

SCHOOLS FORUM

Budget Planning

Purpose of the Report

- 1 The purpose of this report is to recommend new ways of budget planning for the future to address concerns addressed about the 2015/16 budget setting process.

Suggested Action

- 2 The Forum are asked to agree the recommendations and to nominate interested parties to form a Forum sub working group .

Background

- 3 In setting the budgets for the financial year 2015/16, Wokingham Schools Forum agreed a reduction in AWPU's to ensure sufficient reserves were maintained to avoid Wokingham DSG going into deficit in the coming years. Concerns were raised as to how we have ended up in this position, and why schools were not given more notice of what will result in a cut in funding to schools. The annex to this report captures the chronology of events that led to the decisions being taken.

Through reviewing the chronology of events the key issues to be addressed moving forward are:

- to engage Forum with budget discussions earlier in the year
- to have a medium term vision of the future to enable better strategic planning
- to create a meeting space in which appropriate exploratory discussions can take place.

Recommendations

- 4 The recommendations from this paper are;
 - To develop a 5 year medium term financial plan each year.
 - Create a Forum sub working group to review and challenge the assumptions of the plan.
 - A high level early indicative budget for the following year is presented in July to the Forum.

Appendix 1. Chronology of events leading to 2015-16 budget setting

- 1 We need to go back to the **2013/14 budget setting** to understand the audit trail. Funding reforms introduced then added complications to budgets by removing previous de-delegated items such as More Practical Learning Options, Free School Meals, Schools kitchen repairs etc. which were distributed to schools for them to source. Other changes such as the removal of inter authority recoupment for out of borough placements to be replaced by direct commissioning and recovery by individual schools added further complications to the funding streams and potential pressures on schools.
- 2 Fundamentally though, in 2013/14 we had the introduction of the 3 new Primary Schools in the Borough which led to an increase in the provision for growth pot of £445k against previous provisions for bulge classes. The impact of this was moving from a relatively balanced position to an in-year deficit of £494k with a surplus carry forward balance position of (£978k). The reason for this provision was the change in legislation which means a reliance on local support to establish viable new schools.
- 3 The outturn for 2013/14 showed a £677k under spend against a revised budget of £544k resulting in a final surplus in year of (£133k). The movements were predominantly around underspends in Early Years, School Kitchens, Fees for independent Special Schools and unspent Schools specific contingencies. These were partially offset by pressures from funding reforms for SEN funding to academies, additional top up fees, and additional funds distributed to schools. This improved position resulted in the carry forward reserve of £1,607k.
- 4 At the May 2013 Forum when the budget was presented, a high level 10 year budget was also presented for comment, highlighting a number of the issues and pressures for the future. The recommendation from the item was to set up a working party to review the forward look and create a strategic view of decisions to be taken. An invitation for volunteers for the working party as captured in the minutes (item 57) was offered but not taken up.
- 5 **The budget of 2014/15** was set with an in year deficit of £603k against the surplus identified above resulting in a proposed carry forward surplus of (£1,004k). At this level of distribution / expenditure, the reserve would have had sufficient funds for 2015/16, but would be running with a carry forward deficit of £202k in 2016/17 suggesting cuts would be required to funding in future years.
- 6 The main movements between the outturn position from 2013/14 and the 2014/15 budget were:
 - £962k increase in budget in Independent special schools reflecting anticipated falls in income from Health and the extension of provision required for adults up to 25 years old.
 - Redressing the underspends in Early years from 2013/14 with the knowledge of having to target 2 year olds in 2014/15 - £743k,
 - £516k increase in provision for SEN following consultation
 - £250k introduction of moderation panels.This was partially offset by reductions in DSG allocations from anticipated roll numbers from the Forest Academy Conversion, reduction in funding required for support for inclusion (2013/14 had included a one off amount for Aspire), staff savings and a carry forward for Family support workers (£346k)
The revenue monitoring report presented in December 2014 showed an improved position to budget of (£379k), as reported under Budget Monitoring. This suggested the outturn position to be an in year deficit of £225k with a carry forward position of (£1,382k).
- 7 **Budget setting for 2015/16**

- 8 In July 2014 Brian Grady attended Forum at the request of the Director of Children's service highlighting the task of delivering 14% efficiency savings over the coming years for Children's services and the need for Partnership working with Schools & School Forum to seek opportunities for invest to save and shared ownership.
- 9 In October's Forum, the minutes capture the introduction of the uplift in the Secondary Lump Sum to £175k noting the £396k incremental cost from the decision, would not adversely impact Primary Schools as they were protected from the extra Per Pupil Funding through the introduction in 2015/16 Minimum Funding Level, an additional £500k. In December the 1st draft budget was presented, recognising this was an early draft and errors had been identified in the EFA tool for setting budgets, further amendments would be required. The budget showed an in year deficit of £951k with a carry forward surplus of (£431k).
- 10 The minutes quote "The only way the proposed budget for 2015/16 is in surplus, is because of the amount carried forward from 2014/15; such a carry forward is unlikely at the end of 2015/16 which would mean that assuming no growth in the allocations, a deficit budget may be a possibility. Alan Stubbersfield agreed that there will be difficult times ahead, such as have not been seen before."
- 11 It was highlighted at the time that the budget presented did not include the necessary additional growth values for new schools coming on board. The next item on the agenda was agreement to funding for posts within WBC, where Forum took the decision to approve £65k of funding in 15/16.
- 12 At the Forum of the 14 Jan 2015, an electronic version of the budget was presented having factored in a number of movements including:
- additional pressure expected from 16-25 year old funding of £546k,
 - an increase in the growth pot of £265k to take account of anticipated Bulge classes
 - start-up costs of 1 Secondary and 2 Primary Schools anticipated to go live from Sept 2016, partially offset from additional funding for Minimum Funding Levels (£500k).
- 13 Recognising an unsustainable position arising from the in-year deficit as a starting position, and looking forward 3 years with 3 new schools in the Borough from Sept 2016, suggested that cuts were required to maintain a viable budget. Given the nature of minimum funding guarantees, cuts in year are limited and it was highlighted that the necessary cuts would have to be staggered across 2015/16 and 2016/17 to meet demands in 2016/17. A number of options were modelled to show the effect on Schools, including a cut in AWPU, cuts in Lump Sums, and combinations of the two.
- 14 The meeting was adjourned to allow time for members to consider the options presented, for further analysis to be undertaken and for an intervening exploratory meeting of Forum members and interested parties.
- 15 The Forum reconvened on the 22nd Jan allowing members time to understand the options being presented. The recommendation from WBC was to achieve a £600k reduction in allocated budgets to maintain a sustainable position through 2016/17 and beyond. The recommendation was to reduce AWPU as the fairest and most equitable means for any reduction.
- 16 The table below shows the movements in the budget positions presented.

DSG budgets

	Final Budget 14/15	Draft Budget presented to Forum Dec	Draft Budget presented to Forum of 14	Draft Budget presented to Forum of 22
In year deficit	603	951	866	765
Brought forward (surplus) / Deficit	-1607	-1382	-1382	-1382
Carry forward (Surplus) / Deficit	-1004	-431	-516	-617
Net in year movement			-85	-101
Movement in budget				
Growth fund anticipated buldge classes Hawkedon & St Crispins + 3 x new schools Sep 16			265	
13/14 savings in provision for pupils with SEN not ongoing			49	
element 2 post 16 direct from EFA to post 16 providers 16-25 years ,lagged funded			546	
December Forum decision to part fund Assist and EWO			65	
Increase in funding notified 17/12/14 net of impact from new pupils			-472	
Impact from changes to AWPU from option 1			-538	
Reduction in contingency for schools in financial difficulty				-100
Total of movements			-85	-100

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