

**Matters Arising – Beckfoot Upper Heaton (BUH) Growth Fund Financial Support**

Introduction

The following request was made at the meeting 5 December 2018, “The Schools Forum requests that the Authority discusses with Beckfoot Academies Trust whether the Growth Fund financial support model for Beckfoot Upper Heaton Academy could be adjusted where the financial position of the Academy has improved to surplus”.

The decision on the Growth Fund financial support model was made by the Schools Forum on 7 January 2015. Payments have been made in respect of the agreed model as follows:

- 2015/16 £546,972
- 2016/17 £517,416
- 2017/18 £548,238
- 2018/19 £510,535

Under the terms of the agreement, payments are to be made for 3 more years and provision of £1.70m is made from Schools Block carry forward balances. Payments are calculated on October Census numbers each year.

As reported to the Schools Forum in January 2018 with a value for money assessment:

- The school is now part of a strong Multi Academy Trust.
- The financial position of the academy has stabilised.
- The intake of the academy has substantially increased.
- The new build (and additional capital investment from the DfE) has been delivered.

It is important to add:

- The school was in Special Measures when it converted to join Beckfoot Trust in September 2015. In April 2018, Beckfoot Upper Heaton received a Good rating following Ofsted inspection.
- Pupil numbers are now securely increasing with an intake of 145 expected in September 2019 to replace a Year 11 cohort leaving of 70.
- Academic outcomes have improved significantly with a positive Progress 8 score for the school of 0.42 in the summer of 2018.
- The financial support model is written into the Commercial Transfer Agreement between Bradford Council and Beckfoot Trust and was made with the full agreement of all parties following the approval of the model by the Schools Forum in January 2015.

Review of the Growth Fund Financial Model vs. BUH's Trading Position

The Business Advisor (Schools) has met Beckfoot Trust to discuss the trading position of BUH and to compare this against the assumed trading position on which the agreed financial model is calculated.

This is a challenging assessment to make, as the financial model is a complicated mechanism. But, broadly, BUH's trading position and the financial support model at year 3 are in line and the financial evidence considered does not suggest that the support model should be adjusted.

BUH's 2017/18 accounts record a cumulative surplus. Deeper analysis of this position against the assumptions of the support model indicates that BUH's trading position is broadly in line with the 'downside' model. It is the case that the starting position of pupil numbers at September 2015 was lower than estimated and so the cost of the support model to the DSG is greater than initially estimated under the 'downside' model.

Members are reminded that the financial support model is a simplified expression of a detailed 7 year budget forecast, and also that:

- The budget work behind the model produced a variable year on year deficit profile as different costs were estimated to come in and out of the budget across the period. However, the model, by simplified design, allocates support across the 7 year period on a flattened annual profile following some front-loading in year 1. This was to aid cash flow and financial planning for both BUHA and for the DSG. Therefore, the profile of financial support is different from the actual annual trading position. BUHA's current surplus balance comes mainly from year 1. Its actual trading position in years 2 and 3, including financial support, are in year deficits.
- The purpose of the model is to support BUH for its actual costs over the 7 year transition period, and a small part of the model (£0.087m a year) is constructed to compensate for lagged funding as pupil numbers grow to full capacity i.e. the model works on the basis that BUH will be above an in year zero trading position. This is an important part of the model recognising that, at the end of the period of assistance, the risks relating to future financial viability will be passed in full to the Trust. At this point BUH's funding position is reduced by the loss of the support. There is incentive within the model, to minimise the level of financial risk that the Trust must manage, for standards to be improved, and for pupil numbers to increase, as quickly as possible.
- Annual allocations are not already 'fixed'. These are calculated on October census pupil numbers and the value of support allocated will be lower with higher numbers on roll. The reserve held within the Schools Block has been reduced at January 2019 from £1.829m to £1.700m in recognition of this. The academy currently has 532 pupils on roll and is forecasted to have 650 on roll in October 2021. The year 7 intake at September 2018 was 139 compared with 82 in September 2014.