



Schools Forum
16 January 2019

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

2019/20 DSG Schools Budget Setting

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:	3
Background Papers:	Prior Financial reports to Schools Forum.
Contact Officer(s): (Name, Title, Contact Details)	Andrew Ward, Head of Finance – CYP 0208 937 6462 Dena Aly, Senior Finance Analyst – CYP 0208 937 2179

1. Purpose of the Report

- 1.1. This report sets out the proposed DSG Schools Budget for consultation and decision by Schools Forum ahead of the Council budget being set and approved by full Council.

2. Recommendations

- 2.1. Maintained school members of the Schools Forum are requested to approve the proposed de-delegation arrangements set out within this report.
- 2.2. Schools Forum is asked to approve the transfer of £1.1M (0.5%) from the Schools Block to support the High Needs Block. The regulations permit up to 0.5% of the Schools Block to be transferred with Forum approval.
- 2.3. Schools Forum is asked to recommend the DSG Schools Budget, including the mainstream funding formula, to the Council.

3. Summary

- 3.1. There have been limited increases to some of the DSG funding blocks for 2019/20, and these are allocated in full. Demand led pressures mean that the High Needs Block expenditure will exceed income by £2.5m, so a request is made to cover this shortfall partly from the Schools Block and partly from DSG reserves. It is not proposed to continue to use reserves to support the Schools Block; this was a one off action designed to support schools and to precede eventual increases in funding. This has now come in the form of the Teachers' Pay Grant (TPG) which was announced in September 2018, and although this grant sits outside of the DSG it is considered relevant to this report.
- 3.2. The recommendation to use DSG reserves and Schools Block funding to support the High Needs Block should be considered alongside both the need to identify and make further

savings to the High Needs Block, and the recent proposals on DSG deficits. The DfE consultation on DSG deficits set out proposals for 3 year recovery plans which they would need to agree with School Forums and Local Authorities, and then monitor. The budget set out in this report is intended to help Brent Schools Forum avoid this scenario at year end 2019/20, and maintain some reserves as a contingency.

- 3.3. This report summarises the budgets for the blocks of the DSG (appendix A), and presents the results of the proposed mainstream local funding formula for schools. Although the formula and Teachers' Pay Grant result in a net increase in the overall allocations made to schools, it is recognised that the financial position will remain difficult due to rising cost pressures.

4. School Funding Announcements – 2019/20 DSG Income

- 4.1. In late July 2018 there was a ministerial statement on the teacher pay rise for 2018/19, the details of which were presented at the October Schools Forum. For information the rates of funding are given below. In addition the October 2018 budget also announced a one off additional funding allocation for schools for smaller capital spending. This is yet to be received, and is estimated to be worth £1.5m for Brent schools.

4.2. 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

- 4.3. The Early Years Block funding rates as per the Early Years National Funding Formula for 2019/20 were announced at the end of November 2018. The funding rates for 2 year old and 3 and 4 year old provision in Brent remain unchanged from 2018/19 and are not increasing to meet cost inflation. The number of hours of provision counted in January 2018 is the basis for the provisional allocation of £23.4m which is £0.6m less than the budget for 2018/19. A separate paper on the Early Years Block provides more detail on the updated expenditure plans which are set in line with income.
- 4.4. The High Needs Block, Schools Block and Central School Services Block were announced on 17 December 2018. Appendix A sets out the income and expenditure budgets by block and compares them to the budgets set for 2018/19.
- 4.5. Schools Block income is £0.4M more than in 2018/19, but this masks a funding reduction of £1m which has been top-sliced from the growth fund. Overall mainstream pupil numbers fell slightly by 230, but within this secondary pupil numbers rose by approximately 140 and primary pupil numbers fell by 370. Despite the top slice and the slight reduction in pupil numbers the allocation rose due to the planned 0.5% funding increase and the greater numbers of secondary pupils who are funded at a higher rate in the National Funding Formula.
- 4.6. The Central School Services Block income was confirmed at £2.4m, an increase of £50k on 2018/19.
- 4.7. The High Needs Block income has been provisionally announced at £56.1m. This is £1.6m more than in 2018/19, made up of the £0.8m planned 0.5% funding increase, and an additional £0.8m announced on the 17 December 2018 in response to the lobbying for additional High Needs Block funds from the Local Government and Education sectors.

This only shows as a £1.3m increase compared to the previous year budget due to the late import-export adjustment of -£0.3m in 2018/19. This adjustment figure is not yet known for 2019/20 and so this allocation remains provisional for the time being.

5. Early Years Block Expenditure

5.1. The Early Years budget presented in appendix A is indicative and balances against the provisional income of £23.4m. Included in the other expenditure section is the £0.2m estimated as a place holder representing the difference in 2 year old expenditure compared to income. Brent funds 2 year olds at £6 per hour, but receives only £5.92 of funding per hour, and the balance has previously been funded from DSG reserves. Further details are available in the Early Years School Forum paper.

6. Schools Block Expenditure – Mainstream Funding Formula

6.1. The mainstream funding formula for 2019/20 totals £227.497m including £460k for de-delegated items and another £360k for the maintained schools education services contribution. This leaves £226.887m with schools, which as expected is less than in 2018/19 when DSG reserves were allocated through the funding formula and when there were a greater number of pupils.

6.2. The DSG contribution to central services was agreed at previous forums. The £0.6m shown in appendix A is made up of the £250k contribution from all schools and the £360k from maintained schools. The forum paper presented in December 2018 contained comparative information with central service costs in other Local Authorities.

6.3. The £460k proposed to be de-delegated from maintained schools has been calculated at the previous per pupil rates as in 2018/19. Most maintained schools are in the primary phase where pupil numbers have decreased so the total amount to be de-delegated is lower than in the previous year. No new de-delegations are proposed for 2019/20, with arrangements continuing as set out in previous reports for 2017/18 and 2018/9. As in previous years, approval to de-delegate is sought on the basis that centralised budgets provide better value, and that maintained schools have open access to the services listed in the table below.

6.4. Table 2 – De-delegated items

	Rate per pupil £	2018/19	2019/20
Primary Pupil Numbers		21,805	20,768
Secondary Pupil Numbers		1,997	1,978
Total Maintained pupils		23,802	22,746
Contingencies - Schools in Financial Difficulty	8.29	197,319	188,564
Free School Meals eligibility service	1.15	27,372	26,158
Licenses / Subscriptions	0.25	5,951	5,687
Staff costs - Maternity and Paternity cover scheme	7.99	190,178	181,741
Staff costs - Union Duties	2.75	65,456	62,552
Total De-delegated items		486,275	464,701

6.5. Appendix B provides information on the funding factor rates used in the proposed funding formula. There have been no structural changes to the funding formula so the rates have been adjusted proportionately to fit the available funding for 2019/20. In order to do this the funding rates have been reduced by 0.8%, but as appendix B shows are still at least 1.7% higher than the rates used in the 2017/18 funding formula. The context to this is the

use of £2.5M reserve funding in 2018/19, and the £2M of Teachers Pay Grant allocated in 2019/20. The TPG is worth £33 and £54 per pupil respectively. The rates presented are subject to forum approval to support the transfer to the High Needs Block.

6.6. Appendix C contains an analysis of the funding formula by individual school, giving both the total formula funding and per pupil funding against the previous 2 years. It should be noted that changes in individual school funding are also caused by changes to the pupil cohort data for that school, e.g. the number of pupils attracting the low prior attainment funding factor will change from year to year, so changes in funding are not solely driven by changes to pupil numbers and to the funding factor rates in appendix B.

6.7. The funding formula is subject to a Minimum Funding Guarantee which ensures that per pupil funding does not drop by more than 1.5% for any school. Under these proposals 17 of the 75 schools will qualify for the minimum funding guarantee, which totals £0.9m.

7. Schools Block Expenditure - Growth Fund

7.1. Overall pupil numbers have dropped slightly, but growth is expected in the Secondary phase and the growth budget has been set in line with the growth experienced in 2018/19. It makes sense to reduce the growth budget in 2019/20 in order to avoid any further top slicing in future years. It should also be noted that the CAFAI provision for children new to the country is funded from Brent's growth budget, and this is included in the £1.4m set. The £1.4m budget is a £1.7m reduction to the growth budget set for 2018/19 of £3m.

7.2. A separate paper explaining the workings of the growth fund is being presented to the January 2019 Schools Forum.

8. Schools Block Expenditure – School Forum approved projects

8.1. Given the financial pressures on the DSG it is prudent to effectively fund the Raising Achievement for Black Caribbean Boys and the School Leadership projects from the Schools Block income, in order to maintain enough reserves to cover High Needs spending and provide a contingency against an overall overspend on the 2019/20 DSG. The planned costs for the second year of this project are detailed in appendix A.

9. Schools Block Transfer to the High Needs Block

9.1. The proposed budget includes a 0.5% transfer of the Schools Block to the High Needs Block and this requires Schools Forum approval. The transfer has been achieved partly by limiting the mainstream funding formula and partly by reducing the previously underspending growth fund budget. Many other Local Authorities have already had to transfer funds, with £118m being transferred by 80 authorities in 2017/18. Across London the Society of London Treasurers survey (previously presented to Schools Forum) showed that in total £20m was transferred to the High Needs block in 2017/18. The comparative figures for 2018/19 were not readily available but are very likely to have increased.

9.2. Alternatively the £1.1m could be distributed through the funding formula, and would on average be worth £26 per pupil. However not allocating this funding to the High Needs Block increases the risk of the overall DSG going into deficit. Should this happen the authority would have to work with Schools Forum to recover the position over 3 years, this would be likely to involve a transfer of funding from mainstream schools to the High Needs block and a preventative rather than reactive stance is recommended. In addition a significant amount of the High Needs Block is to mainstream schools, with £9.6m allocated for mainstream pupils with EHCPs, so despite the relatively recent delineation

of the blocks over the last few years, it is advised that forum consider the total DSG position and take action now to avoid a future deficit.

10. Central School Services Block 2019/20

10.1. The Central School Services Block has not changed. It funds ongoing responsibilities and historic commitments, and will remain at £2.4M, with a slight reduction to the School Forum budget which is forecast to underspend in 18/19.

11. High Needs Block Expenditure

11.1. Overall the High Needs Block budgets presented have increased by £3.7M compared to last year's budgets. This is in line with anticipated expenditure pressures on the block but is £2.5m more than the High Needs Block funding.

11.2. There has been an increase in the number of places funded in-borough which should result in better value for money, and limit increases in external top ups paid to out of borough providers. Nonetheless the top up budget has been increased by nearly £3m to deal with demand. This should be sufficient if demand remains at 2018/19 levels. If however, demand continues to grow, (despite pupil numbers falling overall), there is a risk of a repeat overspend in 2019/20.

11.3. The funding pressure on High Needs Blocks is a well-publicised national issue. The increase in demand is not unique to Brent and unit costs in the borough have been shown not to be out of line with comparable authorities. Whilst some savings have been made to the budget for 19/20, e.g. to the therapies budget where commissioning has achieved a cost reduction, it is not possible to balance the High Needs budget in a short time frame. The High Needs block review will continue to identify and consult upon savings and efficiencies so that it can be balanced in future years.

11.4. In addition to the requested transfer of funds between the blocks the 2019/20 High Needs budget would require £1.5m of support from DSG reserves. This would halve the projected DSG reserve of £3m for 19/20, with the other £1.5m held as a contingency which could be carried forward into 2020/21.

12. Financial Implications

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

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:

Gail Tolley

Strategic Director of Children and Young People