



Schools Forum 20 June 2018

Report from the Strategic Director of Children and Young People

Dedicated Schools Grant Financial Outlook – 2019/20

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
No. of Appendices:	None
Background Papers:	N/A
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1. Purpose of the Report

- 1.1. This report considers the issues Schools Forum will face when setting the 2019/20 Dedicated Schools Grant (DSG), known as the 'Schools Budget'. It takes into account what was previously announced in the summer of 2017 regarding 2019/20 DSG funding, and the current financial position, but is written prior to the publication of the detailed operational guidance for that year.

2. Recommendations

- 2.1. It is recommended that the report be noted and discussed by the Schools Forum.
- 2.2. It is recommended that Schools Forum indicate which budgets, including the mainstream funding formula, should be reviewed and brought back as decision papers.
- 2.3. That the High Needs Task and Finish Group continues to meet in 2018/19 and recommends to Schools Forum a balanced High Needs budget for 2019/20.
- 2.4. That the Early Years Task and Finish Group continues to meet in 2018/19 and recommends to Schools Forum an Early Years block budget for 2019/20.

3. Context

3.1. On 17 July 2017 the Secretary of State for Education, Justine Greening, announced £1.3 billion of additional funding to the core schools budget. Further details were released in September 2017 and reported at Schools Forum the following month. The relevant points for 2019/20 are;

- 3.1.1. Anticipated increase in Schools block funding for 2019/20 of approximately £1M.
- 3.1.2. High Needs block funding is protected at current cash levels and also subject to minimum per pupil increases estimated to be worth £0.2M for 2019/20.
- 3.1.3. The continuation of a 'soft' national funding formula with notional funding figures published continues for 2019/20. Local Authorities will still set the 19/20 DSG budget and operate a local funding formula which can reallocate resources in consultation with Schools Forum.
- 3.1.4. The ability to cross subsidise the blocks in 2019/20 is limited, the governments' intention is that each block is funded from within the allocated resources.
- 3.1.5. Restrictions on the use of the DSG to fund central education services formerly funded by the Education Support Grant (ESG) have been relaxed slightly.

3.2. This paper has been prepared using the illustrative DSG allocations released in September 2017. Final allocations will not be confirmed until the October 2018 census data is available, but an update to the illustrative figures is expected over the summer or in the early autumn.

3.3. For 2018/19 the decision was taken to use reserves to increase the mainstream funding formula by £2.5M. Reserves were also used to balance the Early Year budgets, with a total of £2M earmarked for Early Years and High Needs contingency and development projects. This was taken from the £6M of DSG reserves as at 1st April 2017, which left £1.5M of reserves available. This has been increased by the £1.8M underspend in the 2017/18 DSG, leaving a total of £3.3M unallocated, plus the £0.5M set aside for contingency from the growth budgets.

3.4. Longer term the current arrangements are clearly not sustainable. The strategy of releasing reserves and reallocating underspending budgets is intended to precede eventual increases to DSG funding by central government, but it must be noted that there is a real possibility and risk that school allocations will have to be reduced in cash terms in future years in order to balance the budget.

3.5. The introduction of a 'hard' national funding formula in 2020 would require primary legislation to be passed by the government. Given the current political climate and government priorities there is considerable doubt over whether it will be possible to get this legislation passed. In the absence of a hard formula it is likely that the government would seek to continue with the soft formula arrangements but amend the regulations so that local funding formulas continue to converge towards the national formula.

4. Forecast 2019/20 DSG blocks

4.1. Illustrative income for 2019/20 is shown in the table below against the 2018/19 expenditure allocations.

Table 1 - DSG Block Funding 2019/20					
	Schools Block	High Needs Block	Early Years Block	Central School Support Block	Total
	£M	£M	£M	£M	£M
Expenditure 2018/19					
Mainstream Funding Formula	229.5				229.5
Growth Budgets (Inc. £0.5M contingency)	3.6				3.6
High Needs Exp.		54.8			54.8
Early Years Exp.			24.0		24.0
Combined Budgets				0.8	0.8
Central Schools Support				1.5	1.5
Total	233.1	54.8	24.0	2.3	314.2
Illustrative 2019/20 Funding	231.5	54.9	24.0	2.4	312.8
					-
Shortfall	(1.6)	0.1	-	0.1	(1.4)

4.2. Assuming that pupil numbers remain broadly the same there is a £1.4 million funding shortfall that must be closed in order to maintain the 1819 cash allocations. This could be closed by reducing the growth budgets which have underspent in the last 2 years, or by allocating reserves. The growth budgets are allocated after the October census so a reliable financial forecast should be available for the December Schools Forum.

4.3. The table above does not account for any inflationary pressure on school and early year providers costs. 80% of budgets are on staffing and a 2% pay increase has been agreed for support staff employed on council pay scales, and the School Teachers' Review Board is expected to make a recommendation later this summer to likewise increase teacher pay. General inflation will impact on the remaining 20% of school budgets and could reasonably be estimated at 2%.

4.4. A 2% inflationary pressure across the DSG would add £6 million to the 2018/19 expenditure allocations. If the government accepts any pay rise to teachers as per the review board's recommendations and does not increase school funding commensurately then this inflationary pressure would need to be bridged by a combination of savings and efficiencies within school budgets and the release of some or all of the DSG reserve balance.

5. DSG Reserves

5.1. DSG reserves total £7 million as of 1st April 2018 but this will reduce to £3.3 million, plus £0.5M as a contingency for growth, after taking into account planned and earmarked use in 2018/19, though forum may recommend use for other suitable development projects as necessary.

5.2. If a hard national funding formula does come into effect from 2020 then funding should flow direct from the DfE, and there is no obvious route to allocate any of the remaining reserve to mainstream schools. This scenario would suggest that using reserves in 2019/20 would be of benefit to schools, however as written above it is not certain that a hard formula will be introduced for 2020. Retaining some level of reserve for the High Needs and Early Years blocks, which are to remain with local authorities, would also be necessary.

5.3. Officers will keep the position on the national funding formula and reserves under close review and report back at the next forum.

6. Mainstream Funding Formula

6.1. The Primary to Secondary funding ratio is in line with the national funding formula at 1:1.28. The mix of additional need funding factors and school funding factors has not changed in recent years and is not an exact match for the national funding formula. For example the national funding formula allocates deprivation funding on a mix of Free School Meal and IDACI data whilst Brent's local formula uses only IDACI data. For the schools factors, in common with many authorities Brent allocates the maximum lump sum to schools, but there is no such consistency on how to fund split sites. Changing any of the formula factors would result in some reallocation of resources between schools.

6.2. The schools outturn figures suggest that the impact of financial pressures varies between individual schools, and that there is no obvious pattern which might require addressing from reallocation of the funding formula.

6.3. Changing the mix of funding formula factors would require a consultation with all schools which would have to be built into the budget timetable. It is however understood that simply adjusting the pupil funding factor allocations proportionally can be done in consultation with Schools forum rather than with all schools. This means that apportioning an increase, or decrease, in total allocations can be done by consulting with schools forum.

6.4. If a hard funding formula is adopted then the consultation response and indicative figures make clear that some sort of Minimum Funding Guarantee would be applied which would cushion funding losses and limit funding increases. Whilst in general Brent schools stand to lose funding under the national funding formula, most are now out of the MFG, so if there is any increase in per pupil funding they should all benefit, (on a per pupil basis).

6.5. Schools forum is asked to consider which, if any, aspects of the funding formula should be reviewed at the October forum so that preparatory work can be undertaken over the summer period.

7. De-delegations

7.1. The De-delegated budgets in Brent are fairly minimal in comparison to some Local Authorities. Maintained schools de-delegate £20 per pupil to fund the items listed in the table below.

7.2. Table 2 – 2018/19 De-delegated budgets

Budget	£
Schools Causing Concern	200,000
Free School Meals Eligibility Assessments	27,750
Maternity Grant (Scheme)	203,082
Trade Union Facilities Funding	77,799
Licences	236,100

7.3. Schools Forum is required to vote by phase each year on de-delegation arrangements. It is anticipated that this vote can take place in the autumn term of 2018.

8. Former ESG Grant

8.1. The Education Services Grant (ESG) allocated to local authorities and academies was cut completely for 2018/19. When the increases in DSG funding were announced in 2017 the regulations were amended to allow some central services to be funded from this increase. In recognition of this the DSG contribution to central education budgets should be reviewed to ensure fairness and help protect those services in the general fund that could be at risk from the need to find savings. The council's medium term forecasts show that savings are required from all council departmental budgets for 2019/20 and 2020/21.

9. Early Years

9.1. Early Years funding rates for 2 year olds and for 3 and 4 year old provision reduced and have been frozen following the introduction of the Early Years Single Funding Formula (EYSFF). This is a real terms funding cut which has been absorbed by all provider types. In recognition of this the Early Years Task and Finish Group has used reserves prudently to support providers. For example 2 year old provision is funded at above the received rate: £6.00 compared to £5.92, and by recommending development grants to all 3 and 4 year old providers.

9.2. Nursery School budgets continue to be supported by the DfE Nursery School grant and are vulnerable to any changes in this policy.

9.3. Central Early Years support teams have been reduced with 95% of funding now passed onto providers.

9.4. It is suggested that the Early Years Task and Finish group is tasked to make a recommendation to the Schools Forum for the Early Years Block budget as per the appropriate timelines.

10. High Needs

10.1. The modelled National High Needs Funding Formula would only allocate £48M to Brent which is £6M less than the current funding of £54M. However current funding levels will be protected and the government's commitment to increase funding on a per pupil basis (in cash terms) should result in a small increase to the block of up to £0.2M.

10.2. The High Needs block overspent in 2017/18, experiencing higher demand for post 16 provision which is recovered by DSG recoupment, and a high level of demand for top ups to support EHCPs across all types of setting. In 2018/19 in-borough provision has again expanded but this should reduce the cost of out of borough and non-maintained special school placements. The High Needs Task and Finish Group is scheduled to meet in the autumn term and it is recommended it is tasked to review 2018/19 budget monitoring and identify actions to balance the budget for 2019/20.

11. Timetable

11.1. The table below provides a suggested timetable for setting the 2019/20 budget. This may require revision subject to government announcements or changes to DfE regulations and deadlines.

11.2. Table 3 – 2019/20 DSG Budget Setting Timetable (provisional)

Date	Action
June 2018	<ul style="list-style-type: none"> • DSG outlook paper discussed at forum
Summer 2018	<ul style="list-style-type: none"> • Teacher Pay announcement • 2019/20 DSG operational guidance released by DfE • Early financial modelling undertaken by CYP finance
October 2018	<ul style="list-style-type: none"> • Update report on 2019/20 arrangements delivered to Schools Forum • 2018/19 budget monitoring report identifying variances to be addressed in the 2019/20 budget • De-delegation vote to be taken at forum
Autumn Term	<ul style="list-style-type: none"> • High Needs and Early Years Task Groups to meet to review respective funding blocks
December 2018	<ul style="list-style-type: none"> • December Schools Forum to agree any changes to funding formula • Task and Finish Groups to report back to forum.
January 2019	<ul style="list-style-type: none"> • School Funding Formula and total DSG blocks to be agreed by Forum • DSG Funding Formula submitted to DfE
February 2019	<ul style="list-style-type: none"> • Cabinet to agree DSG funding formula
Spring Term	<ul style="list-style-type: none"> • High Needs and Early Years Groups to finalise budgets for respective blocks
Feb/March 2019	<ul style="list-style-type: none"> • Final detail on HN and EY blocks agreed

12. Financial Implications

12.1. The financial implications are contained throughout the main body of this report.

13. Legal Implications

13.1. There are no legal implications for this report.

14. Equality Implications

14.1. Not applicable.

15. Consultation with Ward Members and Stakeholders

15.1. Not applicable.

16. Human Resources/Property Implications (if appropriate)

16.1. Not applicable.

Report sign off:

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