

BAWB Federation

Potential De-Federation of West Burton CE Primary School Financial Implications

The purpose of this report is to consider the financial implications of the potential de-federation of West Burton CE Primary School from the BAWB Federation.

The report considers:

- The financial viability of West Burton as a stand-alone primary school and Askrigg and Bainbridge becoming a two school federation.
- The implications for the current BAWB Federation if the application for de-federation is refused with Option 3A being implemented from September 2018 and there is a reduction in the pupil numbers in the Federation.
- The breakdown of the revenue and capital budget balances for the BAWB Federation into individual school balances.

The key data sources used in the analysis are:

- The 2018/19 Start Budget for the BAWB Federation
- The National Funding Formula results for each school
- The financial outturn information for the BAWB Federation schools
- Financial benchmarking data based on 2018/19 Start Budget data for similar comparator schools and federations

1. Background

The BAWB Federation was formed in April 2016 and comprises the three primary schools of West Burton, Askrigg and Bainbridge. A single, amalgamated budget has been in operation since the start of the Federation. Prior to April 2016, Bainbridge and Askrigg had operated in a collaboration arrangement from September 2013 with a shared Headteacher across the two schools. West Burton joined this collaboration in September 2014 with the Headteacher being responsible for the three schools in the collaboration. Up to April 2016 each school operated their own individual budgets with shared costs being recharged between the schools in the collaboration.

At the end of the 2017/18 financial year the BAWB Federation has the following budget balances:

Revenue balance	£77.6k deficit
Capital balance	£21.8k surplus

Pupil numbers are the key driver in determining the funding allocation received by a school. Over recent years the pupil numbers in the schools in the BAWB Federation have been reducing. The future trend is for the numbers to increase at Askrigg and Bainbridge and for the numbers to continue to reduce at West Burton. Pupil number information is detailed below:

Academic Year	Askrigg	Bainbridge	West Burton	BAWB
2012/13	30	38	43	111
2013/14	33	33	39	105
2014/15	29	23	33	85
2015/16	35	20	30	85
2016/17	37	18	22	77
2017/18	40	24	23	87
2018/19	36	32	24	92
2019/20	42	35	23	100
2020/21	42	40	21	103
2021/22	46	44	20	110

In Autumn 2017 the Department for Education (DfE) announced national changes to the school funding formula where in the longer term all school budgets will be set using a new national funding formula. However, for the 2018/19 and 2019/20 financial years a 'soft' approach will be undertaken where the funding which local authorities receive will be based on the new formula with transitional arrangements. North Yorkshire County Council has adopted an approach of calculating school budgets using these principles for the 2018/19 and 2019/20 financial years. At this stage, the DfE has not yet stated when the national funding formula will be fully implemented and the transitional arrangements will cease. The transitional funding arrangements guarantee a minimum level of funding for schools but they also cap the level of funding gain which a school can experience.

2. Financial Viability of West Burton As A Stand-Alone School and Askrigg and Bainbridge As A Two-School Federation

Work has been undertaken to assess the financial impact of the potential of de-federation with West Burton becoming a stand-alone school and Askrigg and Bainbridge becoming a two-school federation. This work is in the context of schools managing their own budgets and being required by the North Yorkshire Scheme for Financing Schools to operate a balanced budget. A school in financial deficit is required to develop plans to bring their budget back into a balanced position within a 3 year period. Any schools unable to achieve this position will be strategically reviewed by the LA and are likely to have additional requirements and sanctions placed on them in relation to their financial management.

a. Financial Viability of West Burton as a Stand-Alone School

An indicative operating model has been developed and costed for West Burton as a stand-alone school (please see appendix 1). The indicative model produced has regard to:

- The current operating costs for West Burton as per the breakdown of the BAWB Federation budget (appendix 4)

- Benchmarking information for other schools with between 19 and 26 pupils (appendix 5)
- Current pupil number projections for West Burton provided by NYCC Strategic Services.
- The National Funding Formula (NFF) projections for West Burton including transitional adjustments.

The key assumptions for the indicative operating model are:

- 2 class operating structure
- Teaching staff:
Headteacher x 1 FTE (salary point L12) – 0.6 FTE (3 days/week) teaching commitment.
Teachers 1.4 FTE (salary point UPS1)

The model indicates that, based on current pupil number projections, the school is likely to be operating a significant in-year deficit position over the next 4 years irrespective of whether the NFF is fully implemented. The table below provides a summary of the in-year financial position.

Table 1 – Indicative Model - West Burton Stand-Alone School In-Year Revenue Financial Position

	2019/20	2020/21	2021/22	2022/23
Forecast Funded Pupil Numbers	24	23	21	20
	£'000	£'000	£'000	£'000
Forecast NFF Transitional Funding Adjustment Cap	-11.3	-8.9	-6.3	-4.2
In-Year Position (Includes NFF Transitional Funding Adjustment)	-20.00	-21.9	-25.9	-27.1
In-Year Position (No NFF Transitional Funding Adjustment)		-13.1	-19.6	-22.9

The work which has been undertaken to split the current amalgamated budget into the individual financial positions for each school in the Federation is detailed in section 4 of this report and in appendix 4. The current indication is that based on an assumed de-federation date of 1st January 2019, the opening revenue budget position for West Burton as a stand-alone school would be a deficit of £18,700. The forecast cumulative revenue budget balance position based on this assumption is detailed in table 2 below.

Table 2 – Indicative Model - West Burton Stand-Alone School Cumulative Revenue Financial Position

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Cumulative Revenue Balance (Includes NFF Transitional Funding Adjustment)	-24.1	-44.1	-66.0	-91.9	-119.0
Cumulative Revenue Balance (No NFF Transitional Funding)			-57.1	-76.7	-99.6

Adjustment)					
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The model indicates that, based on current pupil number projections, the school would be likely to have a significantly accumulating revenue budget deficit which would increase to at least £100,000 in the next 4 years, irrespective of whether the NFF is fully implemented. Based on the indicative model, the school is unlikely to reach a position where the accumulated budget deficit can start to be repaid as required by the Local Authority.

Pupil numbers are a key factor in influencing the financial position of the school. The Pupil Led Factors (Age Weighted Pupil Unit (AWPU), Mobility and Prior Attainment) in the 2018/19 funding formula allocation for West Burton provide an average per pupil funding amount of £3,276 with the AWPU value being £2,712. In order to achieve a longer term balanced budget, based on these figures and dependant on the NFF transitional funding arrangements, an increase of between 7 and 10 pupils would be required. Any reduction in pupil numbers would be at this rate per pupil and would worsen the school budget deficit position.

A development of 17 new houses has recently been approved at West Witton. The development comprises 9 houses to be sold at full market value, 6 affordable houses to be sold at 70% of market value and 2 houses for affordable rent. West Witton is in the catchment area for Leyburn CP School, however West Burton CE School is the nearest school for part of the village. School transport policy is that parents in this part of the village are able to access free school transport to either Leyburn CP or West Burton CE. The new housing development is in this part of the village so could impact on the pupil numbers at West Burton CE. The standard pupil gain calculation for housing developments used by NYCC Strategic Services assumes 1 school age pupil for every 4 houses, however it should be noted this is only a forecast. . Factors which would influence the potential for pupils from the new housing development attending West Burton CE include:

- The age of the pupils
- Are the families already living in the area and are the children already attending a school in the area?
- Parental preference as to which school they wish their children to attend

Clearly a number factors can influence the financial position of a school; these include class operating structure, staffing levels and deployment, staff salary levels, utilisation of specific grants e.g. Sports Grant, contracts and classroom resource spending decisions, pupil numbers and levels of external income. The forecast financial position provided in the indicative model could significantly change if the key assumptions associated with any one factor changed. If the decision were made to de-federate the actual operating structure of the stand-alone West Burton School would be determined by the Governors and Headteacher having regard to the requirement for the provision of both high quality educational provision and financial viability.

The representatives from West Burton CE who are requesting de-federation are reviewing the indicative model produced for a stand-alone school as to where they feel that additional savings can be made and additional income generated. It is understood that their findings will be submitted to Governors for consideration under the due diligence process.

b. Financial Viability of Askrigg and Bainbridge as a two school federation

An operating model has been developed and costed for Askrigg and Bainbridge as a two-school federation (please see appendix 2). The indicative model produced is based on:

- The staffing model provided by the Executive Headteacher for the BAWB Federation
- The current operating costs for Askrigg and Bainbridge as per the breakdown of the BAWB Federation budget (appendix 4)
- Benchmarking information for other two-school federations with similar pupil numbers (appendix 5)
- Current pupil number projections for Askrigg and Bainbridge provided by NYCC Strategic Services.
- The National Funding Formula (NFF) projections for Askrigg and Bainbridge including transitional adjustments.

The key assumptions for the operating model are:

- 3.6 class operating structure
- Teaching staff:
Headteacher x 1 FTE (non-teaching)
Teachers 3.915 FTE

The model indicates that, based on current pupil number projections, the federation will be likely to be operating an in-year deficit position until at least 2020/21 irrespective of whether the NFF is fully implemented. Based on the forecast increase in pupil numbers for the two schools, the in-year financial operating position is forecast to return to an in-year surplus by either 2021/22 (subject to the ceasing of the NFF transitional adjustment) or 2022/23 (regardless to the NFF transitional adjustment arrangements) The table below provides a summary of the in-year financial position.

Table 3: Model – Askrigg and Bainbridge (Two-School Federation) In Year Revenue Financial Position

	2019/20	2020/21	2021/22	2022/23
Forecast Funded Pupil Numbers	68	77	82	90
	£'000	£'000	£'000	£'000
Forecast NFF Transitional Funding Adjustment Cap	-21.5	-20.4	-20.0	-18.0
In Year Position (Includes NFF Transitional Funding Adjustment)	-43.6	-23.9	-6.4	21.4
In Year Position (No NFF Transitional Funding Adjustment)		-3.6	13.6	39.4

The work which has been undertaken to split the current amalgamated budget into the individual financial positions for each school in the Federation is detailed in appendix 4. The current indication is that, based on an assumed de-federation date of 1st January 2019, the opening revenue budget position for Askrigg and Bainbridge as a two-school federation would be a deficit of £108,400. The forecast cumulative revenue budget balance position based on this assumption is detailed in table 4 below.

Table 4: Model – Askrigg and Bainbridge (Two-School Federation) Cumulative Revenue Financial Position

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Cumulative Revenue Balance (Includes NFF Transitional Funding Adjustment)	-116.5	-160.1	-184.0	-190.4	-169.0
Cumulative Revenue Balance (No NFF Transitional Funding Adjustment)			-163.7	-150.1	-110.7

The model indicates that, based on current pupil number projections and the assumption that the staffing levels modelled would be able to accommodate the increase in pupil numbers, the federation would be able to repay the accumulated financial deficit in a 3 to 8 year period from the 2022/23 financial year, dependant on the NFF transitional funding arrangements.

Pupil numbers are a key factor in influencing the financial position of the Federation. The Pupil Led Factors (Age Weighted Pupil Unit (AWPU), Deprivation (FSM), EAL, Mobility and Prior Attainment) in the 2018/19 funding formula allocation for Askrigg provide an average per pupil funding amount of £2,998 and for Bainbridge this amount is £3,471 with the AWPU value for both schools being £2,712. Any changes in pupil numbers would be broadly at these rates per pupil.

3. Implementation of Option 3A

The Option 3A financial forecast has been updated to reflect the latest pupil number projections for the three schools in the BAWB Federation and the 2018/19 actual funding formula allocations based on the NFF principles (appendix 3). Table 5 and table 6 below provide details of the projected in-year revenue budget position and the cumulative revenue budget position for the Federation.

Table 5: Option 3A - In Year Revenue Financial Position

	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Forecast Funded Pupil Numbers	92	100	103	110
Forecast NFF Transitional Funding	-32.8	-29.2	-26.3	-22.2

Adjustment Cap				
In Year Position (Includes NFF Transitional Funding Adjustment)	-39.6	-9.3	4.3	30.8
In Year Position (No NFF Transitional Funding Adjustment)		19.9	30.6	53.0

Table 6: Model: Option 3A - Cumulative Revenue Financial Position

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Cumulative Revenue Balance (Includes NFF Transitional Funding Adjustment)	-151.9	-191.5	-200.8	-196.5	-165.7
Cumulative Revenue Balance (No NFF Transitional Funding Adjustment)			-171.6	-141.0	-88.0

The model indicates that, based on current pupil number projections and the assumption that the staffing levels modelled would be able to accommodate the increase in pupil numbers, the federation would be able to repay the accumulated financial deficit in a 2 to 6 year period from the 2022/23 financial year, dependant on the NFF transitional funding arrangements.

The BAWB Federation Governors have stated that the Option 3A operating model will be implemented from September 2018 if the West Burton de-federation application is not approved. Consideration needs to be given to the risk of the pupil numbers reducing at West Burton if Option 3A is implemented. The average Pupil Led funding for West Burton is £3276 per pupil with the AWPU value being £2,712. Any reduction in pupil numbers could potentially jeopardise the Federation returning to an in-year budget surplus position and repaying the accumulated budget deficit if no action were taken to reduce costs correspondingly to the reduction in income.

4. Breakdown of the revenue and capital budget balances for the BAWB Federation into individual school balances

The BAWB Federation has operated a single budget covering the three schools in the Federation since the start of the 2016/17 financial year. The de-federation of West Burton would require the individual revenue and capital financial balance for each of the three schools to be determined at the point of the de-federation. Work has been undertaken by the Federation School Business Manager and the LA FMS Support Officer to the Federation in order to determine the allocation of the Federation balance to the individual schools (appendix 4). The breakdown of the income and expenditure has used the following methodology:

- Staffing costs are based on the actual costs of the staff deployed at each school. The Headteacher costs have been split equally over the 3 schools

- Income and expenditure that are directly attributable to each school e.g. delegated budget, specific grants, school generated income, utilities, individual school contracts etc. have been allocated to the relevant school
- Income and expenditure recorded at overall Federation level has been split based on the funded pupil numbers at the individual schools.

The estimated individual school balances are detailed in the table below:

Table 7 – Individual school revenue balances

	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	Forecast Balance as at 31/12/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Askrigg	13.6	28.1	-10.8	-12.7	-28.1	-64.1	-54.5
Bainbridge	25.7	34.3	20.8	-9.5	-49.6	-55.3	-53.8
West Burton	35.2	35.7	29.4	26.4	0.1	-31.3	-18.7
BAWB Federation				4.2	-77.6	-150.7	-127.1

Table 8 – Individual school capital balances

	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	Forecast Balance as at 31/12/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Askrigg	8.9	2.4	4.2	7.9	4.6	-2.0	-2.0
Bainbridge	-1.4	0.0	2.9	4.7	6.7	9.1	9.1
West Burton	4.6	0.0	3.8	8.2	10.5	12.8	12.8
BAWB Federation				20.8	21.8	19.9	19.9

5. Financial benchmarking data based on 2018/19 Start Budget data for similar comparator schools and federations

Analysis has been undertaken of the 2018/19 Start Budget projections for other schools and federations with similar pupil numbers. Please see appendix 5 for this analysis.

Whilst there are numerous different operating models in the comparison school groups, the analysis does highlight some trends across the schools. These include:

- Schools between 19 and 26 pupils
 - All of the schools operate either in a partnership arrangement or have a shared headteacher.
 - 4 out of the 5 schools in the comparative group have an in-year revenue budget deficit
 - 3 out of the 5 schools in the comparative group have a cumulative budget deficit
- Two-School Federations between 56 and 71 pupils

- In all of the federations either one or both of the schools receive sparsity funding
- Teaching staff levels range from 4.0 FTE to 6.09 FTE (average 5.09 FTE)
- 3 out of the 5 federations in the comparator group have an in-year revenue budget deficit
- None of the federations in the comparator group have a cumulative budget deficit.

6. Key Findings

- a. Based on the indicative operating model developed and the associated assumptions, a stand-alone West Burton school employing a full-time head teacher is likely to be operating an in-year budget deficit and have a significantly accumulating overall budget deficit.
- b. Based on the operating model developed and the associated assumptions, a two-school federation of Askrigg and Bainbridge would eventually return to an in-year budget surplus position by 2021/22 or 2022/23 with the accumulated budget deficit being repaid in a 3 to 8 year period from the 2022/23 financial year (timeframes dependent on the NFF transitional arrangements).
- c. The implementation of Option 3A, assuming pupil numbers remain as projected for the BAWB Federation, is forecast to result in the budget returning to an in-year revenue surplus position by 2020/21 or 2021/22 with the accumulated budget deficit being repaid in a 2 to 6 year period from the 2022/23 financial year. A significant risk to this improving position is if, in response to the implementation of Option 3A, the pupil numbers within the Federation reduce.