

## Meeting of the South Bank Academies Board

11.00 am on Tuesday, 7 July 2020  
in MS Teams

### Agenda

| <i>No.</i> | <i>Item</i>           | <i>Pages</i> | <i>Presenter</i> |
|------------|-----------------------|--------------|------------------|
| 10.        | Draft budget, 2020/21 | 3 - 26       | HA               |

**Date of next meeting**  
**4.00 pm on Thursday, 1 October 2020**

**Members:** Hitesh Tailor (Chair), Richard Flatman (Vice-Chair), Tony Giddings, Nicole Louis, Hilary McCallion, Chris Mallaband, Fiona Morey, Lesley Morrison and David Phoenix

**In attendance:** Helena Abrahams, Michael Broadway, Jacqui Collins, Dan Cundy and Dominique Phipp

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# SBA Budget 2020-21 including 5 year forecast

Helena Abrahams

# Summary

- Budgeting guidance was issued to Principals in March 2020, so we have been having regular meetings to discuss the budget and produce different scenarios
- For 2020-21, in the light of information and evidence available, we are setting an in-year balanced budget across both schools and the Trust. For future years, we are predicting a small in year deficit for Years 2022-23 (£20k) and 2024-25 (£37k), but these are offset by previous year surplus resulting in a cumulative surplus across all 5 years
- We have produced a five-year forecast as we understand the importance of strategic planning over the longer period; although the ESFA requirement is to submit a three-year budget forecast
- Our strategic planning has been done with the best information available to us at this time. We have had to make assumptions about the 'known unknowns' in order to present the most informed picture of the financial landscape and how this will impact on the sustainability of the Trust
- I have clearly set out our assumptions in the following slides, but these will require approval by the Board
- The main areas are:
  - Student Numbers
  - GAG Funding and Other Grant Income
  - 16-19 Programme Funding
  - Staffing Costs (Teaching and Support Staff)
  - Non-pay expenditure

# Summary

- Consolidated submission to ESFA
  - Due to the impact of COVID-19, a new deadline was announced on 5<sup>th</sup> June 2020 – 29<sup>th</sup> September 2020
  - Original deadline was 31<sup>st</sup> July 2020
  - This will allow us to submit a budget forecast with the actual cost of living increase for teaching staff for 20-21, rather than having to assume what it will be
- Budgeted surplus
  - For 2020-21, UTC 1.4% and UAE 6%
  - Financial Regulations will include a surplus set by the Board – the updated version suggests a 1.5% surplus
- UTC Transitional Funding
  - Ends in 2020 (included in 2020-21 budget)
  - Currently no plans to replace this, but increase to student numbers and a higher rate of funding for 6th form students is offsetting this reduction
- New pay policy from September 2020 which has caused increases to the staffing budget for both schools
- A cost of living increase of 3% for teaching staff has been applied

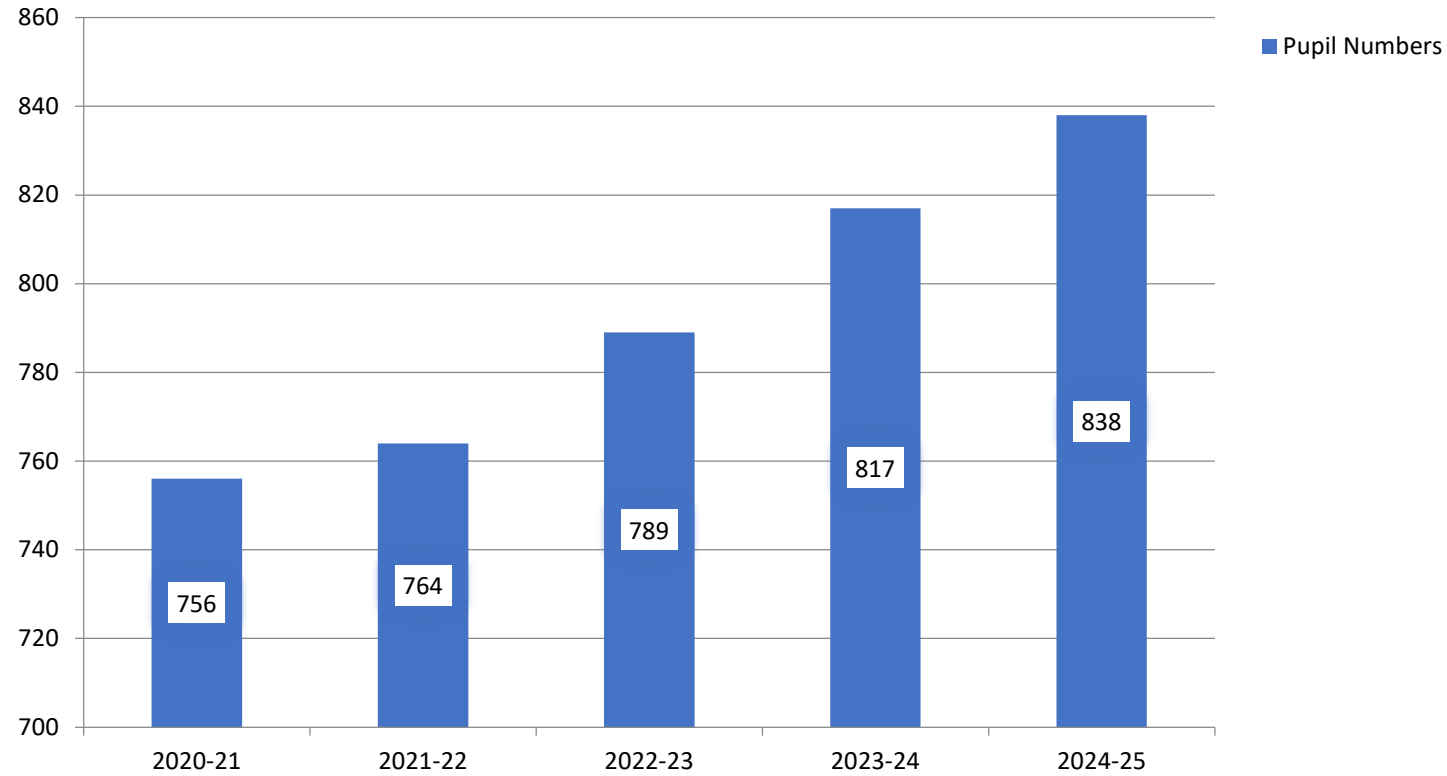
# Summary

- Top slicing (Management Charge) for each school has been increased to 8% to cover all of the central staff costs (last year: UAE – 5.7% and UTC – 6.2%)
- Rolling programme of capital expenditure to be finalised utilising surpluses from previous years
- Review of all Service Level Agreements (SLA) has been undertaken
- Catering income has been significantly reduced this year and calculations around the number of students has been tighter
  - We are exploring whether we can cover the cost of catering without charging students
- Agency staffing costs
  - Should see a reduction in the use of agency staff as most staff have been employed to fill vacancies

# Assumptions – Student Numbers

- Principals were asked to forecast their student numbers for the next 5 years taking into account their student number trends
- This is always challenging, but the direction given was not to be overly optimistic especially where growth is going to be difficult because of local demographic and changes outside of our control
- UTC student numbers are very difficult to predict, but the marketing campaigns have been thriving through the pandemic for the 6<sup>th</sup> form intake and student numbers are looking very promising for September 2020
- We will revisit the budget forecasts in the 3<sup>rd</sup> week of September 2020 ahead of the Autumn census (October 2020) to review whether the projections have materialised

# Student Numbers UAE



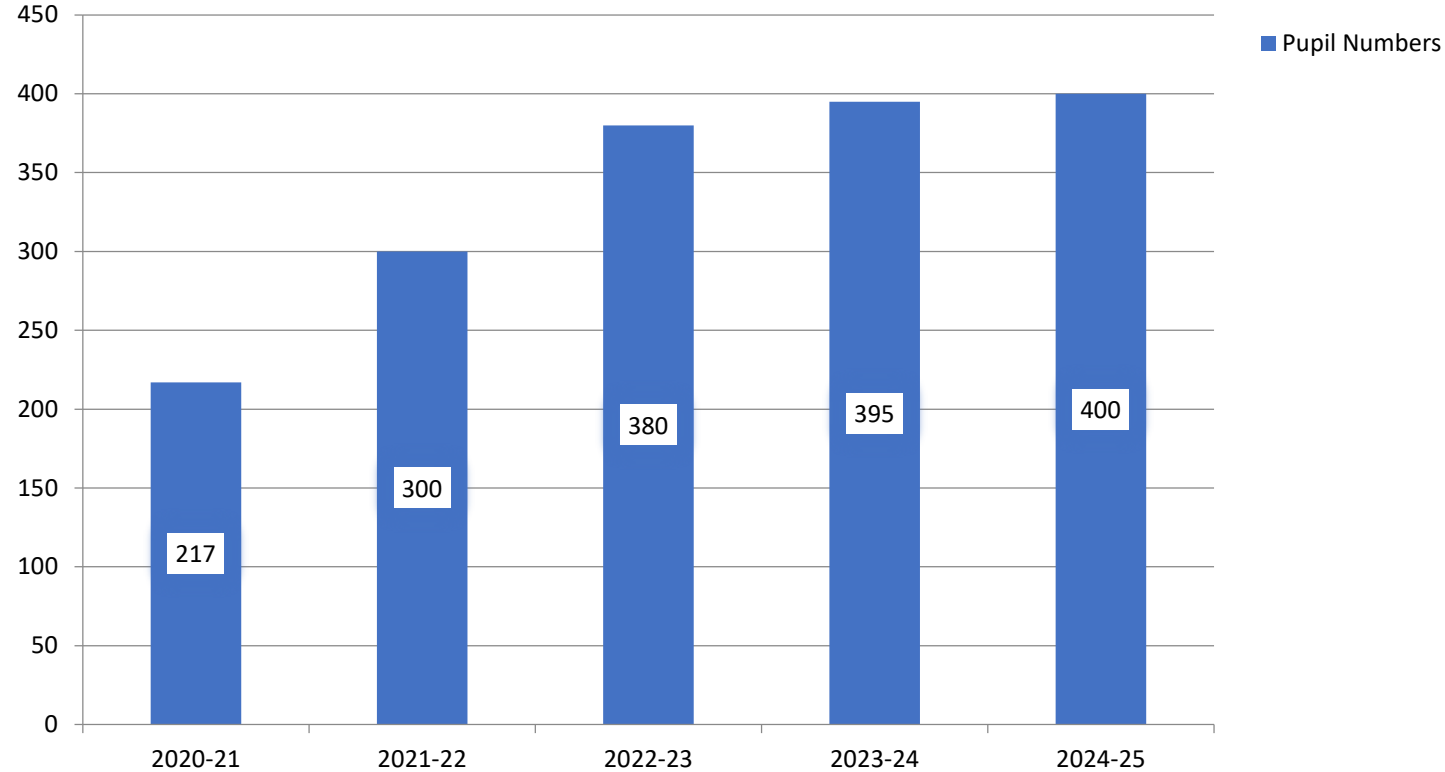


# Student Numbers by Year Group

## UAE

| Year    | Key Stage | Oct 2019 | Oct 2020 | Oct 2021 | Oct 2022 | Oct 2023 |
|---------|-----------|----------|----------|----------|----------|----------|
| Year 7  | KS3       | 127      | 110      | 150      | 150      | 150      |
| Year 8  | KS3       | 144      | 128      | 110      | 150      | 150      |
| Year 9  | KS3       | 137      | 144      | 128      | 110      | 150      |
| Year 10 | KS4       | 143      | 137      | 144      | 128      | 110      |
| Year 11 | KS4       | 138      | 143      | 137      | 144      | 128      |
| Year 12 | KS5       | 42       | 60       | 60       | 75       | 75       |
| Year 13 | KS5       | 25       | 42       | 60       | 60       | 75       |
|         |           | 756      | 764      | 789      | 817      | 838      |

# Student Numbers UTC



- NB: We are predicting 300 students by October 2020 – an additional income line has been added for this increase

# Student Numbers by Year Group

## UTC

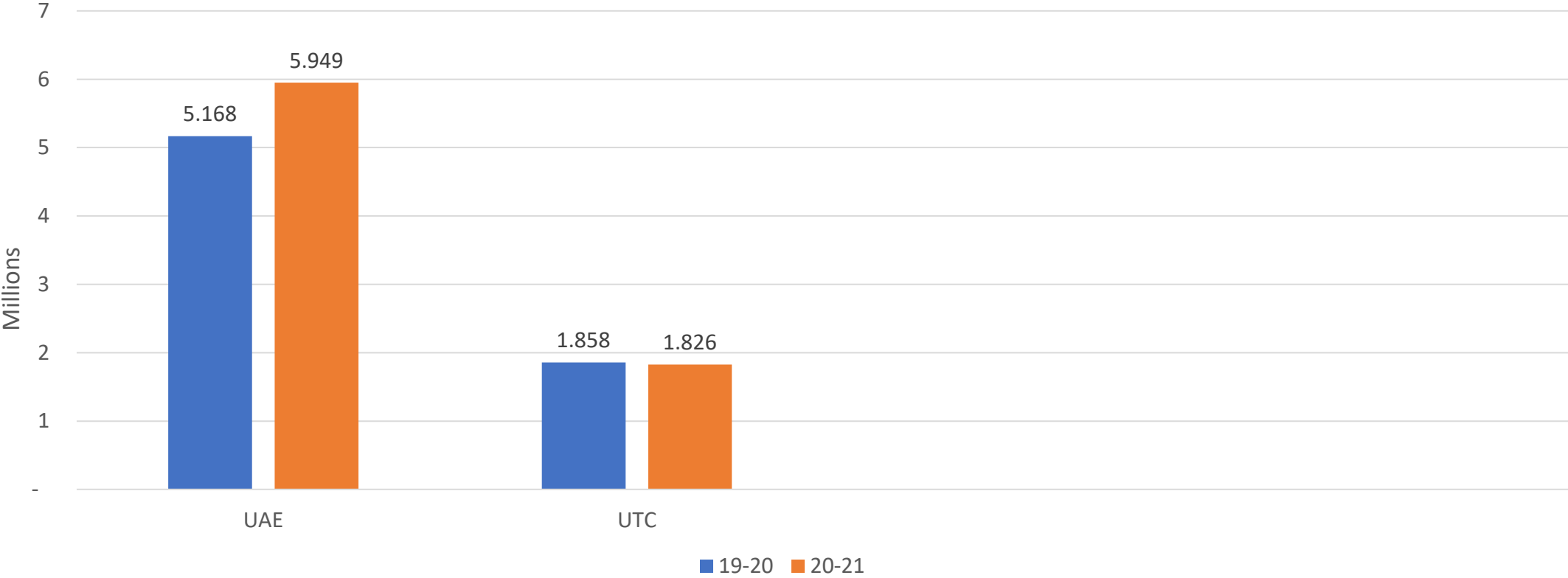
| Year    | Key Stage | Oct 2019 | Oct 2020 | Oct 2021 | Oct 2022 | Oct 2023 |
|---------|-----------|----------|----------|----------|----------|----------|
| Year 10 | KS4       | 24       | 40       | 50       | 55       | 55       |
| Year 11 | KS4       | 37       | 25       | 40       | 50       | 55       |
| Year 12 | KS5       | 93       | 150      | 150      | 150      | 150      |
| Year 13 | KS5       | 63       | 85       | 140      | 140      | 140      |
|         |           | 217      | 300      | 380      | 395      | 400      |

# Assumptions - GAG Income

- Still awaiting the outcome of the government Spending Review, but with their focus dominated on the pandemic, it is highly unlikely to be reported this year
- **Year 1 – 2020-21**
  - This is based on the 2020-21 GAG funding statements (taken on the number of students on roll in October 2019)
  - From the Spending Round 2019, the announcement was to provide schools with a cash boost to give every child a superb education. The increase in funding means that every secondary school will be allocated a minimum of £5,000 per pupil by 2020-21. <https://www.gov.uk/government/news/spending-round-2019-what-you-need-to-know>
- **Year 2 – 2021-22**
  - Local formulae will continue to determine final allocations, but the Spending Round settlement supports an inflationary increase to pupil funding
  - We have assumed a 2% increase to GAG funding
  - Teachers' Pay and Teachers' Pensions Grants should be incorporated in 2021-22 budget allocations
- **Year 3 – 2022-23**
  - As with Year 2, we have assumed a 2% increase to GAG funding
  - Teachers' Pay and Teachers' Pensions Grants should be incorporated in 2021-22 budget allocations
- **Year 4 – 2023-24 & Year 5 – 2024-25**
  - Same assumptions used for Year 3 have been applied

# Assumptions - GAG Income

Comparison of 19-20 and 20-21 GAG Income



# Assumptions – Other Grant Income

- Pupil Premium

- We have continued to use the current rates of funding in all future years @ £935 per pupil
- 19-20 Funding:

|            | Secondary pupils on roll | Number of pupils eligible for PP | % of pupils eligible for PP | 2019-20 Allocation |
|------------|--------------------------|----------------------------------|-----------------------------|--------------------|
| <b>UTC</b> | 95                       | 43                               | 45.3%                       | £40,205            |
| <b>UAE</b> | 662                      | 362                              | 54.7%                       | £338,470           |

- We have used the percentage of students eligible for pupil premium in 2019-20 for future years funding
- Funding is driven by pupil numbers from January census submission

# Assumptions – 16-19 Programme Funding

- **Year 1 – 2020-21**

- The September 2019 Spending Round introduced revisions to the 16-19 formula including an increase in the learner rate to £4,188 for full-time 16 and 17 year olds, funding for T levels and the High Value Course Programme
- **This was for 2020-21 only**
- Any further revisions should form part of the Spending Review that is due in 2020

- **Year 2 – 2021-22 to Year 5 – 2024-25**

- We have applied the £4,188 learner rate for full-time 16 and 17 year olds and for 18 year olds without SEND
- For 18 year olds with SEND, the rate is £3,455

# Assumptions – 16-19 Programme Funding

- **16-19 Bursary**

- The current method for allocating this is out of date
- New distribution methodology is being introduced from 2020-21
- The amount of funding available has not changed



# Assumptions – Staffing Costs

## • Teachers

- At the time of writing, the STRB recommendations for 2020-21 are unknown. The report is expected to be published in the Summer term 2020
- Advice has been sought from other business professionals and the recommendation is that we assume an unfunded pay award of 3% in each of the next 5 years if the Trust pay policy is aligned with STPCD
- We have created different budget scenarios with 2%, 3% and 4% increase – we have presented the budget with a 3% increase to the Board
- Incorporating the new pay policy has had cost implications which the Board are aware of

# Assumptions – Staffing Costs

## • **Support Staff**

- Negotiations are ongoing between the NJC and unions in respect of the pay award for 2020/21
- We have assumed an unfunded award of 3% for 2020/21
  - Support staff normally receive increases in April each year, but SBA incorporate changes in September
- We do not have any insight into likely pay awards for 2021/22 onwards, so we have assumed a 2% unfunded award for years two, three, four and five
- Employer contributions to the LGPS for support staff: each LGPS administering body undertakes a triennial revaluation exercise
- The outcome of the most recent valuation has set the employer contributions for the period April 2020 to March 2023

# Assumptions – Non Pay Expenditure

- Economic forecasting in the midst of a pandemic is more speculative than ever
- We have assumed a 1.5% increase on the majority of our non pay expenditure over the next 5 years
- We will be looking at negotiating reviews and renewals for the larger contracts across the Trust
  - Catering
  - Cleaning
  - ICT
  - Energy Costs

# Top Slicing – Management Charge

- Central Funds Policy
  - The Academies Financial Handbook recommends that a Central Funds policy is in place where a Trust ‘top slices’ funding
  - Will be circulated as part of these budget papers
- 8% of GAG funding for 2020-21
  - Last year, the top slice was reported as 5%. This was calculated against all income which is not good practice
  - Actual figures – 5.8% (6.2% - UTC and 5.7% - UAE) of 19-20 GAG income
  - Significant increase from 19-20 to 20-21 to incorporate all central staffing costs
- As more school joins the Trust, we may be able to reduce the top slicing %, but this will depend on a number of factors including how many central staff are inherited

# Top Slicing – Management Charge

- All central staff have been included in the Trust budget:
  - Executive Principal
  - Trust Business Manager
  - Schools Finance Manager
  - Trust HR Manager
  - Marketing Manager
  - Admin Officer
  - Schools Finance Officer
  - Schools HR Officer (vacant – start date January 2021)
- Includes other centralised costs (set out in the policy document)
  - Marketing Budget
    - May have to recharge costs to schools as predicted costs couldn't be met fully in Trust budget (UAE – 15k & UTC – 22k)

# Top Slicing - Scenarios

|  | 2020-21                                   |                   | 2019-20                                   |             | 2020-21                   |                           |                           |                             |                           |
|--|---|-------------------|---|-------------|---------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|
|  | Number of Pupils<br>(from GAG<br>funding) | GAG Funding       | 19-20<br>Management<br>Charge             | % GAG       | 5% MAT<br>Central<br>Fund | 6% MAT<br>Central<br>Fund | 7% MAT<br>Central<br>Fund | 7.5% MAT<br>Central<br>Fund | 8% MAT<br>Central<br>Fund |
| South Bank Engineering UTC                   | 217                                       | £1,826,066        | £112,851                                  | 6.2%        | £91,303                   | £109,564                  | £127,825                  | £136,955                    | £146,085                  |
| University Academy of Engineering South Bank | 756                                       | £5,949,180        | £340,363                                  | 5.7%        | £297,459                  | £356,951                  | £416,443                  | £446,189                    | £475,934                  |
|  |   |                   |   |             |                           |                           |                           |                             |                           |
|  |   |                   |   |             |                           |                           |                           |                             |                           |
| <b>Total Pupil Numbers</b>                   | <b>973</b>                                | <b>£7,775,246</b> |   |             |                           |                           |                           |                             |                           |
|  |   |                   |   |             |                           |                           |                           |                             |                           |
| <b>Total Top Slice</b>                       |   |                   | <b>£453,214</b>                           | <b>5.8%</b> | <b>£388,762</b>           | <b>£466,515</b>           | <b>£544,267</b>           | <b>£583,143</b>             | <b>£622,020</b>           |
|  |   |                   |   |             |                           |                           |                           |                             |                           |
|  |   |                   | <b>Difference between 19-20 and 20-21</b> |             | <b>-£64,452</b>           | <b>£13,301</b>            | <b>£91,053</b>            | <b>£129,929</b>             | <b>£168,806</b>           |

Figure 22

# Challenges Faced

- Setting a balanced budget with an agreed surplus of 1.5%
  - Not achieved at UTC
- Introduction of Apprenticeship Levy
  - Our collective annual pay bill has exceeded £3m so we have triggered Apprenticeship Levy deductions
  - Calculated at 0.5% of staff costs
  - Levy allowance of £15k shared proportionately across both schools
  - Good news – funding can also be used to train existing staff as well as recruiting apprentices
- LGPS employer contribution rates
  - Incorrect rates used from April 2017 – unable to recover from Local Authorities
  - Triennial revaluation done to cover rates from April 2020 to March 2023
  - Payroll providers are using the correct contribution rates from April 2020

# Key Performance Indicators

- When setting the annual budget, these were main KPI's that we were looking at:
  - Staff pay as a percentage of total expenditure
  - Average teacher cost
  - Pupil to teacher ratios
  - Class sizes
  - Teacher contact ratio
  - Proportion of the budget spent on the leadership team
  - Staffing Plans
  - Using ICFP for our budget planning
  - Most of this information is available within our budgeting tool, HCSS
  - Benchmarking data will be available later in the year from our external auditors and DfE
- Top 10 Planning Checks for Governors
  - There is some more detailed guidance from the DfE about these KPI's by following this link:
  - <https://www.gov.uk/guidance/school-resource-management-top-10-planning-checks-for-governors>



# Best Case vs Worst Case Scenarios

## • **Best Case**

- 3% increase for teaching and support staff
- Teachers' Pay Grant continues until August 2021 and future years
- Teachers' Pension Grant continues until August 2021 and future years
- Surpluses of 2% of total income

## • **Worst Case**

- 4% increase for teaching and support staff
- Teachers' Pay Grant and Teachers' Pension Grant not continuing
- Student numbers not achieved in October 2020 to drive funding for future years
  - Reduce students number for UAE (Year 7) and UTC (Year 12) by 20
- Need to think about how to mitigate the risks around a 'worst case' budget
  - Possible redundancies??

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