

Committee:	Schools Forum
Meeting Date:	3 October 2017
Title:	Preparation for 2018-19 schools budgets
Author:	Fiona Heath
Decision making / consultative / information:	Decision making
Who can vote?	All members of Schools Forum with voting rights (i.e. all schools, academy and non school members)

What is the Forum being asked to decide?

1. Schools Forum is strongly recommended to approve the clawback of the 2016-17 overspend of £1.939m as a first call on the 2018-19 Schools Budget.
2. It should be noted that Schools Forum approval is required for the carry forward deficit on central expenditure to be funded from the schools budget.
3. Schools Forum is also asked to note the significant changes to the funding system for 2018-19.
4. To consider the proposals regarding the funding formula and the minimum funding guarantee and capping/scaling in preparation for the 2018-19 school budgets.

Reason for recommendation

5. The recommendation will increase the DSG reserves to a creditable amount of £1.909m for contingency purposes, albeit this represents only 0.5% of the current schools block funding allocation.
6. The recommendation is in accordance with the conditions of the grant and reflects previous practice.

Alternative options

7. The alternative option is not to clawback the overspend from the 2018-19 Schools Budget which will mean that there will be a deficit of £30,000 DSG reserves. Obviously, this is not an acceptable financial position.

8. Clearly, not having an appropriate level of DSG reserve means no funding would be available to meet any unforeseen costs or provide any flexibility for future funding decisions such as the use of reserves to support the transition to a national funding formula.

Who will be affected by this decision?

9. All school budgets will be affected in 2018-19 but the availability of reserves also affects all schools and the associated activity that can be funded over and above that funded from the revenue budgets.

Main body of the Report

2016-17 DSG overspend

1. At the meeting on 18 July (Paper B), Schools Forum was asked to note the overspend on the DSG revenue budget for 2016-17 of £1.103m and the level of reserves at 31 March 2017 and to agree that the clawback of the overspend would be a first call on the 2018-19 Schools Budget.
2. The decision was delayed and Schools Forum requested additional information regarding the recommendation.
3. As stated in the paper, the overspend of £1.103m was net of an underspend on the early years block of £0.958m.
4. Early Years funding received from the EFSA is based on estimates of 2,3, and 4 year old places. The paper also explained that as usual, the EFSA would, in the new financial year, adjust the Early Years funding to reflect the actual take up of 2, 3 and 4 year old places in 2016-17.
5. Since the last meeting, the DfE have confirmed that the 2016-17 adjustment to the early years block funding is a reduction of £0.836m as the actual take up of 3 & 4 year olds places was less than the number of places for which Suffolk was funded.
6. Therefore, the DSG overspend after excluding the early years overfunding was £1.939m.
7. This reduction in funding is recovered by the ESFA and must be funded from the DSG reserves
8. The DSG reserves have been updated to reflect the agreed transfers in 2017-18 in the table below:

DSG Reserves (non school balances)									
			Opening balance 2016/17	In year transfers agreed by DMT	Other transfers	Closing balance 2016/17	Agreed transfers 2017/18	Planned Closing balance 2017/18	Comments
Opening Balance			-4,245,954						
Unallocated DSG 2015-16			-1,000,000	1,000,000		0		0	Transferred to schools in 16-17
Closing Middle Schools balances 2013-14			-91,284	91,284		0		0	Transferred to schools in 16-17
Closing Middle Schools balances 2014-15			-690,253	690,253		0		0	Transferred to schools in 16-17
								0	
Closing Middle Schools balances 2015-16			-528,783			-528,783		-528,783	
EY capital funding			-930,065	514,077		-415,988	121,133	-294,855	Contractually committed
Academy bad debts			-280,337			-280,337	47,000	-233,337	Revised as some debt provided for in accounts
Early Years 2014-15 received in 2015-16			-622,000			-622,000		-622,000	
Overspend in 15-16			369,483			369,483	-369,483	0	Clawed back from schools in 17-18
Other			-472,715			-472,715		-472,715	
Unallocated DSG 2016-17					-222,742	-222,742	222,742	0	Transferred to schools in 17-18
Additional HN place funding rec'd 03/17					-35,005	-35,005		-35,005	
2016-17 overspend					1,130,428	1,130,428		1,130,428	To be clawed back from schools in 18-19
Historical underfunding agreement							250,000	250,000	
Recovery of overfunding of 2016-17 EY block							836,000	836,000	To be clawed back by the EFSA in 2017-18
Closing Balance						-1,077,661	1,107,392	29,733	

9. If Schools Forum do not agree that the deficit from 2016-17 can be deducted from the DSG allocation in 2018-19, the DSG reserves will be £0.03m deficit at the end of 2017-18 after taking account of previously agreed movements and commitments.

10. Clearly, not having an appropriate level of DSG reserve means no funding would be available to meet any unforeseen costs or provide any flexibility for future funding decisions such as the use of reserves to support the transition to a national funding formula.

11. However, agreement by Schools Forum to fund the 2016-17 deficit from the schools block allocation in 2018-19 would provide a creditable reserve balance of £1.909m as a contingency. This represents 0.5% of the current schools block funding allocation.

2018-19 funding announcement

12. At the time of writing, the DfE response to the national funding formula consultation has only just been published. In addition, the schools revenue funding operational guide for 2018-19 is available and includes some significant changes to the funding system for the next financial year. These changes include the following:

13. The government has confirmed that there will be an additional £1.3 billion for schools and high needs across 2018-19 and 2019-20, so that in 2018-19, all local authorities will receive some increase to the DSG budget for schools and high needs.

14. A central school services block (CSSB) has been created to form a fourth DSG block (in addition to the schools, high needs and early years blocks). The funding comprises of centrally retained monies and the ex-education services grant, both of which were previously top sliced from the schools block.

15. Each of the four blocks will be determined by a separate national funding formula; this will be the first time the blocks have been allocated on a national

funding formula basis, with the exception of the early years block which was allocated on a national funding formula basis for the first time in 2017-18.

16. Within, the schools block, the Government will provide for at least 0.5% per pupil increase for each school in 2018-19 through the national funding formula.
17. The formula will provide local authorities with per pupil funding of at least £4,600 in 2018-19 and £4,800 in 2019-20 for all secondary schools that have pupils in Y10 and Y11. In 2018-19, the unit of funding for Suffolk is £4,928.
18. The formula will provide local authorities with per pupil funding of at least £3,300 in 2018-19 and £3,500 in 2019-20 for all primary schools. In 2018-19, the unit of funding for Suffolk is £3,841.
19. The provisional 2018-19 DSG allocation for Suffolk schools block is an increase of £9.2m (2.4%) and for the high needs block, an increase of £1.7m (2.9%) compared with the respective 2017-18 baselines. The central school services block increases by £0.1m (0.6%). A total increase in DSG of £11m (2.4%).
20. There are further increases from 2018-19 to 2019-20 for all three blocks. These are summarised in the table below.

21. DSG allocations under the new national funding formulae

	2017-18 Baseline (£'m)	2018-19 (£'m)	Cash Increase over 2017-18 (£'m)	% Increase over 2017- 18	2019-20 (£'m)	Cash Increase over 2018-19 (£'m)	% Increase over 2018- 19	Overall % increase for the two years
Schools Block	386.3	395.6	9.2	2.4%	403.1	7.5	1.9%	4.3%
High Needs Block	57.4	59.0	1.7	2.9%	60.7	1.6	2.8%	5.8%
Central Services Block	8.7	8.7	0.1	0.6%	8.8	0.0	0.5%	1.1%
TOTAL	452.4	463.4	11.0	2.4%	472.6	9.2	2.0%	4.5%

22. The minimum funding guarantee (MFG) for schools will continue but local authorities will have the flexibility to set a local MFG between 0% and -1.5% per pupil.
23. The schools block will be ringfenced in 2018-19 but local authorities will be able to transfer up to 0.5% from their schools block funding with Schools Forum agreement.
24. The Pupil Premium Plus rates for 2018-19 will be increased and the national funding formula will not include a looked after children factor.
25. There will no longer be a deduction to schools block pupil numbers for high needs places in mainstream schools. Instead, the schools budget share (or academy funding) will be determined on the total number of pupils on the roll of the school, including those in special unit or resourced provision. The balance of funding for this special provision will be funded from place funding (£6,000) and top up funding from the high needs block in accordance with the local authority commissioning decisions.

Proposals for 2018-19 school budgets

Funding formula

26. The EFSA recognises that the changes for 2018-19 are significant because of the introduction of a national funding formulae for schools, high needs and central school services respectively.
27. In 2018-19, the national funding formula will be used to set notional allocations for each school and these will be aggregated to calculate the schools block paid to each local authority.
28. Local authorities can continue to determine the final funding allocations for schools through a local formula in 2018-19 (and 2019-20).
29. The local formula could be retained as used in 2017-18 but this would not reflect the suggested amendments.
30. The local formula could be altered in accordance with the changes summarised above, but it is clear that a number of amendments to the local formula would be required to reflect (in part) some elements of the national funding formula.
31. It is not clear, at this stage, whether these changes could be incorporated in to the local funding formula without causing unintended and unnecessary turbulence in the funding of schools, prior to the anticipated full implementation of the national funding formula in 2020-21.
32. It is therefore proposed that Suffolk adopts the national funding formula with effect from 2018-19 subject to a minimum funding guarantee and capping arrangements.
33. This would ensure that the funding at school level starts to reflect the funding that will be received by individual schools when the national funding formula is planned to be implemented in 2020-21.
34. The advantage of this approach is that schools will be able to plan with more certainty over a longer period of time.
35. It should be noted that the published DfE figures for individual schools 2018-19 budgets are indicative only.

Minimum funding guarantee (MFG)

36. The operational guidance states that the local authority can set the MFG between 0% and -1.5% per pupil in 2018-19.
37. The MFG has been set at -1.5% per pupil over recent years which does offer some protection to schools where the budget is decreasing but also allows schools whose funding is increasing, to gain.
38. The advantage of a 0% per pupil MFG is that a school will not lose funding (unless the number of pupils falls) compared with 2017-18 but the disadvantage is that there will be more capping (the limit to which any per pupil gain will be kept by the school/academy) of overall gains to individual schools budgets to fund the MFG.

39. It would therefore appear prudent to continue with a -1.5% per pupil MFG for 2018-19 so that schools move towards their national funding formula budget more quickly whilst retaining some protection for schools that are to lose funding.
40. The local authority can apply to the DfE for approval of an exclusion to the MFG calculation where overprotection would otherwise occur e.g. where additional funding was distributed in the previous year and the local authority can demonstrate the funding was one-off.
41. In 2016-17, there were two examples of one-off funding which should be excluded from the MFG calculation. The Education Services Grant funding was allocated to schools and subsequently de-delegated (this was an interim measure agreed by Schools Forum in the absence of the fourth DSG block) and maintained schools received additional funding for the apprenticeship levy. The local authority will apply for an exclusion from the MFG calculation of both funding elements for 2018-19.

Capping and scaling

42. A number of schools have been significantly capped over recent years and to address this, it is proposed that a scaling of the cap will be applied in 2018-19. Scaling is the degree to which gains above the cap will be scaled back.
43. This will need to be modelled once the schools budget information is available but options for scaling include that gaining schools retain x% of the gain over the capped amount e.g.

The funding per pupil has increased from £5,000 to £5,500 per pupil.
The cap is set at 4% with 40% scaling.

- Funding increase capped at 4% of £5,000 = £200
- Remaining increase above 4% (£300) scaled back by 40% = £180
- Total increase following capping and scaling = £380
- Total funding per pupil = £5,380

44. Schools Forum is asked to consider and provide a view regarding the preferred MFG per pupil, the proposed exclusions from the MFG and the use of a cap and scaling model for gaining schools.