ASCL Appendix One: Impact of cost pressures in 2022/23 funding year and beyond.

DfE figures indicate that on average mainstream schools will have received a 5.8% increase in per pupil funding for 2022/23 (compared to 2021/22). We need to understand more about the spread of per pupil increases and the impact this will have on affordability.

We are testing affordability of the following cost pressures on grant -funded revenue income in the funding year 2022/23. DfE are of the opinion that these cost pressures are broadly affordable.

- Proposed teachers' pay award of 5% for most teachers and leaders with higher rises for early career teachers. The impact on the pay bill is likely to be around 5.4% but will be determined by the staffing profile at individual school / trust level. Effective September 2022
- Proposed flat pay award for school support staff of £1,925 which results in pay increases of between 4.04% and 10.5% depending on pay grade. Impact on the pay bill will be determined by the staffing profile at individual school / trust level. Effective April 2022 (therefore will require back dating).
- Increased energy costs. There is huge variation in the contract implications and budgetary impact that schools are managing for 2022/23.
- High inflation. RPI inflation was recorded as 11.8% in June 2022.

Beyond 2022/23

Indicative figures for the NFF for 2023/24 indicate that on average mainstream schools will receive a per pupil increase of 1.9%.

We have collected data from ASCL members to support the DfE in their negotiations with HMT.

The case studies and data shared below show both the severity and the breadth of challenge that leaders are facing in delivering strategic financial plans. Information has been provided to us in different formats and we have grouped the evidence accordingly.

1. Impact on 3-year budget plans

Some respondents sent us extracts or copies of their revised 3-year budget plans. The following are a sample of those evidencing situations where financially sustainable plans have become unsustainable following recent announcements on pay-awards.

1.1. Five school MAT. Local Authority: Darlington

Pay Award 22-23 Analysis Teach and Support for ASCL
Summary

Impact on in-year positions

School	2022/23 Approved Budget £	Additional Teaching salary costs £	Additional Support salary costs £	Revised Budget Position £	2023/24 Approved Budget £	Additional Teaching salary costs £	Additional Support salary costs £	Revised Budget Position £	2024/25 Approved Budget £	Additional Teaching salary costs £	Additional Support salary costs £	Revised Budget Position £	Additional Teaching salary cost over MTFP £	Additional Support salary cost over MTFP £	Total Additional salary cost over MTFP £
Special	25,060	46,244	176,528	- 197,712	- 118,101	73,363	260,893	- 452,357	- 278,724	108,487	266,147	- 653,358	228,094	703,568	931,662
Primary	- 16,693	10,292	29,573	- 56,558	- 42,050	16,050	47,035	- 105,135	- 74,406	23,129	47,992	- 145,527	49,471	124,600	174,071
Secondary	25,610	52,736	69,830	- 96,956	98,681	90,029	112,883	- 104,231	148,043	131,700	115,138	- 98,795	274,465	297,851	572,316
Special	174,107	10,157	24,286	139,665	182,474	15,970	38,414	128,090	415,954	22,124	39,169	354,661	48,251	101,869	150,120
Primary	12,585	10,725	24,644	- 22,784	7,919	16,772	35,119	- 43,972	- 8,659	23,578	35,823	- 68,060	51,075	95,586	146,661
Central		3,964	30,487	- 34,451		8,385	51,078	- 59,463		13,138	52,001	- 65,139	25,487	133,566	159,053
	220,669	**134,118**	**355,348**	**- 268,797**	**128,923**	**220,569**	**545,422**	**- 637,068**	**202,207**	**322,156**	**556,270**	**- 676,219**	**676,843**	**1,457,040**	**2,133,883**

Impact on Reserves

School	Unrestricted Reserves at 31/08/22 £	Revised Budget Position £	Revised Reserves at 31/08/23 £	Revised Budget Position £	Revised Reserves at 31/08/24 £	Revised Budget Position £	Revised Reserves at 31/08/25 £
Special	852,986	- 197,712	655,274	- 452,357	202,917	- 653,358	- 450,441
Primary	265,288	- 56,558	208,730	- 105,135	103,595	- 145,527	- 41,933
Secondary	- 124,455	- 96,956	- 221,411	- 104,231	- 325,642	- 98,795	- 424,437
Special	378,704	139,665	518,368	128,090	646,459	354,661	1,001,119
Primary	27,126	- 22,784	4,342	- 43,972	- 39,629	- 68,060	- 107,690
Central	-	- 34,451	- 34,451	- 59,463	- 93,914	- 65,139	- 159,053
	1,399,650	**- 268,797**	**1,130,853**	**- 637,068**	**493,785**	**- 676,219**	**- 182,434**

Despite currently having healthy reserves, following the announcements the Trust will be in a position of negative reserves by 31st August 2025.

1.2. MAT: 13 schools. Local Authorities: North Somerset and Somerset.

Revenue Income Total	£ 31,052,670.64
Revenue Expenditure Total	£ 31,179,313.82
In Year Position	**-£ 126,643.18**
Balance Brought Forward	£ 0.00
Updated for pay awards Balance Carried Forward	**-£ 126,643.18**
Original Trust Approved Budget Balance Carried Forward	**£ 385,494.75**
Difference between original and updated budget	**-£ 512,137.93**

This trust submitted 3YR BFR (version 1) showing an in-year surplus position of £385,494.75. The required revisions have resulted in an in-year deficit of £126,643 across the trust. The Trust said

We felt we had made some reasonable assumptions of the Government proposal for teachers published in March 2022 and 5% for NJC staff but the increased proposals, whilst *welcomed as staff deserve them are not sustainable from existing budgets. For some of my schools it may mean future redundancies. This has cost the trust over £500K in one year.*

1.3. SAT. Local Authority: Kirklees

The trust submitted 3Yr BFR showing an in-year surplus of £3K in 22/23 rising to £12K by 2025.

In Year Surplus / (Deficit)	**3,022**	**1,343**	**12,801**
Surplus / (Deficit) Brought Fwd	**0**	**3,022**	**4,364**
Cumulative Surplus / (Deficit) C/Fwd	**3,022**	**4,364**	**17,166**

Required revisions have resulted in an in-year deficit of £132K in 2022/23, rising to £224K by 2025.

In Year Surplus / (Deficit)	**(132,084)**	**(172,028)**	**(224,299)**
Surplus / (Deficit) Brought Fwd	**0**	**(132,084)**	**(304,112)**
Cumulative Surplus / (Deficit) C/Fwd	**(132,084)**	**(304,112)**	**(528,411)**

The Trust said,

Staff costs to ESFA Revenue Income increases from 83% to 85% 22/23, rising in 24/25 from 85% to 88%.We budgeted for a small in year surplus for the next three years and now have significant overspends.

We do have reserves of 366K as at 31.8.22 (subject to audit) but this was earmarked towards future CIF bid contributions.

1.4. SAT. Local Authority: Somerset.

This trust has revised its 22/23 budget to reflect pay awards. This trust does demonstrate that cost pressures are affordable in year one (2022/23), the situation quickly deteriorates in future years. This forecast is based on an assumption of increase per pupil funding of +3% in years two and three. Indicative figures for 2023/24 suggest that in 2023/24 the average increase in income per pupil will be 1.9%

REVENUE BALANCES (in year)	**22/23 approved**	22/23 revised	23/24 revised	24/25 revised
Total Revenue Income	9,590,868	9,756,676	9,872,636	10,133,043
Total Revenue Expenditure	9,556,402	9,626,666	9,991,364	10,423,374
In Year Revenue Surplus/(Deficit)	**34,466**	**130,010**	**(118,728)**	**(290,331)**

This trust told us that whilst they do have healthy reserves currently the situation is not sustainable, and projections indicate a fall in reserves of more than 50% over the next three years just to support the revenue budget. They also have commitments for capital projects already underway, and CIF loan repayments due in years' one and two.

2. Some respondents sent written case studies.

2.1. MAT with 28 schools (primary and secondary)

We have now estimated the impact of the Pay awards and energy increases for our Trust. We are sharing these to give you an estimate per pupil so that you can compare with other Trusts and try and gauge what extra funding would be required.

We have 28 schools (19 primaries and 9 secondaries), 14,000 pupils and we had set a broadly balanced budget for 22/23. The overall impact of Pay awards and recent energy increases since budgets were set total £3.3m (235/pupil). We are a financially healthy Trust with reserves of about £10% of our income but at this pace, they would be quickly depleted.

1) **Teacher Pay:** As most academies/schools in the sector, we based our budgets based on the Dfe recommendation to the STRB in March. The final deal is adding an extra 2% from M6. The impact is £0.7m for the Trust or £42/pupil in Primary and £54/pupil in secondary.

2) **Support staff:** Our budgets were based on a 2.75% increase. Other schools might have set slightly different assumptions but a survey amongst Local Government Association would suggest that most schools/Trusts set their support staff pay increase around this figure. The proposed deal of £1,925 flat rate would lead to an 8% average increase of our support staff cost including the knock-on impact on NI and Pension. This represents £117/pupil in Primary and £80/pupil in secondary. The impact per pupil may vary slightly in other schools depending on what assumptions they used, or the support staff mix.

3) Finally, **energy** used to represent 1.4% of schools' budgets (20/21 DfE benchmark). The impact of the increases will vary amongst Trust depending on their contract. As far as we are concerned, we are covered on gas, but our electricity contract came to an end in October 21, and we were advised by our broker to stay on variable rates since (which was clearly not good advice for next season). Our electricity bill nearly doubled in 21/22. We set our budgets based on 25p/KWh which was broadly the rate in April 22 for Winter 22/23. In June, there has been a sharp increase in next Winter's rates. As of yesterday, the price per KWh more than doubled in June/July to 55p/KWh (+about 20% taxes) since we set the budget meaning an increase of £1.3m over the already generous amount budgeted. We are now expecting a £2.9m electricity bill for next year (4 times more than in 20/21). This will impact all schools on variable rates and those at the end of their contract. Most of them won't realise until November/December when they start receiving their bills. Overall, our energy budget could represent 3.7% of income in 22/23 (vs 1.4% 2 years ago). As discussed we believe that DfE would need to intervene at least temporarily by capping prices for the public sector during this unprecedented crisis. At the same time, Drax, our electricity supplier, is showing record profits.

Trust energy costs:

	20/21 *		21/22		22/23 budget	
	£'000	% Income	£'000	% Income	£'000	% Income
Electricity	705	0.87%	1,123	1.26%	1,608	1.61%
Gas	390	0.48%	513	0.58%	790	0.79%
Total	1,095	1.35%	1,636	1.84%	2,398	2.40%

*: Including CSAT

Overall, we would need £235/pupil to cover all these increases.

2.2 MAT with 6 schools

The Trust has five primary schools and one Secondary (11-18) with approx 2,700 pupils and 390 staff

Since the last meeting of the Trust on the 14th of July the latest and 'final' pay offers have been tabled for both:

- Teachers – base offer is 5 percent and the two year move to a starting salary of £30,000
- Support Staff – straight £1,925 increase per pay point plus additional days leave
- Neither offer is funded, and both are above the pay assumptions used in the budget which was for a three percent pay settlement.

The finance team are going to model these in more detail, to project the actual impact per school. As a ballpark figure I would suggest this will increase the payroll bill by around

- £142,000 for teaching staff
- £80,000 for support staff

This will be a significant cost pressure for the Trust and in particular the largest school. The Head has some initial proposals to address these cost pressures. The Trustees are mindful that in their proposals to the Teachers Pay Review body, DfE themselves said that these cost pressures would not be sustainable.

Trustees have been advised that neither offer is close to what the staff side have asked for and neither offer has been agreed. With high inflation rates, near to double the pay offer, these would still represent a pay cut in real terms for the Trust's workforce.

The Trust set budgets based on assumption of the fulfilment of the Govt proposals to the SRTB back in Feb 22 and 3 percent for support staff, in line with what the LA was also planning for. To fund this for our secondary, we would be talking about losing one teaching and up to 3 TA posts over the coming year.

This settlement will put significant pressure on the Trust when combined with the doubling of energy costs. The pay- awards alone require an additional £82 per pupil.

2.5. MAT with 3 schools

We have just received our revised Trust budget forecasts through for next year. We are two secondaries and a junior school.

At the point we submitted our BFR we illustrated a very small deficit position of £16k yr 1, rising to £48k yr 2.

With the impact of pay rises, our new scenarios show deficits rising year on year from £295k upwards:

	£'s	£'s	£'s	£'s
Consolidated	2022/23	2023/24	2024/25	Total
Revenue In Year (Surplus)/Deficit	295,701	326,022	478,801	1,100,523

We suspect that energy (which is due for renewal in October) is likely to still be under-budgeted, adding yet more pressure on us.

We have worked incredibly hard over the last 18 months to reduce contract costs so cutting staffing will be our only option. This is counter-intuitive to educating well and will, of course add the pressure of restructure costs to our expenditure in the short term.

4.Testing affordability assumptions

We invited members to provide budget information to test affordability of additional cost pressures against actual increases in income per pupil achieved for 2022/23, compared to 2021/22.

A summary of the information we received is in Appendix 1. What this shows is that it is not safe to make assumptions on the level of increase in income per pupil when assessing the affordability of such significant cost pressures. This is particularly unsafe when some of these pressures (teachers' pay award) fall outside the range of values used to model the DfE's own proposals, which were set to fall within the scope of the SR21 settlement. The range of impact is significant, and we believe that our evidence shows that financially efficient schools with strong financial leadership are at risk.

It is reasonable to assume that regardless of the level of impact of these cost pressures on the bottom line, all schools are likely to have to make decisions which will have a negative impact on the education of their cohort of pupils. Use of reserves (where they are available) to support day to day operational costs (salaries for example) is unsustainable and should not be a recommended route.

August 2022

Appendix 1

Mainstream / special	Maintained / academy	Age range	LA	NOR 22/23	Increase in funding per pupil 22/23	Teachers 21/22 % income	Support staff 21/22 % income	Non-staffing (excl. energy) 21/22 % income	Energy 21/22 % income	Teachers 22/23 % income	Support staff 22/23 % income	Non staffing (excl energy) 22/23 % income	Energy 22/23 % income	Will the impact of these cost pressures create or worsen an in year deficit position?	by how much	Deficit per pupil	Do you have available reserves to offset any in year deficit?
Special	A	Primary	Staffordshire	125	2.90%	33.7	48.5	14.9	0.8	33.4	54.3	12.2	1.4	yes	£40,000.00	£ 320.00	Yes
M	A	a/t	Wirral	1227	1%	57.54	24.03	16.32	1.99	58.85	26.82	12.3	1.97	create	£132,000.00	£ 107.58	No - reduce investmnet in R&M , IT, CPD etc
M	MAT	2-18	Bath / NE Somers	12070	-3.70%	53.25	27.9	18.4	2.06	57	29.47	17.9	3.78	worsen	?		yes
M	Maintained	9-13	Northumberland	289	5.75%	60.6	25.4	11.1	2.5	57.6	27.69	11.71	3.52	create	£25,000.00	£ 86.51	Yes for now , reserves wiped out by end 2023
M	Maintained	13-18	Northumberland	587	-4.90%	54.21	25.56	9.59	1.98	58.74	31.59	12.49	2.93	create	£140,000.00	£ 238.50	Yes for now , reserves wiped out by end 2023
M	Maintained	9-13	Northumberland	306	1.07%	57.08	26.82	13.88	1.15	59.37	28.72	11.78	2.57			£ -	
M	Maintained	11-16	East Sussex	1141	2.73%	58.64	19.85	12.86	1.24	60.91	21.93	11.82	2.46			£ -	
X	X	X	X	1346	0.70%	56	20	22	2	57	22	20	3	worsen	£89,000.00	£ 66.12	No - reduce expend elsewhere
M	MAT	2-18	Cumbria	1319	4.00%	59.68	30.84	20.26	2.17	64.07	32.04	21.71	2.89	worsen	£228,000.00	£ 172.86	Yes - but only for 2022/23
M	A	14-19	Central Beds	1640	4.10%	70.3	21.8	6.7	1.2	69.3	22.4	6	2.3	worsen	£58,000.00	£ 35.37	yes but limited
M	A	11-16	Derbyshire	519	2.20%	49.5	29	23.7	1.9	51.65	29.9	19.1	3.7	worsen	£98,000.00	£ 188.82	Yes
M	A	secondary	Solihull	1107	5.50%	57	18	20	1	60	22	21	2	create	£41,000.00	£ 37.04	yes
M	A	11-16	Havering	797	3.90%	70.15	19.43	26.33	2.42	72.16	17.73	28.65	5.24	create	£400,000.00	£ 501.88	Yes, possibly in 22/23 only
M	MAT	2-16	York	3302	4.20%	56.05	30.87	9.62	2.31	57.18	30.9	9.62	3.99	create	£324,000.00	£ 98.12	yes
M	A	Primary	N Northants	262	3.20%	45	30.88	27.2	0.58	44.34	36.66	26.25	0.63	create	£43,000.00	£ 164.12	Yes - but only for 2022/23
M	Maintained	11-16	Suffolk	1197	3.30%	51.8	31.35	16.38	1.6	53.49	31.33	15.93	1.9	create	£300,000.00	£ 250.63	Partial
M	Maintained	11-18	Merton	1250	1.75%	62	25.8	19.9	1.8	62	29	17.88	4.64	worsen	£275,000.00	£ 220.00	yes
M	MAT	2-19	Notts/Derby/Derbyshire	8141	2.40%	48.9	29	23.9	2.15	49.9	31.25	18.2	3.7	create	£100,000.00	£ 12.28	yes
M	MAT(3 schools)	School1: secondary	Oxfordshire	1634	2.00%	53	18	26	1	54	19	24	6	create			
		School2: secondary	Oxfordshire	1021	3.00%	50	16	32	2	54	18	29	8	create			
		School3: primary	Oxfordshire	175	2.00%	48	28	23	1	47	28	19	5	create			
														Total across the MAT	£764,613.00	£ 270.18	Partial. At trust level this will utilise all current reserves (c6% GAG) and take us into a deficit reserve position.

Appendix 2

Below are extracts from a recent Wholesale Markets report by Zenergi for July 2022.

We are sure that DfE Teams have this information. We include these extracts in this paper to highlight our concerns about the level of exposure that schools are faced with negotiating, in a funding landscape that remains fixed at a point some ten months ago (SR21).

'Review of market movements over July July is yet another month of dramatic price rises. Notably, we have seen power wholesale prices surge 43% to break into all-time high valuations. Over the last two months, we have seen energy prices nearly double. Simply put, wholesale costs are ten times higher than they where in 2020. '

'*This current market is punishing. It is unforgiving. We are at all-time highs. If you held off securing rates two months ago, you are looking at nearly double the costs now. By not acting, it is being proven that the stakes are incredibly high. If you are waiting for prices to return to 2020 levels, I need to make clear that unfortunately that is simply not going to happen.*

We are going to be in a high market environment for at least the next two years. there will be peaks and troughs as always. There will be times where fixing long term makes sense and there will be times where going shorter term or into a flex deal make sense.'