-242	-221
Other Support costs	-1,229	-1,235	-1,238
Insurance	-94	-95	-95
Revenue contribution to capital projects	-280	0	0
<b>Sub total - non-staffing costs</b>	<b>-10,890</b>	<b>-10,700</b>	<b>-10,688</b>
<b>Expenditure Total</b>	<b>-52,966</b>	<b>-55,440</b>	<b>-57,125</b>
<b>Net in-year position</b>	<b>750</b>	<b>292</b>	<b>-570</b>
Opening reserve position	4,673	5,423	5,716
<b>Consolidated reserve carry forward</b>	<b>5,423</b>	<b>5,716</b>	<b>5,146</b>
<b>Deficit/surplus as a % of grant income</b>	<b>11.0%</b>	<b>11.2%</b>	<b>9.9%</b>

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

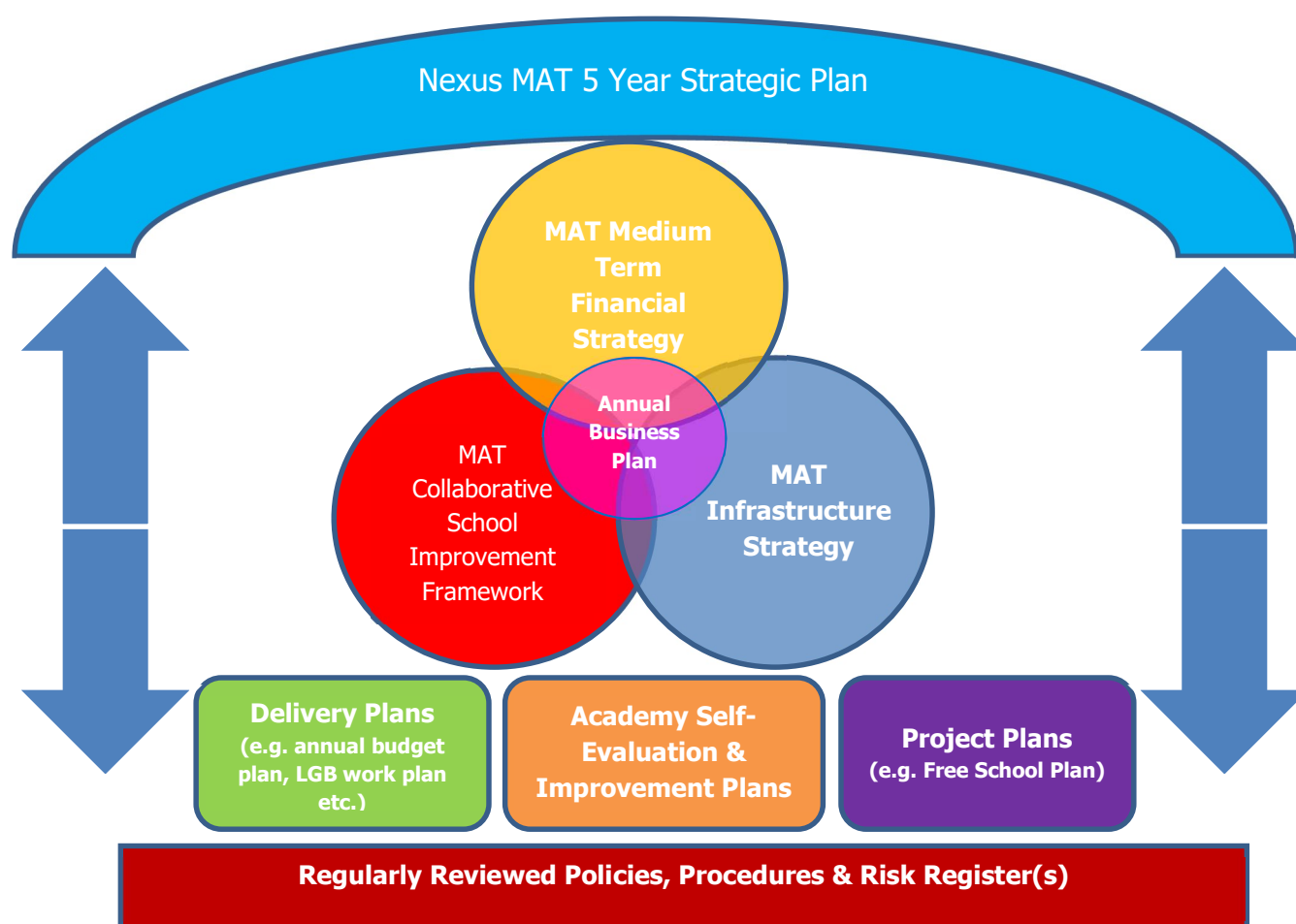
- Unclear Government policy for the future of SEND and High Needs Funding;
- Revised High Needs Operational guidance still leaving an imbalance between LAs and providers;
- Inability to control or effectively forecast variations to LGPS and Teachers Pensions contributions;
- Global recession and the unclear impact this will have on inflationary rates in the UK.

6.3. 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 wherever possible so that any budget pressures are only pertinent to the current year.
- Ensuring a healthy reserves position, to allow time to bring budgets back into balance, if in-year changes result in a deterioration in the Trust position.

## 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.