

Committee:	School Forum
Meeting Date:	2 nd October 2018
Title:	Preparation for 2019-20 School Budget Setting
Author:	Sonya Harban, CYP Strategic Finance Partner Michael Quinton, Senior Service Accountant
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. To agree that Officers continue to follow the precedent agreed last year with setting School Budgets in moving as expediently as possible to the National Funding Formula (NFF), using the lowest Minimum Funding Guarantee (MFG) allowable of -1.5%.

Reason for recommendation

2. The recommendation is in accordance with the conditions of the grant and reflects previous practice. It will 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. This will enable a smooth transition and avoid unnecessary turbulence to allow schools to plan with more certainty.

Alternative options

3. School Forum could agree a higher level of MFG to protect the budgets of those schools that will see a budget reduction under the NFF. This would be in direct contrast to the methodology Schools Forum were clear that they wanted to follow previously.

Who will be affected by this decision?

4. All school budgets.

Main body of the Report

5. The Government announced last year that the NFF would provide local authorities with per pupil funding in 2019-20 of at least £4,800 for all secondary schools that have pupils in Year 10 and Year 11. The actual unit of funding provides Suffolk with £5,015, which is a 1.8% increase over 2018-19.

6. The per pupil funding guaranteed for primary schools was announced as £3,500. The actual unit of funding provides Suffolk with £3,910, which is a 1.8% increase over 2018-19.
7. A separate grant will be payable in both 2018-19 and 2019-20 to all schools which will cover in full the difference between the pay award agreed, and the cost of the 1% award that schools would have anticipated under the previous public sector pay cap.
8. The overall increase in funding per pupil for the schools block from the baseline of 2017-18 is 4.4%. As there are still some transitional arrangements used in the national allocation, this is lower than the 4.7% the DfE illustrate that the Suffolk per pupil funding would increase by under a fully implemented NFF.
9. It has recently been announced that the full implementation of the NFF has been delayed for at least a further year to 2021-22.
10. The increase for the Central Schools Service Block is 0.5%, increasing the budget to £8.773m. The transitional arrangements to this block mean that under the NFF, this would actually increase by a further £0.712m.
11. The High Needs Block allocation is provisionally shown as an increase of 3.1% to £61.7m (before any recoupment of high needs places funded directly by the ESFA). Whilst this may be the largest percentage increase, the gains cap means that this funding is £1.88m, or 3% less than it would be under a fully implemented NFF.
12. There have been some changes to the DSG grant conditions. For the 2018 to 2019 outturn statements, any local authority that holds a deficit against their DSG greater than 1% will be required to submit a recovery plan to the ESFA. This will be mandatory under the conditions of grant. The Department for Education (DfE) will consult with local authorities about the details of this requirement in the autumn of 2018. The current reserves position for Suffolk is a surplus of £0.959 of uncommitted monies before any overspends relating to 2018-19 are taken into account.
13. The DSG operational guidance for 2019-20 confirms that as per last year, the local authority can set the MFG between 0% and -1.5% per pupil in 2018-19.
14. Schools Forum strongly advocated last year to move individual school budgets as quickly as possible to that which they would receive once the full NFF is implemented. This means setting the MFG at -1.5% per pupil.
15. A number of schools have had any gains they would have received significantly capped over recent years. To address this, Schools Forum agreed to a scaling of the cap being applied in 2018-19.
16. Scaling is the degree to which gains above the cap will be scaled back to fund the MFG required, and was set at 23.7% for 2018-19. There was no fixed cap per pupil as in previous years. The scaling back of gains by 23.7% resulted in gaining schools receiving 76.3% of their gains in funding. This model will allow the outlying schools to move most quickly towards the budget they would receive under a fully implemented NFF.
17. Those schools on MFG (and so being protected from budget reductions) need to continue to review their budgets and plan for future years accordingly for when the NFF is fully implemented. Whilst the NFF affects the distribution of funding to schools in Suffolk, pupil numbers continue to

be the key driver in determining the budget for a school. Therefore, those schools with a reduction in pupil numbers are likely to see a decrease in their budget compared with the previous year, even under the NFF.

18. The local authority intends to continue to set the budgets for 2019-20 on this basis in order to move towards the NFF as quickly as possible.
19. At the Schools Forum held in July, it was agreed to provide a more regular forecast on the current projection against DSG budgets.
20. The table below shows what is currently anticipated as the level of budget variance against each block:

	2018-19 DSG Budget	Academy/ESFA Recoupment	2018-19 Revised	Forecast	Variance
CSSB	£8,773,296	£0	£8,773,296	£8,588,296	£185,000
Early Years	£36,539,284	£0	£36,539,284	£36,539,284	£0
Schools Block	£400,213,870	-£261,014,653	£139,199,217	£138,999,217	£200,000
HNB	£59,870,194	-£10,228,074	£49,642,120	£52,052,568	-£2,410,448
	£505,396,644	-£271,242,727	£234,153,917	£236,179,365	-£2,025,448

21. The underspend against the CSSB relates to the historical commitment for the existing on-going redundancy costs of teachers. Spend has reduced over the years, and the recommendation is that the underspend is held to offset the overspend against the HNB.
22. The Early Years Block allocation is based on the January census count (an element of the January 2018 and January 2019 count). If there is a fall in pupil numbers over that time period, the funding is reduced accordingly. Likewise, an increase in pupil numbers means that the allocation for the 2018-19 financial year would increase. Due to the vulnerability in funding for the majority of the budget, it is prudent to assume a zero variance. The adjustments to the 2018-19 Early Years Block DSG will be made in July 2019, and this will be shared at the next Schools Forum meeting. The element of Early Years DSG funding that can be more easily forecast is the centrally retained element of 3.8%, and there is unlikely to be any underspend in this financial year due to the staff restructure necessary to reshape the service.
23. The underspend of £0.2m against the Schools Block is in relation to the difference in rates recouped by the EFA to that budgeted for. The corresponding cost locally would be a reduction in the rates collected by each district/borough.
24. **Despite an increase in funding over 2017-18 of £1.8m, spend on SEND is projected to be £2.4m higher than budget. This represents an increase in the number of special school placements commissioned, additional costs of top-up payments to all school settings, and a large increase in the spend on placements purchased outside of the county compared to 2017-18. Further details on the change in commitments and spend will be provided at the Schools Forum meeting in November.**