



## Schools Forum

10 October 2018

### Report from the Strategic Director of Children and Young People

## 2019/20 Funding Announcements and Schools' Budget Position

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
<b>No. of Appendices:</b>	Two: <ul style="list-style-type: none"> <li>Teachers' Pay Grant Estimate 2018/2019</li> <li>Teachers' Pay Grant Estimate 2019/2020</li> </ul>
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	<p>Andrew Ward, Head of Finance Email: <a href="mailto:andrew.ward@brent.gov.uk">andrew.ward@brent.gov.uk</a> Tel: 0208 937 6462</p> <p>Dena Aly, Senior Finance Analyst Email: <a href="mailto:dena.aly@brent.gov.uk">dena.aly@brent.gov.uk</a> Tel: 0208 937 2179</p>

### 1.0 Purpose of the Report

- 1.1 This report is intended to inform the Schools Forum about the funding announcements made in the summer of 2018. It then assesses these announcements in light of the financial position of schools and the High Needs block.

### 2.0 Recommendation

- 2.1 The Schools Forum is asked to note this report.

### 3.0 Summary

- 3.1. The Teachers' Pay grant to schools is estimated at £2M for Brent schools in 2019/20, and will be allocated in full to schools as per the DfE methodology. High Needs financial pressures are growing and are unlikely to be compensated for in full by underspending growth budgets in 2019/20. This will therefore require reserves to be held against the risk of overspend. Consequently, the indications are that the mainstream funding formula, increased by £2.5M of reserves in 2018/19, will need to reduce by approx. £1.4M.

- 3.2. Although this will mean a net increase in the overall cash allocations made to schools, the financial position will remain difficult due to rising cost pressures.

#### **4.0 School Funding Announcements**

- 4.1. In late July 2018 there was a ministerial statement on the teacher pay rise for 2018/19. This coincided with the DfE releasing policy and operational guidance on school revenue funding for 2019/20 and 2020/21. The two announcements did not reference each other, and so for the time being need to be considered separately.

#### **5.0 Teacher Pay-rise 2018/19 and 2019/20**

- 5.1. The teacher pay rise was confirmed as an increase from September 2018 of:
- 3.5% for the main pay scale
  - 2.0% for the upper pay scale
  - 1.5% for the leadership scale.
  - 2.0% for TLRs (payments for additional responsibilities)
- 5.2. This will be funded by a grant separate to the DSG in 2018/19 and in 2019/20. The detailed grant allocations were not announced, although the statement did clarify that the grant will fund the difference between the above and the 1% it was assumed that schools have already budgeted for.
- 5.3. In September 2018 the DfE published the methodology for the Teachers' Pay grant. It is to be awarded to schools based on pupil numbers, inclusive of 2 to 19 year olds, and an area cost adjustment will apply to the separate rates for primary, secondary and special. Nursery Schools are included in the primary rates. The pay-rise applies from September 2018, so allocations for 2018/19 are 7/12ths of the allocation for 2019/20.

5.4. **Table 1 – Teachers' Pay grant – Inner London scale per pupil rates**

School	Rate in 2018 to 2019 (£)	Rate in 2019 to 2020 (£)
Primary Schools	19.51	33.65
Secondary Schools*	31.57	54.2
Special Schools**	78.1	134.97

- 5.5. The detailed school level allocations have not, at the time of writing, been published yet. However, Appendix 1 and 2 provide estimates for the funding to be received by Brent schools for both years. For clarity, the Council will pass on this grant to maintained schools and academies will receive it directly from the ESFA.

#### **6.0 School Revenue Funding 2019/20**

- 6.1. The revenue funding for schools will continue to be made by via 4 blocks – Schools, Central, High Needs and Early Years. As in 2018/19 the allocations are to be calculated on the basis of the national school funding formula reforms but will be aggregated and allocated to each Local Authority. This arrangement is confirmed for 2019/20 and 2020/21, which means the primary legislation

needed to fund schools directly will not be put before parliament for another year or two.

## **7.0 Schools Block 2019/20**

- 7.1. As announced last year there will be some increase in cash (rather than real) terms to funding allocations in 2019/20 of about 0.5% per pupil, estimated at £1M. Local Authorities will continue to set the local schools formulae for distributing the schools block, although LA's allocations are aggregated from school level calculations using the national funding formula.
- 7.2. A key change for 2019/20 is that the DfE will top slice the amount of Schools Block previously set by each authority as a Growth Budget and then reallocate to authorities according to a formula multiplied by actual growth between October 2017 and October 2018. The size of the growth allocation will not be known until December 2018. It is nuanced to account for differences in Primary and Secondary Pupil growth, and a fall in one will not net off or reduce the other. Decreases in allocations will be minimised to 0.5% of the total Schools Block, which is £1.2M for Brent. Local Authorities will still make decisions on how to fund growth within their areas.
- 7.3. This is significant for Brent as although growth budgets have been reduced in recent years they are still in excess of £3M, but pupil growth has slowed, and this budget is forecast to underspend again in 2018/19. In 2017/18 underspends on growth funds compensated for overspends in the High Needs Block and this will be repeated in 2018/19. It is likely this opportunity for mitigation on overspends will be reduced in 2019/20.
- 7.4. It should also be noted that the CAFAI provision for children new to the country is funded from Brent's growth budget. It should also be noted at the June 2018 Schools Forum it was requested that officers research the methods by which other London boroughs support schools with 'falling rolls'. This would be funded from the growth budget, and so would be an additional pressure.
- 7.5. There are some other minor changes to the national funding formula, e.g. to funding rates for low prior attainment, but these will not cause any material change to Brent allocations.

## **8.0 Central Block 2019/20**

- 8.1. The central block is not expected to change. It funds ongoing responsibilities and historic commitments, and will remain at £2.4M.

## **9.0 High Needs Block 2019/20**

- 9.1. It was previously announced there will be a small increase of 0.5% per head of under 19 population in the High Needs Block. This will be insufficient to contain the currently projected overspend of approx. £2M, and the growing demand for High Needs support, such as the increase in the number of EH&C plans.
- 9.2. No other funding increases are expected. The national high needs formula calculates £6M less than the current allocation for Brent, with the funding protections meaning that the high needs block will stay at £54M plus 0.5% per

child/young person. This results in a 1% increase compared to the 2017/18 baseline.

- 9.3. There will be some changes in how special post-16 institutions are funded, with the DfE planning to consult this autumn on the basis for calculating the high needs funding they receive. This is a growing area of spend in Brent and officers will update on this at the next Forum.

## **10.0 Early Years Block**

- 10.1. There were no announcements made on Early Years Block other than to remind LAs that allocations are indicative. Brent early years providers are funded at a slightly higher hourly rate than that received in the DSG, with reserves making up the shortfall of £300k in 2018/19. It is anticipated that similar inflationary pressures which have necessitated an increase in the Schools Block must, at some stage, require the EY funding rates to increase.

## **11.0 Financial Position of Schools**

- 11.1. All maintained schools submit financial returns to the Council, budgets are monitored and year end returns are included in the annual Statement of Accounts. At the end of 2017/18, 6 schools were in a financial deficit, though all but 1 was able to set a balanced budget for 2018/19.
- 11.2. The 3 year budget schools submit to the council provide a medium term view of the financial position. They were set prior to the funding announcements made over the summer. They show that for 2019/20 8 schools are forecasting to be in deficit, rising to 19 in 2020/21. Given the changing financial landscape, these budgets will need updating, and in some cases the deficits act as a savings target to be worked towards, but overall they do indicate a worsening financial position for many schools.
- 11.3. The proportion of available income budgeted for employee costs in 2018/19 averages 80%, which is in line with national benchmarking, and shows how susceptible school budgets are to increases in employee costs. The recently announced increase in employers' contributions to the Teachers' Pension scheme is a significant cost pressure which schools will have to absorb.
- 11.4. The three year plans did not reveal a marked increase in the proportion of planned spending on employees as opposed to premises, equipment and other costs, as it averages 81% for 2020/21. Drilling down into individual school budgets did show that most were forecasting some level of pay increase for staff. This suggests that generally, schools are planning to limit their total employee expenditure as a proportion of income, though circumstances will of course vary for each individual school.

## **12.0 Implications for 2019/2020**

- 12.1. It is likely that with reduced funds for growth and rising pressures in the High Needs block, it would not be prudent to again supplement the mainstream funding formula from reserves. A table showing the use of reserves is outlined below.

## 12.2 Table 2 – DSG Reserves 2018/19 to 2019/20

	£M	£M
<b>Balance B/Fwd</b>		<b>7.8</b>
Support to schools block in 2018/19	<b>2.5</b>	
Support to EY Block	<b>0.3</b>	
Earmarked for EY	<b>1</b>	
Earmarked for HN	<b>1</b>	
<b>Remaining DSG Reserves</b>		<b>3.0</b>

- 12.3. The £2.5M support to the schools block in 2018/19 equated to approximately £41 and £63 per pupil in Primary and Secondary phases respectively. To balance the formula for 2019/20 it is estimated that these increases would need to fall back to approximately £18 and £29.
- 12.4. The rationale for allocating £2.5M was to mitigate the effects of rising cost pressures in advance of awaited funding increases from the DfE. The figures above should therefore be considered alongside the £33 and £54 per pupil allocated by the Teachers' Pay grant in 2019/20.
- 12.5. Officers will continue to monitor the position and model the funding formula in time for the next Forum, though the data sets that will be used for 2019/20 will not be available until late December 2018, and so modelling will remain illustrative at that stage. The mainstream funding formula will be presented for final approval at the January 2019 Forum.

## 13.0 Financial Implications

- 13.1 The financial implications have been detailed in the body of this paper.

## 14.0 Legal Implications

- 14.1. There are no legal implications for this report.

## 15.0 Equality Implications

- 15.1. Not applicable.

## 16.0 Consultation with Ward Members and Stakeholders

- 16.1 Not applicable.

### **Report sign off:**

**GAIL TOLLEY**

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