



SCHOOLS FORUM

6 December 2017

Report from the Strategic Director
of Children and Young People

For Decision

Wards Affected: ALL

Dedicated Schools Grant Schools Budget and Mainstream Funding Formula 2018/19 and 2019/20

1.0 SUMMARY

- 1.1 This report presents the key decisions that need to be made in order to set the 2018/19 mainstream funding formula. Decisions on the funding formula must be made in the context of the overall DSG position, including DSG reserves. Schools Forum are asked to make recommendations to the Council, so that the 2018/19 DSG budget can be set.

2.0 RECOMMENDATIONS

- 2.1 That Schools Forum recommend to the Council that the pupil factor funding rates in the formula are adjusted proportionally in order to allocate the £1.5M additional funding for 2018/19.
- 2.2 That Schools Forum recommend to the Council to use £2.5M DSG reserves for allocation in a sustainable manner in the funding formula across 2018/19 and 2019/20.
- 2.3 That the High Needs block and Early Years block budgets are planned within the funding allocations set out in this report and that £2M DSG reserves are retained as a contingency against cost pressures and potential funding reductions in these areas.

3.0 DSG POSITION

- 3.1 It was reported at the October Schools Forum that an additional £1.5M will be allocated to the Schools Funding Block and an additional £1M to the High Needs Block. The planned reduction in funding of 3 and 4 year olds from £5.54 per hour to £5.37 will go ahead for 2018/19.
- 3.2 Inflationary cost pressures are well documented across the education sector, and even low estimates will exceed the 0.5% per pupil funding increase that Brent Schools will receive.

- 3.3 In addition, there are increases in demand for SEND provision. Feedback from school colleagues indicates this is being felt across all 3 blocks; Early Years, Schools and High Needs. The Early Years Inclusion fund is under pressure, and as reported at the last Schools Forum, the number of requests for new EHCPs is rising. During consultation events, mainstream school leaders have reported that supporting low level SEN is a driver of further cost pressures.
- 3.4 The High Needs task and finish group have met twice since the October Schools Forum. The additional £1M proposed will fund increases to top up funding rates in mitigation of cost pressures, and enable some planned increases to special provision places. Some efficiencies will be realised as placements are increasingly made in-borough as opposed to out of borough or in independent settings.
- 3.5 The Early Years task and finish group met on Monday 27 November. The reduced funding rate from the DfE had been anticipated in planning the existing provider funding rates in the Early Years Single Funding Formula (EYSFF), but contingency and central support budgets will have to be reduced in order to balance expenditure within the Early Years Funding block.
- 3.6 Representatives from both the High Needs and Early Years groups have highlighted the need for reserves to be held as contingency against these blocks.
- 3.7 Expenditure in the central school support block is being managed at the current budgeted levels, although a minor increase to the 2018/19 admission service budget is planned.
- 3.8 DSG reserves at the start of the financial year were £6M. The latest forecast for the 2017/18 financial year is that the DSG will underspend by £1M, which would bring reserves up to £7M for 2018/19.
- 3.9 Maintained school balances decreased by 10% from £22M to £20M in 2016/17. Further reductions are anticipated in 2017/18.

4.0 2018/19 DSG BUDGET

- 4.1 The table below sets out the estimated DSG deployment over the funding blocks for 2018/19. This does not include the use of any reserves except for a previously agreed £0.05M of reserves to support funding 2 year old provision. This is due to a funding gap of 8 pence per hour, with providers funded at £6 per hour, and central government funding holding at £5.92.

Table 1 – DSG Block Funding

	Schools Block £M	High Needs Block £M	Early Years Block £M	Central School Support Block £M	Total £M
2017/18 Baseline Allocation	228.9	53.7	23.36	2.33	308.3
2018/19 Increases for allocation	1.5	1		0.04	2.54
Agreed use of reserves			0.04		0.04
Total	230.4	54.7	23.4	2.37	310.88

6.0 MAINSTREAM FUNDING FORMULA

- 6.1 No fundamental changes to the formula methodology are planned for 2018/19. The funding ratio between primary and secondary remains at the national average, and the formula is not an outlier when considered next to the National Funding Formula.
- 6.2 Consequently the allocation of additional School Block funds has been modelled proportionately across the current pupil led funding factors (please see **appendix 1**). It is not possible to increase the funding factors for premises, such as the lump sum, rates, etc.
- 6.3 **Appendix 1** shows the indicative funding rates increases for each funding factor that would be required to allocate the announced additional £1.5M for 2018/19 and £1.1M for 2019/20.
- 6.4 The modelling does not account for pupil growth, so 2017/18 pupil numbers and pupil data are used. It should be noted that both numbers and data will change for the final 2018/19 funding calculations. The modelling does however allow for a comparative analysis against the 2017/18 position.
- 6.5 The modelling is then presented on a school by school basis in appendix 2. The columns show:

- 6.5.1 Allocation of the £1.5M increase to the schools block for 2018/19
- 6.5.2 Allocation of the £1.1M increase to the schools block for 2019/20 –which provides a comparative position for 2019/20.

6.6 **Schools Forum are requested to endorse this approach and recommend to the Council that proportionate increase to pupil funding rates be used to allocate the additional funding for 2018/19. This approach will then be applied in calculating the funding formula in December once the pupil numbers and data are confirmed.**

6.7 In consultation with the Chair of the Schools Forum, increased funding formula allocations were then modelled. These models again use 2017/18 pupil numbers and data, and modelled the allocation of reserves as follows;

- 6.7.1 An additional £2M
- 6.7.2 An additional £2.5M
- 6.7.3 An additional £3M

6.8 Increasing funding allocations is complicated by some schools remaining in the minimum funding guarantee (MFG). This means that increasing rates to allocate the £1.5M and an additional £2M, only results in a funding formula that increases by £2.8M rather than the £3.5M that might be expected. A final model was produced to recycle this 'MFG dropout' on top of the £3M increase. This allocated a total £4.5M more to schools - £1.5M funding increase + £3M from reserves.

6.9 In making recommendations, Schools Forum needs to consider what an appropriate level of DSG reserves would be. £6M is currently 2% of the total £300M. A retention of £2M would be less than 1% of the total £300M. This may seem a low proportion, although there is little in-year risk or volatility on the £220M allocated in the formula. Schools Forum should also consider the financial risks it will need to hold contingency against, and consider the sustainability of the funding increase. It is recommended that the reserve retained should be at least £2M.

6.10 **Appendix 2** provides the 2018/19 and 2019/20 Funding that would be achieved by each school under the National Funding Formula. These figures are as published earlier in the autumn by the DfE.

6.11 In considering sustainability, **Appendix 3** shows the Minimum Funding Guarantee Unit that has been modelled. If this exceeds 1.5%, then this is greater than the current MFG, and additional funds would have to be found to ensure schools did not experience a drop in funding of more than 1.5%.

6.12 **Appendix 3** suggests that allocating an additional £3M for 2018/19 from reserves would get close to but not breach a 1.5% increase in the MFG per pupil. It is very likely however that funding rates would need to drop back from this level to balance the position for 2019/20.

6.13 An alternative approach would be to allocate a lower amount of reserves, in the region of £2-£2.5M in 2018/19 and earmark a similar amount for 2019/20 to prevent any reduction in funding rates in that year.

- 6.14 **Schools Forum is requested to agree and recommend an allocation from reserves through the funding formula. It is recommended that this allocation is set at a level that can be sustained in the following year and that reserves are earmarked for this purpose. Given the 2017/18 forecast, it is recommended that the allocation from reserve is set at £2.5M.**

7.0 Financial Implications

- 7.1 The financial implications are included throughout this report.

8.0 APPENDICES

Appendix 1 – Funding Formula Rates

Appendix 2 – Illustrative Funding Allocations by School

Appendix 3 – MFG figures by School and % difference to Modelled 2018/19 allocations

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