



Schools Forum
12 June 2019

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

Dedicated Schools Grant Financial Outlook

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:	None
Contact Officer(s): (Name, Title, Contact Details)	Andrew Ward, Head of Finance – Children & Young People Tel: 0208 937 6462 Email andrew.ward@brent.gov.uk Dena Aly, Senior Finance Analyst – Children & Young People Tel: 0208 937 2179 Email: dena.aly@brent.gov.uk

1. Purpose of the Report

1.1. This report sets out the budgetary issues that Schools Forum will need to consider when planning the Dedicated Schools Grant (DSG) budgets for future years.

2. Recommendation(s)

2.1. Schools Forum is asked to note this report and to approve the funding arrangements for the projects commissioned from the Brent Schools Partnership (BSP) in 2019/20 and 2020/21.

3. Summary

3.1. Considerable uncertainty remains regarding future school funding. This report clarifies some of the funding arrangements for 2019/20, highlights the main financial risks and discusses those issues which are likely to come into consideration when setting the 2020/21 budget.

4. 2019/20 Mainstream funding formula

4.1. Subsequent to the January 2019 Schools Forum some adjustments were necessary to the funding formula. The adjusted funding formula forms the budget figures that were confirmed to schools at the end of February and that are entered into the Section 251 return and which the DSG will be monitored against.

- 4.2. A check on the funding formula showed that there was an error in adjusting pupil numbers for pupil growth from September to March. For example, where an additional class is expected in a school, 30 pupils were added to the Number on Roll, however as the growth would only be for the 7 months from September to March, the 30 pupils needed to be scaled back by 7/12ths. This only applied to specific schools where we were aware of planned growth. It had a minor knock on affect for other schools, as the adjustments meant that the per pupil funding could be increased slightly, so that the total allocated via the funding formula remained at £226.88m.
- 4.3. Adjustments were also required to fit the funding for the two innovative School Forum approved projects for raising attainment for boys of Black Caribbean heritage and strengthening school leadership and succession planning, into the proscribed national funding framework. As per the budget report in January the Schools Forum approved £519K of the Schools Block to fund these borough wide projects. In February when submitting the budget to the Education Skills Funding Agency it was found that Brent is not permitted to report this separately. The DfE pro-forma returns required that to fund this from the schools' block, as Schools Forum approved, the allocation would have to be included in the school allocations.
- 4.4. The solution taken is that the £519k has been added to the schools funding formula, apportioned across Primary phase numbers on roll, which can then be recouped in a similar fashion to the de-delegated funding. For maintained schools this will be done by recording a credit note against the value of each maintained schools' funding, but Primary academies will need to be invoiced separately, halfway through the year, to recover their contribution. It is recommended that this is carried out by finance officers for the 2019/20 financial year and in 2020/21 when the projects are due to end. This is broadly a net nil adjustment, with £0.5m being added and then taken away, however there was some minor further adjustment required due to the minimum funding guarantee reducing and the need to keep the total allocated to schools at £226.88m.
- 4.5. The table below shows the value of the changes made and demonstrates that the funding to schools via the formula remains at £226.88m.

Table 1 2019/20 Funding Formula changes

	Jan report	Forum	Final Formula	Difference
Number on Roll	42,109		41,997	(112)
MFG	£899,584		£651,676	(£247,908)
Formula Funding	£227,711,732		£228,219,541	£507,809
De-delegations	(£464,701)		(£462,913)	£1,788
Education Funding	(£359,387)		(£358,004)	£1,383
Sch Forum projects		0	(£519,000)	(£519,000)
Net Formula Funding	£226,887,644		£226,879,624	(£8,020)
Average Per pupil funding	£5,388		£5,402	14

5. 2020/21 Mainstream Funding Formula

- 5.1. In 2019/20 the Schools Forum approved £1.1m transfer of funding from the Schools Block to the High Needs Block, and the SEND demand led pressures mean it will need to consider whether to do so again in the 2020/21 budget. Any decision will need to balance the competing challenges of cost pressures in mainstream schools with the need to avoid or limit a DSG deficit and subsequent financial recovery actions.
- 5.2. It is acknowledged that schools continue to experience unfunded cost pressures, such as increased pension contributions for support staff. The government is funding the teachers' pay rise using a separate grant for 2019/20. The government has also confirmed it will be funding the increase in the employer's contribution to the Teacher's Pension scheme, and it is expected this will also be a separate grant to the DSG. For 2020/21 it may be the case that these grants are mainstreamed into the DSG, and if so an equitable way of adding these sums to the local funding formula will need to be agreed. It is not apparent that other changes to the local funding formula are required, though it might be useful to compare it to the national funding formula in preparation for its presumed eventual adoption.

6. High Needs block demand pressures

6.1. Table 2 – 2018/19 EHCP spend and 2019/20 budget analysis

	18/19 Outturn	Average no. of EHCPs	Cost per EHCPs	19/20 Budget	Extra EHCPs affordable in budget
	£'000		£'000	£'000	
Top up funding – Brent Special Provision	15,631	703	22	16,851	33
Top ups to mainstream settings in Brent	7,747	732	11	7,963	20
Post 16 Top ups	2,949	182	16	3,090	22
Out of Borough top ups	6,493	335	19	6,494	
Residential and independent settings	9,063	143	63	9,000	
Total	41,883			43,398	

- 6.2. The High Needs Block budget for 2019/20 is £58.7m, £0.7m more than the 2018/19 outturn. Despite this increase there remains a high risk of overspend if demand, best measured in terms of the number of EHCPs, continues to grow. Overall total pupil numbers for reception to year 11 are stable, with falling reception and year 1 numbers and secondary numbers increasing as a demographic bulge reaches secondary school age. EHCPs tend to be produced for pupils at the start of Infants, Juniors and Secondary phases as the schools identify need in their new cohorts. In recent months the SENAS team has produced 20 new EHCPs per month. A more detailed analysis is needed to forecast accurately when young people with EHCPs leave the educational system, as it is possible for them to remain until the age of 25. It is not yet known

if the growth in EHCPs has levelled off or if it will continue to grow as post-16 year olds remain in education.

6.3. Table 3 – EHCPs by Age range as at end of 2018/19

Age category:	Number
Under 5	99
5-10	926
11-15	704
16-19	377
20-25	67

- 6.4. Including use of reserves and the £1.1m transfer from the Schools Block, the 2019/20 budget is £0.7m more than the 2018/19 outturn. Nonetheless if the number of post-16 EHCP placements increases by 40 as they did in 2018/19, then the budget will overspend and the remaining DSG reserves of £1m will be depleted.
- 6.5. At a summary level EHCP placements, shown in table 2 average out at a cost of £20k per EHCP, so the £0.7m increase in budget may only cover an additional 35 EHCPs. There is however more capacity in-borough from September so some of the highest cost external placements can be avoided.
- 6.6. Councils and schools are lobbying for additional funding, and are looking to demonstrate the demand led pressures in the High Needs block to government. Officers in Brent have participated in a London Councils research project on High Needs funding to assist with the lobbying. Recently, the Secretary of State also announced a call for evidence on the financial pressures. It is hoped that this will influence the Spending Review scheduled to take place this summer, and that additional funding for High Needs will be allocated. However, this is not guaranteed and if the Spending Review is delayed, as seems likely, then the most probable outcome is for the previous year's budget simply to be rolled forward, possibly with an inflationary adjustment.
- 6.7. Without additional funds for 2020/21 or reductions to expenditure then Brent's DSG reserves will certainly go into deficit, as has already happened in many other London Boroughs. As at the end of 2018/19 24 of 31 London Boroughs that responded to a Society of London Treasurers survey had an in-year overspend on their DSG, and 13 were in deficit. These deficits ranged from £0.3m to £11.5m. London Boroughs via the Society for London Treasurers and Association of London Directors of Children's Services are working closely together and sharing information. Those 13 London Boroughs with a deficit DSG are required to submit a three year recovery plan to the DfE by the end of June. The survey reported that 24 boroughs anticipate a deficit in 2019/20. Some boroughs have raised their concerns that they will not be able to recover the financial position within the three year period.

7. Pupil Growth and Rising Rolls

- 7.1. The pupil growth and the rising rolls budgets are expected to only fund the planned and natural increases in secondary schools as the demographic bulge in the pupil population impacts on years 7 and 8. It is estimated that the pupil growth and rising rolls budget will fund 270 new secondary places, the equivalent

of 9 forms of entry, but this includes the CAFAI funding. If pupil number growth exceeds this, then allocations will still have to be made to schools as per the committed formula and this budget will overspend.

- 7.2. The pupil growth budget also funds provision for secondary pupils who have recently arrived to the country and have additional needs. This is known as CAFAI funding. In 2018/19 150 full time equivalent places were funded through these arrangements at a cost of £5,200 each totalling £780k, but these places would not be occupied full time. It is suggested that Schools Forum review this arrangement.
- 7.3. Pupil growth funding will need to be reviewed for 2020/21 to ensure it is affordable within the Schools Block.

8. Reducing rolls

- 8.1. Schools Forum has previously considered but decided against using a falling rolls funding mechanism. Given the flat or, in some areas reducing, reception intakes it was agreed for officers to consider what assistance is available to Schools facing budget constraints caused by lower pupil numbers. It is advised that schools should consider limiting their planned admission numbers for future intakes to ensure they are not left with uneconomic class sizes, generally agreed to be classes of under 24 pupils.
- 8.2. Schools with reducing rolls are advised to address and balance their budget as soon as is practicable. This is because the minimum funding guarantee of -1.5% only applies per pupil, so offers no protection against falling pupil numbers. Schools are recommended to make good use of the DfE's school financial benchmarking website, and the associated resources including access to nationally procurement deals.

<https://schools-financial-benchmarking.service.gov.uk/>

<https://www.gov.uk/government/publications/deals-for-schools/deals-for-schools>

- 8.3. Finally, schools that are in specific circumstances and in financial difficulty with limited or no reserves left may qualify for assistance from the Schools Contingency fund. This fund totals £190k in 2019/20, and is funded from the Schools Block of the DSG.

9. Early Years

- 9.1. A report has been presented to the Early Years Task and Finish Group on take up and sufficiency of early years provision, and a follow up report to the group has been requested on central expenditure from the Early Years Block.
- 9.2. It is noted that the rates of funding received from central government for the Early Years Block have not increased for a number of years despite providers experiencing similar cost pressures to schools. The funding rates for 2020/21 will be reported to Schools Forum once known.
- 9.3. With the Early Years Block the council also receives a specific allocation of just under £800k to support the 4 maintained nursery schools in Brent. It was

announced in February 2019 that this grant would continue to the end of the 2019/20 academic year, but it is not known if it will continue beyond then. Given the importance of this funding to the maintained nursery schools this situation will remain closely monitored.

10. Financial Implications

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

11. Legal Implications

11.1. There are no legal implications for this report.

12. Equality Implications

12.1. Not applicable.

13. Consultation with Ward Members and Stakeholders

13.1. Not applicable.

14. Human Resources/Property Implications (if appropriate)

14.1. Not applicable.

Report sign off:

Gail Tolley

Strategic Director of Children and Young People