

### Funding Update

2019 seems set to be a challenging year for school budgets especially with the significant increase in Teachers Pensions Contributions. The sector is bracing itself for the rate to rise to in excess of 20% - an increase of this size on top of already stretched budgets could see a significant number of small surplus budgets be turned to deficits.

Before Christmas it was announced that the Teachers Pay Grant and ESG will remain in place going into 19/20 and the Pupil Premium and UIFSM will be held at current rates.

Setting realistic balanced budgets will continue to be a key focus for Trusts over the next few months.

Remember – any trust setting an overall deficit budget must immediately report this to the ESFA.



### Integrated Curriculum and Financial Planning (ICFP)

The ESFA continues to push ICFP reviews as a key tool for Trusts to evaluate their financial efficiency. The last round of MDIF grants came with a requirement for the Trust to commission an independent review of how the ICFP process is embedded. It is early stages and it is likely that further guidance will be issued as more reviews are carried out. Having carried out a number of these reviews it is clear that this is a useful exercise that can be approached in many different ways! As a starter, tying in financials and budgets to improvement plans seems an obvious place to begin, where it goes from there really depends on how your trust is shaped and how developed this concept already is.

Clearly the approach in a primary school will differ from a secondary school with far more complicated timetabling arrangements and in a mixed trust ensuring that the ICFP process covers all educational operations and adds appropriate value is a challenge.

The ESFA has given guidance in the form of the School resource management: checklist and Top 10 planning checks for governors but these, whilst useful, are not specific to ICFP and seem to act as more of a starter for ten – it's up to Trusts and their advisors to see where this process can take them!



### Management Information

We are now well into the 18/19 academic year and hopefully you are all on top of the new requirements for monthly management reporting via the Chair. The range of formats of management information is varied and the level of detail ranges from summary information to detailed ledger reporting – no doubt as the year progresses tweaks will be made and the reporting process will settle down. The ESFA is keen for Trusts to work with their auditors to develop best practice – we would be delighted to hear from you and to assist developing your processes. The Academies Financial Handbook includes the requirement for an Internal Audit or equivalent function and it would seem a logical step to include a review of the monthly reporting process in this scope of work.

### Board Scrutiny

It is vital that the Trustee Board, using sub committees as appropriate, apply suitable levels of scrutiny to the executive. Boards and committees are not there simply to receive information but need to robustly challenge the Senior Leadership Team. Evidence should be provided to back up assertions made and supporting documentation should be reviewed where appropriate. It is vital that minutes of meetings evidence this challenge – these are publicly available through freedom of information requests and will also be scrutinised by the regulator if a Trust is investigated. The Board needs to actively engage and be seen to do so.

### Public Scrutiny

The BBC's Panorama programme 'Profits before Pupils' aired in September 2018 squarely turned the spotlight back onto academy trusts. Lord Agnew's comments that there will always be bad apples may well be right but seemed to only add fuel to the fire. A significant focus of the Panorama investigation was centred around the misuse of CIF funding by Bright Tribe Trust. Schools Week later reported that two further trusts had received Financial Notices to Improve including comments surrounding the misuse of CIF funding. It is a reminder of the importance of using public money as intended and the severe consequences for not doing so. As the sector comes under seemingly ever increasing scrutiny it is vital that Financial Reporting systems are in place that accurately track how grant income has been spent.



### Related Party Transactions

Remember that the new requirements for pre authorisation or pre notification of Related Party Transactions comes into force from April 2019. The following transactions require pre authorisation;

- a contract exceeding £20,000;
- a contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year ending 31 August;
- a contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year ending 31 August;
- all transactions that are either novel, contentious and/or repercussive;