**(BARKING AND DAGENHAM SCHOOLS FORUM)**

**18 October 2018**

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| **Title:** Schools’ Forum Report |
| **Open** | **For Decision / For Information** |
| **Wards Affected: All** | **Key Decision: No** |
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| **Accountable Operational Director:** Jane Hargreaves – Commissioning Director for Education Youth and Childcare |
| **Accountable Strategic Director:** Elaine Allegretti – Director for People and Resilience |
| **Summary:** The purpose of this report is to update the Barking and Dagenham Schools Forum on:1. The Dedicated Schools Grant 2018/19 budget update
2. Projected outturn position for 2018/19
3. Growth and falling rolls fund projections for 2018/19
4. Dedicated Schools Grant forecast for 2019/20
5. National and local funding formula 2019 to 2020 – options
6. Teachers pay award grant update
7. Schools facing financial difficulties
8. Scheme of financing schools
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| **Recommendation(s)**The Schools Forum is asked:1. Note the update on the DSG budget
2. Note the forecast outturn position for 2018/19
3. Note the update on the falling rolls fund and approve request to invite applications
4. Note DSG 2019/20 update and approve the transfer of £1.073m or 0.5% of the schools block to the high needs block to meet the pressures on the block
5. Approve the contingency allocations for growth, rates and PFI and agree to fund growth at AWPU
6. Note the potential implications of the growth fund formula model
7. Agree model 1.1.34 ratio with funding floor protection as the basis of consultation with schools
8. Note the update on the teachers’ pay award grant.
9. Note the update on schools facing financial difficulties.
10. Agree that the revised version of the scheme for financing schools be distributed for consultation
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|  |
| **Reason(s)** |
| None |

**1. Introduction and background**

* 1. The schools forum is a decision making and consultative body in relation to matters concerning schools’ budgets as defined in the school finance (England) regulations 2012 and the schools forums (England) Regulations 2012. The forum is required to meet at least four times a year.

1. **Dedicated Schools Grant 2018/19 budget allocation update**

The current allocation of DSG for 2018/19 is shown below. The allocation for the early years block has decreased – this reflects a reduction in the number of places at the most recent census. In practice this will be largely matched by a reduction in expenditure from this block and so should not result in any variance.

More detailed information provided below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Funding Block** | **Base****£’000** | **Adjust.****£’000** | **Net base****£’000** | **July adjust.****£’000** | **2018/19 Revised budget****£’000** |
| Schools | 212,261 | (44,385) | 167,876 | 48 | 167,924 |
| Early years | 22,223 | - | 22,223 | (904) | 21,319 |
| High needs  | 28,097 | (2,230) | 25,867 | - | 25,867 |
| Central  | 2,559 | - | 2,559 | - | 2,559 |
| **Total** | **265,140** | **(46,615)** | **218,525** | **(856)** | **217,669** |

Table 1: Updated 2018/19 Dedicated Schools Grant allocations and outturn projections

* 1. Funding for academies is recouped from the DSG as these establishments receive funding direct from the ESFA. The update of £48k relates to growth fund adjustment from 2017/18 that was not captured in the Authority Proforma Tool (APT).
	2. The 2017/18 early years allocations were calculated based on January 2017 census. These have now been updated for January 2018 census. The final funding allocations for 2017/18 for the core 15 hours are based on 5/12th of January 2017 child numbers and 7/12th of the January 2018 child numbers. Funding for additional hours are based on child numbers recorded at the January 2018 census, and assumes 80% of take up. The effect of the pupil number adjustment has been a retrospective reduction of £427k of which £244k relates to universal or basic entitlement and £185k to additional hours and other residual adjustments. This was anticipated in the year end report and will not have an adverse impact on the DSG balances.
	3. The 2018/19 early years funding was initially based on January 2017 census. These have also been updated for January 2018 census. The part-time equivalent (PTE) numbers for basic entitlement are down by 143 to 4,480 and PTE for additional 15 hours are down 146 to 862 along with other minor movements on two year olds and early years pupil premium. The net effect of this is a reduction of £904k of which £449k relates to basic entitlement, £459k to additional hours, £25k to pupil premium and an increase of £29k in respect two year olds. These reductions are largely cost neutral as there will be fewer children to fund. However, the falling numbers and corresponding vacancies could create cost pressure for providers, in particular primary schools that have seen the largest reduction in head counts. The block will be further updated for January 2019 census with final clawback in June 2019 as in previous years.
	4. There are no further adjustments against the high needs block.
	5. The Central School Services Block (CSSB) was introduced in 2018 to 2019, to fund local authorities for the statutory duties they hold for both maintained schools, and academies. It brings together funding previously allocated through the retained duties element of the Education Services Grant (ESG), and funding for ongoing central functions, such as admissions, and residual funding for historic commitments that were previously top sliced from the schools block. There have been no further adjustments on this block (and it is expected to remain stable in year).

**Recommendation (i):** Schools forum are requested to note DSG budget update.

1. **Projected outturn for 2018/19**
	1. The table below shows the overall forecast outturn position for the DSG and the impact on the reserve balances. More information on each of the blocks is given below.

|  |  |  |  |
| --- | --- | --- | --- |
|   | **Revised funding forecast****£’000** | **Expenditure forecast****£’000** | **Variance****£’000** |
| Schools Block | 167,924 | **167,624** | (300) |
| Early Years Block | 21,319 | **21,319** | 0 |
| High Needs Block | 25,867 | **28,081** | 2,214 |
| Central Block | 2,559 | **2,559** | - |
| **Total** | **217,669** | **219,569** | **1,914** |
| Brought forward DSG balance (excl. growth fund) | (3,048) |
| Growth fund | (500) |
| **DSG balance forecast for 31st March 2019** | **(1,642)** |

Table 2: Forecast DSG outturn for 2018/19 for all blocks.

* 1. There is currently an underspend of **£300k** relating to the growth fund within the **schools block** as shown below:

|  |  |  |
| --- | --- | --- |
|  | **Budget****£** | **Actual/Forecast****£** |
| Schools block grant | (£212,260,876) | (£212,260,876) |
| Distributed to schools (incl. academies) | £208,582,215 | £208,582,215 |
| Transferred to high needs block | £750,000 | £750,000 |
| Growth fund | £2,781,244 | £2,479,940 |
| Contingency | £147,417 | £148,600 |
| **Balance** | **£0** | **(£300,121)** |

 Table 3: Projected schools block outturn for 2018/19.

The growth fund allocation is underspent reflecting a reduced requirement for secondary place growth and two fewer classes at Eastbrook school. The forecast assumes a reduced contingency for growth (4 months provision for one primary and one secondary) and other provisions for in year business rates not previously factored in. Any underspend on the schools block can be retained by the authority as part of the DSG reserve for use in future years.

* 1. Early years is reporting a reduction in expenditure of £2.100m, of which £904k has been factored into the revised funding forecast of £21.319m. It is also anticipated that there would be further reduction of £1.196m to the early years block.
	2. The reduction in early years expenditure is due to lower than expected take up of places. The local authority is currently looking at ways of attracting families to encourage take up of 3 and 4 year old places. The falling numbers are impacting PVIs and schools differently, whilst school numbers are falling the numbers in PVIs are increasing. There is no fall in take up of 2 year old places and this continues to rise year on year. The overall reduction in funding will have an impact on centrally retained funding, which is limited to 5% of the budget. Most of this underspend will be clawed back by the DfE and not retained by the Local Authority.
	3. The take up of extended entitlement (30 hours) is also low. The local authority has no leverage in terms of encouraging take up other than generic marketing.
	4. The overall pressure within high needs is currently £2.214m. This is based on the current level of placement data supplied by the service and other forecasts provided by the service managers. There are a number of mitigation measures being discussed to manage and reduce the level of the pressure including the following:
1. Alternative Provision (AP) review in conjunction with the recent Education Select committee reporting and income generation plus alternative ways of supporting the placements to offset the pressure within the AP area and outturn within the budget envelope for the service
2. Pupil Referral Unit (PRU) review as part of the AP umbrella service.
3. Ongoing review work of non-maintained and out of Borough placements into suitable inhouse provision for example expansions of ARP provisions and redesign of 6th Day respite for primary aged children.
4. Establishment of Post 16 top up payment Panel meetings in align with Pre-16 top up payment Panel meetings
5. Census data training and awareness of linkage with funding for Special Education Needs (SEN) for schools recording
6. Review vacant ARP places and redesign funding in accordance to SEN demand and forecast places including external reviews undertaken.

3.6 If management action is successful this should reduce the pressure to £1.500m by year end. However, the worst case scenario of £2.214m is shown in the forecast above. A key factor in containing and reducing costs is the availability of suitable provision in the borough and it is not clear that much more progress will be made on this within this financial year.

* 1. The combined impact of the variances on the blocks will be a reduction in the DSG reserve balance. This reduces our capacity to manage future pressures.

**Recommendation (ii):** Schools forum are requested to note DSG 2018/19 forecast outturn position.

1. **Growth fund and falling rolls 2018/19**
	1. In the 2018/19 budget setting process an allocation of £2.8m was made for the growth fund. This was sufficient to provide funding for fourteen new primary classes and twenty three secondary (four of which were not allocated to particular schools but for which funding was held as an additional planning contingency).
	2. Based on the latest position funding has been allocated for twelve new primary classes and eighteen new secondary (not including the four contingency places).
	3. There is a projected underspend of £300k on the schools block which can be used to create the falling roll fund. There is provision in contingency to funding for further in-year growth for one primary and one secondary for the remaining part of the financial year.
	4. In the summer term schools forum identified that falling rolls was also becoming an issue for some schools in Barking and Dagenham and it was agreed that part of the growth fund should be used to provide support for schools in this situation.
	5. The criteria agreed for this funding were as follows:
* Only good or outstanding schools (this is a DfE requirement)
* Confirmation from the schools planning team that numbers are expected to rise again within three years. This is expected to be the case for all schools in the local area.
* A significant reduction in numbers on roll. It was agreed that this should be defined as a more than 5% drop in the numbers on roll between two censuses.
* Either school balances are below a minimum of 3%
* Or the school can evidence that the existing funding cannot support an appropriate curriculum for the children at the school. Payments would be tapered where schools qualify under this criterion up to a maximum of the lump sum.
	1. It was agreed that the assessment of whether a school can support an appropriate curriculum be delegated to the Schools Financial Monitoring Group as this includes both finance and headteacher representatives.
	2. Schools Forum further agreed that the financial support would take the form of a one off payment of £68k per school. The scheme would run for one year and be reviewed again early in 2019 calendar year.
	3. The local authority will invite schools that potentially qualify, under criteria set out above to apply for the falling rolls fund. The timescale for this process shall start with the issuing of formal letters for application to schools by 19th October, with return of completed applications by no later than 31st October for consideration by the financial monitoring group on 14th November.

**Recommendation (iii):** Schools forum are requested to note the update on falling rolls fund and approve request to invite applications from schools that may qualify for falling rolls fund.

1. **Dedicated Schools Grant 2019/20**
	1. In July, the Department for Education (DfE) published policy changes, schools funding arrangements and the DSG operational guidance for the 2019 to 2020 financial year. 2019/20 is the second year of the NFF for schools, high needs and central service.
	2. From 2018/19, the funding blocks allocated to local authorities are calculated on the basis of NFF, and local authority level allocations have been published based on October census. In respect of schools block, this means notional allocations will be set for each school which will then be aggregated to calculate the school block allocation for the local authority.
	3. DfE had intended to phase in NFF over two years, as the “soft” formula, (2018/19 and 2019/20) with the “hard” formula in place in 2020/21. During this transition phase, local authorities are permitted to use a local schools formula in consultation with their Schools Forum. This initial the two-year “soft” formula phase is now being extended by a further year into 2020/21.
	4. The indicative allocations for 2019/20 published this summer are shown below. It should be noted that these are based on the census data from October 2017 (and some known pupil growth) and are likely to change following the October 2018 census.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2018/19****£** | **2019/20****£** | **Change****£** |
| Schools block excl. growth | 208,216,844  | 211,692,625  | 3,475,781  |
| Growth  | 4,044,032  | 2,982,728  | (1,061,304)  |
| High needs block | 27,971,413  | 29,625,741  | 1,654,328  |
| Central schools services block | 2,559,240  | 2,558,366  | (874)  |
| **TOTAL** | **242,791,529**  | **246,860,460**  | **4,067,931**  |

Table 4: DSG block allocations for 2018/19 and 2019/20 (provisional)

* 1. In addition to extending the transition period the DfE have also introduced a formula funding method for allocation of growth funding. This will be based on changes in pupil numbers at the middle layer super output area (a geographical unit used by the Statistics Office) between October census periods. As such, it will be lagged funding and may be subject to year on year fluctuations. To protect local authorities from sudden fluctuations and recognising that growth planning for 2019/20 may already be advanced, there will be transitional protection arrangements in place. Under the formula LBBD would have received only £1.938m before protection and £2.983m after.
	2. The cap on gains on the high needs block has been raised very slightly and LBBD will continue to gain year on year. The high needs block for 2019/20 is expected to increase to £29.625m in total. However, this is still £2.146m short of the full illustrative formula allocation of £31.771m. It is also not expected to be sufficient to fund the full level of pressures within the high needs block which currently are £2.914m above the HNB grant funding.
	3. In 2018/19 schools forum agreed a transfer of £0.750m or 0.35% from schools block to the high needs block to partially offset the pressures. However, there is still an outstanding pressure of £2.214m on this block, ongoing.

|  |  |
| --- | --- |
|  | **£000’s** |
| High needs block grant allocation | 29,625 |
| Less: Academy recoupment (provisional)  | (2,231) |
| **Total – Indicative Grant Allocation** | **27,394** |
| Less: Estimated 2019/20 forecast (based on 2018/19 spend plus 2% growth) | (28,643) |
| **2019/20 Predicted overspend**  | **1,249** |
| Less: 0.5% Transfer to high needs block | (1,073) |
| Unfunded pressures to be mitigated | 176 |

Table 5: The 2019/20 estimated pressures on the high needs block.

A transfer of 0.5% or £1.073m is required in order to properly manage the significant funding pressures that are in the system until the formula funding is fully phased in by the DfE. This will leave an unfunded pressure £176k to be managed.

**Recommendation (iv):** Schools forum are asked to note DSG 2019/20 update and recommended to approve the transfer of 0.5% of the schools block to high needs.

* 1. In addition to the high needs block transfer it is proposed to make the following provisions from the schools block funding.

|  |  |
| --- | --- |
|  | **£** |
| DSG cash envelope (based on Oct 17 census) | 214,675,353 |
| Less: |   |
| PFI funding requirement | (188,872) |
| Rates increase (to be funded from growth fund allocation)  | (525,446) |
| Growth fund (requirement is £2,473k incl. £171k contingency) | (2,457,282) |
| HN transfer  | (1,073,377) |
| **Total available for formula** | **210,430,376** |

Table 6: Allocation of 2019/20 schools block funding

* 1. The rates increase, growth and PFI requirement are shown in the table above, together it leaves £210,430,376 for distribution to schools.

In 2018/19, schools were funded at AWPU plus 20%. However, because of the gap in growth funding in 2019/20, the 20% premium is no longer viable, and growth would have to be funded at AWPU. This means classes would have to be funded at £52k and £68k for primary and secondary respectively.

The actual number of expansions will not be known until the requirements have been fully assessed by pupil planning and once consultation has concluded. The expectation is that pupil planning would work with schools and parents to reduce the need for additional classes as far as possible. Any further increases in growth fund will have to be met from brought forward balances.

**Recommendation (v) and (vi):** Schools forum are requested to (a) approve the allocations for growth, rates and PFI as set out in the table above **and** (b) agree to fund growth at AWPU.

1. **Local and national funding formula 2019/20**
	1. Last year the schools forum agreed to move part way in the direction of the national funding formula by:
* accepting the new NFF rates for the additional needs factors and the schools lump sum.
* Setting AWPU rates that brought the local average ratio of funding between primary and secondary schools to 1:1.34.
	1. As a matter of local policy, the LBBD schools forum had previously agreed to maintain the local ratio at 1:1.30. However, the full application of the national funding formula would have increased this this ratio to 1:1.43.
		1. As it was understood at the time that the national funding formula would be imposed within three years the forum last year agreed to move approximately a third of the way towards the national formula. This was believed to strike an appropriate balance between different kinds of schools and would move local schools some way towards the new funding pattern while allowing primary heads some additional time to prepare and plan.

6.4 Since then the DfE have extended the transition period by one year. However, they have made it clear that in doing so they expect local authorities to continue to move towards the national formula. At the same time, it is apparent that primaries are facing circumstances that are constraining their funding including the introduction of the new funding arrangements, temporarily falling rolls in some parts of the borough, a significant reduction in numbers of children attracting pupil premium and additional needs funding and lower than expected take up of the early years offer.

6.5 It is therefore proposed not to move to the previously agreed ratio of 1:1.38. Instead two main options are presented to forum. The first option is to remain at 1:1.34 with funding floor protection, in accordance with formula applied by the DfE to calculate the notional schools block DSG. This allows for an increase of 1% per pupil against 2017/18 baseline. and the second option is to move towards 1:1.36, also with funding floor protection. In addition to the funding floor, 0% minimum funding guarantee (MFG) has been applied to both models so that no school will see a cash reduction on a per pupil basis. The application of MFG is consistent with the 2018/19 funding model.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2019/20** | **2020/21** | **2021/22** |
| Option 1 | 1:1.34 | 1:1.38 | 1.1.43 |
| Option 2 | 1.1.36 | 1.1.39 | 1:1.43 |

Table 7: showing primary secondary transition trajectory

6.7 Last year LBBD lowered its formula rates for the schools block sum to that used in the national funding formula. The DfE intend to move to a formula basis for premises and mobility next year so there is a risk that this funding could reduce.

**Recommendation (vii):** Schools forum are requested to agree option 1 with funding floor protection as the basis of consultation with schools.

1. **Teachers pay award grant**

7.1 The DfE announced at the end of the summer term that they would be making available £187m nationally to pay the additional costs of the teachers pay award. They have published some headline information, but more detail is awaited.

7.2 The ringfenced grant will come through the local authority to distribute to maintained schools while academies will get it directly from the ESFA. The amount payable per school will be based on the number of pupils as follows:

|  |  |  |
| --- | --- | --- |
|  | **Inner**  | **Outer** |
| Primary | 19.51 | 18.05 |
| Secondary | 31.57 | 29.2 |
| Special | 78.1 | 77.25 |

Table 8: Allocation per pupil

We are expecting to receive inner London rates as this is what teachers are paid. These are the 18/19 rates – based on 7/12ths of the financial year as the pay award is payable from September.

7.3 Headteachers should note that the DfE have **NOT** fully funded this pay award – they have only funded the additional impact above the 1% pay increase which they say schools should already have planned for (although this has not been fully funded either).

7.4 More details and the allocations should be published in October and the DfE intend making payments “later in the Autumn”. The guidance does not make clear what date they will use for the pupil numbers in the calculation – although October 18 census would seem more logical that may not work with the timing required. The arrangements for ARPs and similar provisions within mainstream schools are also not quite clear at present.

**Recommendation (viii):** Schools forum are requested to note update on teachers pay award.

**8 Schools facing financial difficulties**

8.1 The schools financial monitoring group met on the 9th July and held confidential discussions with a number of schools that were assessed at high risk of financial difficulties. However, at that stage no applications for assistance have been received.

8.2 The group will meet again on 14th November and invitations will be issued to schools assessed as high risk, based on the first two quarters monitoring. Letters will be sent by 19th October and applications expected no later than 31st October. Other schools wishing to have a discussion of their financial situation or make an application to the fund should contact the finance team.

**Recommendation (ix):** Schools forum are requested to note update on schools facing financial difficulties.

1. **Scheme for financing schools**

9.1 The local scheme for financing schools should be regularly reviewed to ensure it continues to be fit for purpose and compliant. As part of the consultation process, the revised scheme for financing schools, will be circulated to schools.

**Recommendation (xi):** Schools forum are requested to agree that the revised scheme of financing be distributed for consultation.

1. **Financial implications**

The school funding formula is contained within the Dedicated Schools Grant.

1. **Legal implications**

The schools forums (England) regulations 2012 govern the constitution and conduct of meetings of the forum. The schools finance (England) regulations 2012 determine those matters on which the local authority must or may consult the schools forum and those in respect of which the schools forum can make decisions. These regulations make provision for the financial arrangements of local authorities in relation to the funding of maintained schools and providers of prescribed early years provision in England, for the financial year 2013/14 and all subsequent years including 2018/19.

**12. Other implications**

* 1. **Risk management -** None
	2. **Contractual issues** - None
	3. **Staffing issues** – None
	4. **Customer impact** – None
	5. **Safeguarding children-** None
	6. **Health Issues** - None
	7. **Crime and Disorder Issues** – None
	8. **Property / Asset Issues** – None

**Background papers used in the preparation of the report:**

None.

**List of appendices:**

Appendix A: Funding model, option 1 or 2.

Appendix B: Impact of the two options on individual schools budgets.