

SCHOOLS FORUM

Dedicated Schools Grant (DSG) - 5 Year Financial Plan

Purpose of the Report

- 1 To provide the Schools Forum with an indicative view of the financial horizon for the DSG 2015-2020. The report's objective is to help understand some of the financial pressures that are being faced and allow time for planning to address such challenges. The report will also form the basis for the budget setting for 2016/17. The 5 year plan will become a standard annual document, reflecting expected changes for future years and to monitor the risk of the DSG becoming unsustainable.

Suggested Action

- 2 The Forum is asked to note the contents of this report and consider approaches to the 2016-17 budget build.

Background

- 3 The Schools Forum requested early indications for forthcoming budgets, and detailed insight into the assumptions and the make up of such budgets. The proposal was to produce a 5 year financial plan for the July Schools Forum to provide insight into the medium term requirements on the DSG budget, but also to provide that early indicative view of the budget for the following year. It should be noted this is a preliminary report, further work will be required in order to confirm the budget, but this paper highlights the anticipated future financial requirements on the DSG to help maintained schools and academies plan ahead
- 4 As part of the 2015/16 budget setting, AWPU's were reduced acknowledging not only that the DSG in year budgets were running at a deficit and could not be sustained for the long term, but also the introduction of new schools and other factors would add pressure in 2016/17.
- 5 There are a number of contributing factors to the pressures being faced in the DSG budget, these include the introduction of the Childrens and Families Act which now puts a responsibility on the DSG for pupils up to the age of 25, previously 19. This Act also introduces the Education, Health, Care Plan (EHCP) which requires conversion of existing statements requiring additional resource. In a borough with ambitious development plans bringing new families into the region, the Wokingham DSG has encountered increasing pupil numbers entering reception classes where we do not receive funding for the year on year increase. The funding is lagged until the pupils are recorded on school census and only made available in the following financial year.
- 6 As anticipated, 2016/17 is the peak year in terms of outgoings; there will be further lagged funding issues while Reception numbers increase from one year to the next in comparison to those leaving year 11. They will with time be replaced by the dynamic of a change in the proportion of pupil numbers in primary to those in secondary. We receive the same funding from the EFA for both, but our outlay is significantly higher

for secondary schools. As the bulge in pupil numbers moves from primary to secondary estimated in 2020, the costs accordingly rise without income rising in line.

- 7 The financial position starts to improve over the 5 year plan, however as highlighted above, the change in weighting from primary to secondary starts to have a detrimental impact on the DSG as can be seen from the reducing in year to year 5.
- 8 The numbers below reflect a suggested 1.5% reduction in AWPU for 2016/17 to minimise the risk of creating an unmanageable deficit DSG position for Wokingham. It needs to be noted there is a 1.5% limit to how much the allocations can be reduced through reductions in AWPU as the minimum funding guarantee (MFG) kicks in to protect schools, and at a cost to DSG. If further reductions were required, then a review and potential reduction of the lump sum may need to be considered. Lump sums have been maintained at the maximum levels through the model, the assumption being to protect small schools. This position needs to be monitored carefully on an annual basis.

Financial Summary

- 9 The 5 year financial summary below captures best known data available today and application of assumptions to formulate a financial forecast. The summary takes into account expected pupil growth within the borough, new schools, alternative provision review and any anticipated funding changes.

DSG 5 year financial plan	2013/14 Actual	2014/15 Actual	2015/16 Forecast	2016/17 Year 1	2017/18 Year 2	2018/19 Year 3	2019/20 Year 4	2020/21 Year 5
		£k	£k	£k	£k	£k	£k	£k
Total income	99,836	101,029	101,884	104,002	106,835	109,055	110,036	111,230
Outgoings								
Schools allocations	72,164	72,493	74,152	75,235	77,196	79,072	80,879	82,717
Pupil Premium	1,913	2,735	2,744	2,792	2,872	2,936	2,967	3,003
Early Years allocations	5,835	6,087	6,276	6,213	6,027	5,545	5,545	5,545
SEN / HNB	17,573	17,853	16,894	16,707	16,506	16,426	16,267	16,326
Growth	639	611	620	1,189	1,091	1,193	1,117	1,148
Central Expenditure	1,120	1,417	1,424	1,771	1,824	1,854	1,854	1,854
Internal Recharges	459	459	459	459	459	459	459	459
Total Outgoings	99,703	101,655	102,569	104,367	105,975	107,486	109,088	111,052
Net in year (Surplus) / Deficit	(133)	626	685	365	(860)	(1,570)	(948)	(178)
Carried forward (Surplus) / Deficit Balance	(1,608)	(982)	(297)	69	(791)	(2,361)	(3,309)	(3,487)

To note,

- The above analysis does not reflect any Academy conversions post June 2015
- There is no provision for falling 6th form funding / numbers
- There is no provision to support schools in financial difficulty
- Pupil numbers grow through this period thus 2016/7 must fund more AWPU's than 2015/, please refer to pupil numbers in 0.5 below.
- In year surpluses are on the decline come year 5, projected to decline further with the weightings of secondary pupils to primary pupils

Please refer to headings below for assumptions being applied against the line items above;

Pupil Numbers

- 10 The below table shows the projected pupil numbers each year, showing primary pupils growth starting to slow in 2019, with continued growth in secondary pupil numbers. Close monitoring of anticipated pupil numbers will be undertaken and factored into future 5 year plans taking account of the impact from the new housing developments which are anticipated to bring a higher weighting of young professionals and young families into the borough in the early years.

	2015	2016	2017	2018	2019	2020	2021
Total	22,355	22,904	23,698	24,305	24,619	24,968	25,216
Secondary	8,315	8,488	8,780	9,162	9,583	10,030	10,342
Primary	14,040	14,416	14,918	15,143	15,036	14,937	14,875

Financial impact on schools

- 11 Against a background of pupil growth and costs growing ahead of income, a 1.5% (£1.2m) reduction in AWPU for 2016/17 is included in the figures above to balance the bottom line, with no further AWPU reductions applied for the remaining 4 years in the plan. Our estimation of the impact on individual schools from such a reduction is as follows;

- Small Primary - £5k reduction in funding
- 1 form entry - £8k reduction in funding
- 2 form entry - £13k reduction in funding
- 3 form entry - £17k reduction in funding
- Small secondary - £50k reduction in funding
- Large secondary - £70k reduction in funding

The above projections are estimates which do not include any impact of changes in pupil numbers per school, these do fluctuate by school. The LA will be updating a more accurate position when the EFA releases the funding spreadsheet, expected at the end of July.

If the projections are correct, then future year reviews of the surplus balance will be required for reasonableness.

Income

- 12 The projected income rates remain flat with the exception of pupil premium which has been forecast to increase in line with projected pupil growth rates, the same assumption has been made to the expenditure line for pupil premium, as such nil effect on the bottom line. However should pupil growth rates increase at a rate higher than currently projected, this will offer additional funds to schools to support those vulnerable children.
- 13 DSG has been inflated in line with the projected pupil numbers as highlighted in 0.5 above, but the assumption on the Guaranteed Unit of Funding (GUF) is it remains flat to the rate provided in 2015. Increases in year on year pupil numbers are treated as being lagged funded, as such Wokingham DSG only receives the GUF in the following year for the increased pupils PE Sports Grant has been removed as known

to be ceasing in 2016/17, shown under “Additional Grants” Universal free school meals fluctuates year on year as a result of projected pupil numbers for the given year groups, this is money that is allocated straight to schools under “schools allocations”

Income breakdown by grant

	2013/14 Actual	2014/15 Actual £k	2015/16 Forecast £k	2016/17 Year 1 £k	2017/18 Year 2 £k	2018/19 Year 3 £k	2019/20 Year 4 £k	2020/21 Year 5 £k
Income								
DSG Funding	92,932	92,079	93,098	94,741	97,438	99,622	100,669	101,894
Additional grants	333	533	250	250	250	250	250	250
UIFSM	0	1,298	1,792	1,834	1,891	1,863	1,765	1,699
EFA	4,658	4,384	4,000	4,384	4,384	4,384	4,384	4,384
Pupil Premium grant	1,913	2,735	2,744	2,792	2,872	2,936	2,967	3,003
Total income	99,836	101,029	101,884	104,002	106,835	109,055	110,036	111,230

School allocations

- 14 School allocations have been calculated based on projected numbers in year groups against an average rate of funding across the individual key stages. A reduction in allocation for 2016/17 has been applied equivalent to £1.2m, estimated to be a 1.5% reduction in AWPU's across all key stages. Allocations are based on Academic years in line with funding to schools based on pupils on Schools census.

Pupil Premium allocations

- 15 As highlighted above in the income line, allocations are based on expected income.

High Needs Block(HNB) / Special Education Need (SEN)

- 16 Reviews of High Needs Block funded Provision across the borough are currently underway. The intention is to reduce the number of pupils having to leave the borough in order have their needs met. Given the anticipated future increase in pupil numbers there is an additional anticipation of an increase in pupils with SEN. It is acknowledged that in certain circumstances a school cannot support a child and they are then transferred to either a resource unit or a special school. We have recently introduced a Virtual School and plan to introduce a Secondary ASD unit whilst at the same time expanding provision at Southfields and reviewing existing resource bases.
- 17 The LA has invested in two additional functions, a Continued Health Claims (CHC) team & Commissioning support. The CHC team are currently reviewing placements to identify those where they believe there is a Health need. Applications to Health are in progress which will be reviewed at a panel to determine the outcomes. This is an area where the LA have seen success in recent years within Adult Social Care, investment was made to expand the service in 2014/15, the team are advertising a further post to help expedite the applications and manage new placements.
- 18 The dedicated commissioning team are working with our providers out of borough to negotiate preferable rates, it is early days and given the nature of the requirements

with potential for unique circumstances with each placement, it does not necessarily lend itself to block contracts and the ability to negotiate rates.

High Needs Block Breakdown

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
	£k						
Aspire / pupils	£ 60,000	0	0	0	0	0	0
SEND Reforms	£ 45,000	0	0	0	0	0	0
ASD Unit cost	0	0	£ 133,713	£ 127,120	£ 165,680	£ 206,680	£ 247,680
Potential ASD Savings	0	0	-£ 185,000	-£ 370,000	-£ 555,000	-£ 740,000	-£ 740,000
Foundry	£ 1,330,000	£ 1,315,000	£ 1,315,000	£ 1,315,000	£ 1,315,000	£ 1,315,000	£ 1,315,000
BAU	£ 128,000	£ 128,000	£ 128,000	£ -	£ -	£ -	£ -
Southfields	£ 1,118,950	£ 1,187,448	£ 1,269,948	£ 1,269,948	£ 1,269,948	£ 1,269,948	£ 1,269,948
Addington	£ 3,994,497	£ 4,095,110	£ 4,095,110	£ 4,095,110	£ 4,095,110	£ 4,095,110	£ 4,095,110
Mainstream school & Resource Unit funding	£ 1,686,553	£ 1,052,786	£ 1,076,786	£ 1,112,786	£ 1,136,786	£ 1,144,786	£ 1,160,786
EHCP's /NWPU's	£ 2,343,000	£ 2,264,656	£ 2,264,656	£ 2,264,656	£ 2,264,656	£ 2,264,656	£ 2,264,656
SEN Transport	£ 230,000	£ 230,000	£ 230,000	£ 230,000	£ 230,000	£ 230,000	£ 230,000
SEN Equipment	£ 100,000	£ 100,000	£ 100,000	£ 100,000	£ 100,000	£ 100,000	£ 100,000
Support for Inclusion	£ 573,000	£ 577,000	£ 328,000	£ 337,840	£ 347,975	£ 358,414	£ 369,167
Moderation panel	£ 100,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000
Pre 16 / Post 16 OOB	£ 6,144,000	£ 5,794,000	£ 5,801,250	£ 5,873,750	£ 5,905,650	£ 5,872,300	£ 5,863,600
Totals	£ 17,853,000	£ 16,894,000	£ 16,707,463	£ 16,506,210	£ 16,425,805	£ 16,266,894	£ 16,325,947

The above analysis includes the following assumptions;

- Funding ceases for Aspire & SEND reforms in 2015/16
- The introduction of a 5 place per year group ASD unit will incur costs to run the new facility but deliver savings from out of borough places
- BAU unit to move to Reading so place funding ceases
- Increase in provision of places at Southfield in 2016/17
- Mainstream funding increases in line with projected pupil growth
- Support for inclusion reflects the removal of support for Family Support Workers in 2016/17.
- Projected Out of Borough (OOB) placements anticipated in future years at an average rate of £72,500 per placement, offset by expected success in CHC, where the responsibility of meeting part of the costs falls on Health as there is a primary Health need for some of the placements. Expected 5 successful cases in first 2 years reducing over time, reducing the cost to the DSG and Wokingham Borough Council. Expected improved rates for new placements working with the dedicated commissioning function.

Growth

19 Growth assumptions as presented in the separate Growth paper.

Central Expenditure

Central Expenditure Breakdown	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
	£k						
Schools specific contingency	-125	-118	132	132	132	132	132
NQT induction	0	0	0	0	0	0	0
Early years contingency	164	164	164	164	164	164	164
Schools Kitchen Repairs	0	0	0	0	0	0	0
Insurance	565	565	565	593	593	593	593
Schools Admissions	182	182	182	182	182	182	182
Licenses & Subscriptions	247	247	247	247	247	247	247
Miscellaneous	-127	-127	0	0	0	0	0
Servicing Schools Forum	0	0	0	0	0	0	0
Staff costs - supply cover	375	375	345	370	400	400	400
Support for ethnic minority groups	136	136	136	136	136	136	136
Total Central Expenditure	1,417	1,424	1,771	1,824	1,854	1,854	1,854

The above numbers reflect one off grants received in 14/15 & 15/16 not projected for future years, misc includes the carry forward for Foundry College..

Internal recharges

- 21 Further analysis of internal recharges to be presented to the Schools Forum in September, showing the breakdown of charges and the reasons for the charge.

Other considerations

- 22 These are:

- Cuts being faced by schools have built a political head of steam, with Wokingham MP John Redwood actively engaged with Governors & parents to take the challenges to Westminster to lobby for more equitable funding for Wokingham.
- The Children's and Young People's Partnership is working together to help shape and form strategies together for our young people in the Borough.
- Consideration of options for Schools, use of vacant caretakers cottages given expected demands on early years provisions within the Borough.
- An early years strategy paper is to be drafted to consider the implications from increased free provision to 30 hours, the demands on the service from the new housing developments, and funding.

- Options for more collaborative working within schools, feeder schools etc., shared resources.
- Options for further government funding for Clustered schools business managers to help drive efficiencies in Schools.
- NEXT STEPS – This report has illustrated financial pressures...Autumn term meetings...early notice of indicative budgets...work with schools likely to be experiencing deficits...

Matt Marsden
Finance Business Partnering Manager
July 2015

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