**Narrative for 5 year budget forecast report**

**September 2021**

The overall revenue surplus forecast figure for 2021-22 is **£213,077**.

The revenue in year deficit for 2021-22 is (£69,127).

The 2021-22 Budget column shows figures as per the original budget.

The 2021-22 Updated column includes virements and variations that are included in the Budget position report for Sept 21. It also includes latest expenditure from the recent teaching staff pay review which is not in the budget position report.

Forecasting a 5-year picture at this stage of the year is challenging as we have no information on funding for 2022-23 which drives income forecasting. As such, two models have been presented to try and give as accurate a forecast as possible.

Model 1 is a conservative forecast based around this years funding

Model 2 is a more realistic forecast taking into account the average AWPU increases over the last 3 years.

**General Comments**

The following general conditions and assumptions have been used for this forecast:

* Teachers pension and pay grants will be paid this year for the 6th form numbers only.
* Pupil numbers have been updated to reflect current on roll as at Sept 2021 and intakes of 240 in year 7 and 180 in year 12 each year.
* Assumed a loss of 15% of students between Yr12 and Yr13 each year
* Total pupil numbers should track as close to our Net Capacity of 1499 as possible

**Income**

The following key conditions and assumptions have been used for forecasting income.

* 2021-22 Year 12 larger intake of 215 results in inflated funding for 2022-23 and 2023-24 with a steep drop off in 2024-25 as numbers settle to our target
* ESFA – Budget Share (GAG) for 2022-23 calculated on current AWPU rates
* MODEL 1 – 2022-23 onwards AWPU rate increased by 1% and additional income above baseline calculation is on a separate line.
* MODEL 2 - 2022-23 onwards AWPU rate increased by 2.5% and additional income above baseline calculation is on a separate line.
  + Previous increases have been 2019-20 +0.5%, 2020-21 +5.5%, and 2021-22 +4.5%. An average of 2.5% has been used for modelling based on these recent increases.

**Expenditure**

The following key conditions and assumptions have been used for forecasting expenditure.

* Revised staff calculators for Sept 21 have been used. In addition, the variations from the recent Teachers Pay review have been included on a separate line.
* Teachers pay freeze for Sept 2021, then 2% in year 2-3 and 1% in years 4-5
* Support staff 2.75% in April 2022, 2023, and 2024
* Possible savings on Support staff costs for 2022-23 onwards are included on a separate line as they were identified after the calculators had been updated
* Energy costs for 2022-23 forecast at 10% increase over original budget and then 10% to year 3. The energy market will hopefully have stabilised by next year but a higher increase than previously forecast has been included as a precaution.

**Summary**

The in-year position for 2021-22 has gone from a budgeted in-year surplus of £90k to an in-year deficit of (£69k). The breakdown of the variations is as per the budget position report.

On both models the in-year position looks good for Years 1 to 3 which is the focus, and is what we must report on the ESFA. Years 4-5 always get a bit speculative but neither model forecasts and overall deficit, and Model 2 forecasts in-year surpluses for all 5 years.

**Risks & Opportunities**

* Energy crisis – huge impact on 2021-22. Funding announced for businesses but not public sector at this stage. Market uncertainty beyond 2021-22
* Current recruitment issues to catering and cleaning positions
* Current supply issues affecting catering in particular, but being felt across several areas and causing cost increases in some cases.
* Spending review for Education sector and impact on funding
* Pupil Premium numbers for future years could vary (although likely to go up rather than down)
* Future funding for schools (and public sector), may be impacted as the Government tries to recover from Covid expenditure

**Report Guide**

The Summary page includes the in-year surplus\deficit position for Revenue, Capital, and overall total. The reserves brought forward from previous year for Revenue, Capital, and overall total, and the expected carry forward for each, and overall total.

The report includes all pages of the working document:

* Summary – Headline figures
* Income – Breakdown of all actual and forecast income
* Expenditure - Breakdown of all actual and forecast expenditure
* Pupil Numbers – covers expected pupil numbers for the next 5 years
* Notes – for reference