

SCHOOLS FORUM

Dedicated School Grant (DSG) 5 Year Financial Plan

1 Purpose of the Report

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.

2 Suggested Action

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

3 Background

This report provides an update from the July Forum, taking into account revised cost estimates for the new secondary school in Arborfield applying the assumption of only 90 pupils in September 2016 rather than 180 pupil in the previous model.

The paper also looks to offer a technical error reflection on the paper presented in July suggesting a further 1.5% reduction in AWPU was required. The numbers do not differ significantly from those previously presented, and are still suggesting a reduction in the distribution of funds to schools equating to 1.5%, however this would be achieved partly through the existing minimum funding guarantees, and as such would not equate to a further 1.5% reduction in AWPU.

The paper also sets out two further scenarios, the first not applying any further reductions in AWPU as requested by the Schools Forum, but allowing the minimum funding guarantee to address the shortfall in reserves which has the effect of running into a deficit in year one, but returning back into a positive balance in year two. The purpose of this scenario to help protect schools from larger reductions in funding in 2016/17, to provide greater time to adapt to reductions in funding.

The second scenario works on the same principle as above but introduces a cap on Schools seeing an increase in per pupil funding year on year. The drive in this scenario being to return to a surplus position as soon as possible, stemming the amount a school can gain by when other schools are facing cuts in funding.

The paper also includes a breakdown of the internal recharges applied against the DSG which was missing from the July paper.

4 Financial Summary

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 currently anticipated funding changes.

DSG 5 year financial plan	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
			June					
	Actual	Actual	Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
		£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	75,107	77,068	78,944	80,751	82,589
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	1,249	1,211	1,260	1,513	1,308
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	104,299	105,967	107,425	109,356	111,084
Net in year (Surplus) / Deficit	(133)	626	685	297	(868)	(1,631)	(679)	(146)
C/fwd (Surplus) / Deficit Balance	(1,608)	(982)	(297)	(0)	(868)	(2,499)	(3,179)	(3,324)

We previously reported a £69k deficit in 2016/17 having applied a £1,200k reduction in funding. This assumed £1,186k of growth requirements for expanding and new schools. The position improved in 2017/18 to a surplus of (£791k) increasing to a surplus of (£3,487k) by 2020/21.

In order to illustrate how we can achieve a balanced position in 2016/17, a reduction of £1,328k has been applied in the table above, a worsening position to that previously presented by £59k, a result of increased growth requirements from the new secondary school assumed at 90 pupils rather than 180 pupils previously presented.

As highlighted at the July Schools Forum, even though the reserves continually increase, the in year surplus position starts to decrease with the weighting of pupils towards secondary schools rather than primary with higher per pupil rates for secondary schools having a detrimental impact.

The only changes made in assumptions to those presented in July are around Arborfield Secondary School intake. Pupil numbers, Alternate provision review, funding, etc have remained the same.

5 Impact from Arborfield Secondary School reduced intake

As highlighted above, a revision to the intake for the new Secondary school down from 180 pupils to 90 in year one, with one form increase year on year to a maximum of 180 pupils in year 4, has the following estimated affects.

6 form entry Secondary School	Year 1	Year 2	Year 3	Year 4	Year 5
Leadership		(95,500)	(39,000)	25,000	89,000
Teaching Staff		(239,250)	(307,000)	(590,000)	(592,000)
Education Support		(54,000)	(79,000)	(95,000)	(79,000)
Admin/Support Staff		(60,333)	(98,000)	(50,500)	(41,000)
Other staffing		(15,472)	(19,505)	(14,441)	(13,983)
Utility costs (inc rates and insurance)		(4,276)	(10,045)	(8,145)	(8,688)
Premises		(10,500)	(30,000)	(36,000)	(48,000)
Consumables, ICT, Training & professional		(28,552)	(31,719)	(9,502)	(10,136)
Exam Fees		0	0	0	(17,250)
Project costs	0	0	0	0	0
Total Costs	0	(507,883)	(614,269)	(778,588)	(721,057)

6 form entry Secondary School funding	Year 1	Year 2	Year 3	Year 4	Year 5
EFA funding		(567,150)	(733,984)	(845,482)	(1,117,341)
DSG growth funding	0	59,267	119,715	66,894	396,284
Total	0	(507,883)	(614,269)	(778,588)	(721,057)

It should be noted there was an error in the original model, it was not picking up costs for Assistant Heads reported under "Leadership" above. This amounted to 1 FTE in year 2 at £80k, rising to 2FTE in year 4 and 3FTE in year 5 with costs of £160k & £240k respectively.

As can be seen, reductions in headcount and operating costs are more than offset by reductions in funding with lower pupil numbers, resulting in an increase in demand on the growth line for the DSG.

The table below shows the Council's best estimate on staffing requirements for a 3 form entry secondary school

	Rates	Numbers (FTE)					
		16/17	17/18	18/19	19/20	20/21	21/22
Leadership							
Head	£102,000		1	1	1	1	1
Deputy	£79,000			1	1	1	1
Assistant Head	£64,000				1	2	3
Total			1	2	3	4	5
Teaching Staff							
Head of subject/ Form tutors	£56,000		3	3	5	5	5
Other teaching Staff	£40,000		3	8	12	24	48
PE	£35,000		1	1	2	3	4
Total			7	12	19	32	57
Educational Support							
HLT	£25,000		0	0	0	0	0
TA	£21,000		2	4	6	8	10
Lab Assistant/Technicians	£30,000		1	1	2	4	5
Cover supervisor	£17,000		1	1	1	2	2
Total			4	6	9	14	17
Admin Support							
Business Manager	£56,000		0	0	0	0	0
Premises + Finance	£29,000		3	3	3	3	3
Admins Assts/exam/Librarian	£22,500		1	2	5	8	12
Lunchtime Supervisor	£18,000		0	0	0	0	0
Total			4	5	8	11	15
			16	25	39	61	94

The table below shows the revised estimated cost position for the secondary school based on an intake of 90 pupils.

3 form entry Secondary school forecast budget	16/17	17/18	18/19	19/20	20/21
Expenditure	£	£	£	£	£
Staffing					
Leadership	102,000	181,000	245,000	309,000	309,000
Teaching Staff	242,250	523,000	830,000	1,345,000	1,825,000
Educational Support	48,000	114,000	186,000	288,000	330,000
Admin / support	73,000	132,000	199,500	267,000	312,000
Supply Teaching	5,957	12,088	18,469	28,038	35,125
Pay progression above inflation	-	3,597	9,115	13,838	17,336
Non Payroll Costs					
Rates (EFA funded)	17,500	30,000	30,000	30,000	30,000
Other Insurance	11,667	30,000	30,000	30,000	35,000
Premises Costs					
Maintenance and Improvements contracts (inc cleaning)	10,500	42,000	72,000	108,000	240,000
Set up costs	100,000				
Exam fees	-	-	-	17,250	40,250
Energy Costs	8,077	32,308	55,385	83,077	120,000
Educational Supplies	16,154	37,692	64,615	96,923	140,000
Admin Supplies, telephones,postage, p/copier,paper	5,833	20,000	30,000	40,000	50,000
Professional Services 1 (eg: legal)	40,000	40,000	45,000	45,000	45,000
Professional Services 2 (eg: audit)					
Professional Services 2 (eg: marketing)					
ICT maintenance & repairs	5,833	20,000	25,000	30,000	30,000
Indirect Emp Exp	25,000	25,000	30,000	30,000	30,000
Hospitality					
Responsible Officer					
SLA's - eg., tree & ditch, payroll, H&S, EWO,FRS17	5,833	10,000	10,000	10,000	10,000
Grounds Maintenance	15,750	27,000	27,000	27,000	27,000
CPD/Training	3,500	12,000	17,000	22,000	27,000
Total Expenditure	736,855	1,291,684	1,924,084	2,820,125	3,652,711

Assumed pupil numbers through the years as per table below

Cumulative pupil numbers	16/17	17/18	18/19	19/20	20/21	21/22
KS3	90	210	360	450	570	660
KS4				90	210	270

6 5 year financial forecast applying no further reductions in AWPU;

The forum raised concerns that today's schools were having to pay for the investment in new schools, and as with most investments, the return on that investment takes time to filter through. The 5 year plan showed an improving reserve position through the years, akin to a return on investment. The challenge highlighted in July was given the improving reserve position, is there not an option to stop further cuts in funding, recognising this would put the DSG into deficit, however it would recover back into a positive reserve in future years.

This option is being explored with the S151 officer responsible for ensuring adequate reserves and plans are in place across the Council's area of responsibility, a proposal has been presented to date, with a request for understanding the risks attached to such a decision and what mitigating plans would need to be adopted. The current plan is to have this analysis completed by the end of September and to have received a decision from the S151 officer for the October Forum.

The table below shows the effect of making no further reductions in AWPU, but that only sees a reduction in distributed funds resulting from a reduction in the guarantees currently provided through MFG. The mechanism for this is a reduction in MFG protection of £880k, and consequently a reduction in the amount distributed to schools.

DSG 5 year financial plan	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
			June					
	Actual	Actual	Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
		£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	75,555	77,181	79,057	80,864	82,702
Total Outgoings	99,703	101,655	102,569	104,747	106,080	107,538	109,469	111,197
Net in year (Surplus) / Deficit	(133)	626	685	745	(755)	(1,518)	(566)	(33)
C/fwd (Surplus) / Deficit Balance	(1,608)	(982)	(297)	448	(307)	(1,825)	(2,392)	(2,424)

The above scenario suggests a deficit in 2016/17 of £448k which returns to a surplus in 2017/18 with similar trends to those previously highlighted of increasing reserves year on year but a reducing in year surplus to only £33k in 2020/21.

7 5 Year financial plan as above but applying a cap

The Schools Forum have previously introduced a cap in funding to stem the amount any school can gain from per pupil funding. Per pupil funding can increase as a result of changes in a schools' circumstances from such factors as prior attainment, deprivation levels, English as an additional language, it will not increase as a result of AWPU which in this scenario is assumed to stay flat.

Introducing a cap reduces the amounts of distributed funds in a given year, any schools where a cap has been introduced, would see their funds increase by pupil year on year only to the extent of any agreed cap. Savings to DSG accrue as a result.

The table below shows the effect of introducing a cap of 1.5% in addition to the reduction in MFG provided. The effect of this scenario is a further reduction in distributed funds of £335k as a result of a cap being imposed.

DSG 5 year financial plan	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
			July					
	Actual	Actual	Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
		£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	75,220	77,181	79,057	80,864	82,702
Total Outgoings	99,703	101,655	102,569	104,412	106,080	107,538	109,469	111,197
Net in year (Surplus) / Deficit	(133)	626	685	410	(755)	(1,518)	(566)	(33)
C/fwd (Surplus) / Deficit Balance	(1,608)	(982)	(297)	113	(642)	(2,160)	(2,727)	(2,759)

Similar to 0.6 above, the DSG would go into deficit in 2016/17 but recover to a surplus position in 2017/18. The in year position is the same come 2020/21 as that presented in 0.6 above as expectation is the cap would have no impact after year 2.

8 Internal recharges

Below is a schedule of what constitutes internal recharges against the DSG. Recharges have remained consistent over the years, with inflationary pressures and pay increases being offset by efficiencies gained in support services. This is expected to continue for the foreseeable future.

DSG Service Charges Summary		
Children's Services -DSG	15-16 £k	Basis of Apportionment
Administration	144,010	5.6 FTE admin support provided to schools and Education
Business Improvement	11,000	Time spent from Audit, Insurance, Investigations and Business improvement offset by £40k income from schools
Central Accountancy	37,388	Provision of finance support covering VAT, monitoring, closing accounts, treasury, FOI, budgets, reporting, support for moderation panels
Communications	8,550	Charge based on % headcount across council for communications, updating WEB pages and information
Contracts Procurement	30,551	Time split from Contracts team supporting Catering and other DSG contracts over and above income received from DSG
Information Management Technology	42,040	IT provision for 18 staff across Admissions, Home to school Liaison & Parenting support, IT charges cover infrastructure (lines, network, servers), license costs, IT equipment & maintenance, WEB development & maintenance and help desk support
Corporate Transport Unit	96,400	% split of contract values based on Special educational needs transport arrangements, arranging daily taxi's drop off and pick up, liaising with providers, reconciling and making payment of invoices.
Human Resources	24,970	Proportion of time spent supporting schools
Member Services	33,620	% charge of democratic service staff time for attending forum and providing support to executive meetings on DSG related items, registering minutes, creating of agendas and chasing papers.
Property - Buildings MU incl Facilities	17,720	Charge for office space occupied by CS staff DSG specific (28%) + recharges in
Reprographics	8,280	Internal printing from reprographics for Admission appeals and brochures, Forum papers, etc
Employee Services & Payments	620	Payroll staff time supporting DSG staff
Customer Services Operations	4,571	Wokingham Direct % calls taken Schools related including admissions queries
Total	459,720	

9 Other considerations

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. The rationale for this is about exploring efficiencies arising from partnership and pooling resources.

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.

Initial exploration with the council's Section 151 officer (chief finance officer) around the implications of DSG being in deficit

10 Next steps

- To seek approval from the S151 officer for the DSG to go into a deficit position.
- Further work to be carried out in modelling the effects for individual schools.
- Cluster groups to be made aware of the financial position.

Matt Marsden
Finance Business Partnering Manager
July 2015