

TO: SCHOOLS FORUM
DATE: 7 DECEMBER 2017

**2018-19 SCHOOLS BLOCK ELEMENT OF THE SCHOOLS BUDGET –
INITIAL MATTERS**

Director of Children, Young People and Learning

1 PURPOSE OF REPORT

- 1.1 To set the current scene on the Schools Block element of the Schools Budget and to update the Schools Forum on the initial matters that need to be dealt with now in order for the timely preparation of the 2018-19 budget, including considering the views from schools as expressed in their responses to the recent financial consultation. Further decisions will be required in January when all of the required information will be available.

2 EXECUTIVE SUMMARY

- 2.1 Responses from the financial consultation with schools show a clear direction for the development of 2018-19 school budgets. There is strong support to move to a local funding formula that closely matches the School National Funding Formula (SNFF) and that the Minimum Funding Guarantee should be used to ensure that no schools face a reduction in their 2017-18 per pupil funding.
- 2.2 Furthermore, in order to maximise the strategic and cost effective benefits that can arise from central management, schools agreed that a small number of services should continue to be provided directly by the council, including those requested through the de-delegation route, and that maintained schools should each continue to contribute £20 per pupil towards the cost to the council of meeting education related statutory and regulatory duties.
- 2.3 There is a tight timetable to meet, with the Department for Education (DfE) setting the 19 January as the deadline for Local Authorities (LAs) to submit the Funding Formula for Schools they will use in 2018-19, together with associated units of resource and the total cost. Therefore, a range of budget proposals are now being presented to assist a timely resolution to the budget. Final recommendations for change will need to be taken at the 18 January meeting of the Forum, following release by the DfE of the data that must be used for budget setting purposes.

3 RECOMMENDATIONS

Items for all Members

To NOTE:

- 2.1 **The outcomes from the financial consultation with schools as summarised in Annex 1;**
- 2.2 **The additional comments made by schools, as set out in the restricted Annex 3;**

To AGREE:

- 3.1 That in accordance with the majority views of schools as expressed through responses to the financial consultation, that:**
- 1. The allocation of additional funds to schools should be through Option 1, aim for a close fit to the 2018-19 SNFF allocation for each school;**
 - 2. The cost of meeting the MFG will be via an equal proportionate deduction from all schools experiencing a funding gain;**
 - 3. That taking account of the additional funding to be provided through the Pupil Premium, that funding for Looked After Children is removed from the BF funding formula.**
- 3.2 On going central retention by the Council of Schools Block and Central School Services funding for the services set out in Annex 2.**
- 3.3 The provisional budget changes for 2018-19, as set out in Table 2, and that indicative budgets are sent to schools this term, based on these decisions.**
- 3.4 That taking account of the recent revision by the DfE to allow for LAs to closer match the allocations from the SNFF in their local funding formula, that the MFG is set at the highest affordable rate, at the same proportional increase most schools can expect, which currently indicates an MFG rate of + 0.38%.**

Item for Primary School representatives only:

- 3.5 To AGREE the continued de-delegation of budgets for the services requested by the council.**

Item for Secondary School representatives only:

- 3.6 To AGREE the continued de-delegation of budgets for the services requested by the council.**

Item for all School representatives only

To AGREE:

- 3.7 That a £20 per pupil contribution continues to be made by maintained schools towards the cost of delivering 'general' education related statutory and regulatory duties.**
- 3.8 That subject to agreement of the DfE, where schools amalgamate to form a new primary school, that any balances from the closing schools should be made available for use by the successor school rather than be retained by the council.**

4 REASONS FOR RECOMMENDATIONS

- 4.1 To ensure that the 2018-19 Schools Budget is developed in accordance with the views of the Schools Form, the anticipated level of resources and the statutory funding framework, including the requirement to submit summary details of individual 2018-19 school budgets to the DfE by 19 January 2018.**

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 These are set out in the supporting information.

6 SUPPORTING INFORMATION

Background

- 6.1 Proposals for reforming school and education funding, most notably through the introduction of a SNFF, were initially announced by the government in March 2016 and are now reaching a conclusion. The SNFF is expected to be in place from April 2018, with LAs receiving funding for schools in their area on the new national formula, but in order to aid a smooth transition to the SNFF, continuing to have freedom to calculate and distribute funding to individual schools for the next 2 years.
- 6.2 From March 2020, the expectation is that responsibility for calculating funding for schools transfers to the Education and Skills Funding Agency (ESFA) which will implement the uniform SNFF for all schools in England, with minimal future involvement from LAs.
- 6.3 Following responses to the most recent DfE consultation in December 2016 and the outcomes from the general election result, there will now be an additional £1.3bn for schools and high needs budgets across 2018-19 and 2019-20. There will be £416m more than was set aside at the last spending review for the core school budget in 2018-19, and £884m more in 2019-20. These amounts are in addition to the extra £500m announced to support the reforms as part of Spending Review 2015. Budgets beyond 2020 will be confirmed in the next Spending Review.
- 6.4 The Schools Forum has been kept up to date with these developments through regular reports which have confirmed that over the next 2 years, funding for BF schools through the SNFF will be 5.1% higher (£3.24m) than the actual amount received through the current funding framework. This is sufficient to deliver an increase in per pupil funding for BF schools ranging from 1.0% to 8.5%.

Future Funding Arrangements

- 6.5 The Schools Budget is funded by a 100% ring fenced government grant called the Dedicated Schools Grant (DSG). Following the latest national funding reforms, the DSG now comprises 4 funding Blocks (was 3), each with a separate calculation and funding allocation; the Schools Block (SB); the Central School Services Block (CSSB, and the new funding block) the High Needs Block (HNB); and the Early Years Block (EYB). The SB and CSSB directly support mainstream schools and are generally delegated to governors, the HNB and EYB are centrally managed by LAs.
- 6.6 The DSG can only be spent on the purposes prescribed by the DfE. Any under or overspending in a year must also be ring-fenced and applied to a future Schools Budget. There is a general ring-fence in place in that SB funding must be spent on school budgets, although where agreed by the local Schools Forum, up to 0.5% of the SB (circa £0.325m) can be transferred to fund costs that fall into other Blocks. Money can be freely transferred from other Blocks into the SB.
- 6.7 LAs can add to the DSG from their own resources to increase the size of the Schools Budget but are not permitted to plan to spend at a lower amount. The policy of the Council is for the Schools Budget to be funded to the level of external funding, with the Executive Member authorised to agree the budget allocations that are permitted by

DfE Funding Regulations, and this is scheduled to take place on 19 January 2018, taking account of recommendations of the Schools Forum.

The Schools Block

Overview

- 6.8 This report concentrates on the SB and CSSB elements of DSG which are intended to fund delegated school budgets and the small number of services that the DfE allows LAs to manage centrally on behalf of schools, where agreed by the local Schools Forum. HNB and EYB funding matters will be subject to a later report when there is expected to be greater certainty around levels of DSG funding.

Outcomes from the financial consultation with schools

- 6.9 Following agreement from the Schools Forum, a financial consultation with schools was issued on 30 October which sought views on key issues for the 2018-19 budget. There were 7 questions, with some more relevant to different school types than others as follows:
- Maintained Primary and Secondary Schools – questions 1 to 7.
 - Academy Primary and Secondary Schools – questions 1 to 4
 - Maintained Special School and Pupil Referral Unit – questions 6 and 7
- 6.10 By the end of the consultation period, a response had been received from 30 out of 39 schools (76% response rate). A reply was received from 22 primary schools (71%), all 6 secondary schools, Kennel Lane Special School and College Hall Pupil Referral Unit. The BF Teachers Association also made a response.
- 6.11 The questions are set out below and responses summarised. Recommendations for change, where relevant, have also been added in boxes. A summary of replies to each question can be found at Annex 1, with restricted Annex 3 listing all the comments received, together with a response from the council.
- 6.12 **Question 1**
In respect of allocating funds to schools, which Option do you prefer to use next year?
- 3 alternative options were identified for schools to consider, with attached annexes showing the potential financial effect of each option. In order to allow respondents to focus on the key principles to be adopted in the distribution of funding, the Forum agreed that indicative individual school budgets should be anonymised. The illustrative financial impact was calculated on the October 2016 school census data which will be subject to change once the DfE makes available the validated October 2017 school census data.

Responses from schools indicated that Option 1, aim for a close fit to the indicative 2018-19 SNFF allocation for each school was the most popular choice (29 schools, 97%). The next most popular response was from 1 school (3%) which supported Option 2, continue with the BF Funding Formula, increase other units of resource in accordance with the budget strategy. No schools supported Option 3, increase all amounts allocated by the BF Funding Formula by the same percentage.

The Forum is recommended to agree the most popular response from the consultation for allocating additional funds to schools, Option 1, aim for a close fit to the indicative 2018-19 SNFF allocation for each school.
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6.13 Question 2

In respect of the Minimum Funding Guarantee (MFG), do you think the rate should be set at 0%, minus 0.75% or minus 1.5%?

After budgets have been calculated, to ensure a degree of funding stability is maintained, the DfE requires a MFG to be applied and this sets a minimum reduction in per pupil funding that a school can experience between years. In recent years this has been set nationally at minus 1.5% for all schools i.e. schools must absorb the first 1.5% reduction in per pupil funding. From 2018-19, DfE is allowing LAs to set a rate locally, but this must be between 0% and minus 1.5%. 3 Options were presented with an MFG of 0%, minus 0.75% and minus 1.5%. NB: a 0% rate maintains funding at 2017-18 rates and provides the highest degree of protection, minus figures will result in less per pupil funding for affected schools in 2018-19 compared to 2017-18.

Responses from 19 schools (63%) preferred an MFG rate of 0%, 8 (27%) supported minus 1.5% with 3 (10%) selecting minus 0.75%.

On 23 November, after the closure of the BF consultation with schools, the DfE announced that due to a large number of LAs indicating a desire to move as closely as possible to the SNFF for 2018-19, funding regulations will now be amended to enable local formulae to include a positive MFG up to + 0.5% per pupil. This change now allows LAs to replicate the minimum 0.5% per pupil funding increase used by the DfE in the calculation of SNFF budgets, rather than be limited to a year on year cash protected amount i.e. a maximum MFG of zero.

As previously reported, and set out below in more detail in paragraphs 6.26 to 6.23, the unfunded cost arising in BF next year from diseconomies at new / expanding schools needs to be funded from the general increase in funds from the SNFF and therefore not all of the expected increase can be allocated through the BF Funding Formula for Schools. At this stage, it is estimated that around 75% of the increase can be passed on to existing schools. To consistently fund all schools, this implies an MFG rate at 75% of the maximum amount, which is estimated at 0.38%. Setting this higher rate is expected to result in an extra £0.010m funding protection added to schools experiencing the smallest increases. 2 extra schools would receive additional funds.

Taking account of the school responses to Question 1, where 97% supported as close a fit to the indicative 2018-19 SNFF allocation for each school as possible, and Question 2 where 63% supported the highest allowable rate of MFG, the Forum is recommended to agree that the MFG is set at the highest affordable rate, in line with the increase most schools can expect, which is currently estimated at 75% of the allocated total, which indicates an MFG rate of + 0.38%.

6.14 Question 3

How would you prefer to finance the cost of the MFG, which is estimated at between £0.031m and £0.058m; an equal proportionate deduction from all schools experiencing a funding gain e.g. 2% of the gain; or an equal per pupil deduction from all schools experiencing a funding gain e.g. £3 per pupil?

An equal proportionate deduction would result in all schools contributing the same share of their funding gain to finance the cost of MFG at schools losing money. An equal per pupil deduction would result in schools with the most pupils contributing the highest cash amount.

Responses from 17 schools (57%) preferred an equal proportionate deduction from all schools experiencing a funding gain with 13 (43%) selecting an equal per pupil deduction from all schools experiencing a funding gain.

The Forum is recommended to agree the most popular response to funding the cost of the MFG i.e. an equal proportionate deduction from all schools experiencing a funding gain.

6.15 **Question 4**

Do you agree that to avoid double funding, the £281 per looked after child (LAC) funding currently paid to schools through the BF formula should be removed?

The SNFF will not allocate funding to schools based on the number of LAC. To ensure schools supporting this priority group receive additional funding, the Pupil Premium Plus will be increased by £400 to £2,300. Retaining the £281 per LAC funding amount in the BF funding Formula will result in relevant pupils attracting more than twice the current level of funding.

All 30 responses supported the proposal.

The Forum is recommended to agree that funding for LAC pupils is removed from the BF funding formula.

6.16 **Question 5**

To continue the strategic and cost effective approach in the use of the funds for contingencies (including schools in financial difficulties), support to underperforming ethnic groups, CLEAPSS licences / subscriptions, staff supply cover costs, premature retirement / dismissal cost, free school meal eligibility checking and Behaviour Support Services, do you agree that the Schools Forum should again agree to de-delegate all relevant funding for continued central management by the LA?

25 of the 27 respondents (93% in total, 90% of responding primary schools, 100% of responding secondary schools) agreed that de-delegation of services should continue. Note: the council did not request that the SIMS licence fee funding be returned for central management as this arrangement is losing money. An option under consideration is to explore whether the LA can continue to purchase the licence for maintained schools, and recharge the actual cost back to schools through an SLA type agreement. Unlike de-delegation, this would ensure full costs are recovered and maintained schools would still benefit from the economies of scale that the council can secure. Furthermore, de-delegation of the anti-bullying service is also under review, again due to there being a loss on the service.

The school representatives on the Forum are therefore recommended to agree to continue to de-delegate funding of services requested by the council for central management by the LA.

6.17 **Question 6**

In respect of making a financial contribution to the statutory and regulatory education related duties required of the council that will no longer be financed through DfE grant, do you agree that maintained schools should continue to make a £20 per pupil contribution?

From April 2017, the DfE implemented a saving of £600m through the complete withdrawal of the Education Services Grant (ESG) which was the mechanism used to fund LAs for their statutory and regulatory education related duties as prescribed in various Education Acts and other relevant statutes. This resulted in the council losing £1.2m of grant but continuing to have to meet the same requirements. The DfE “recognise that local authorities will need to use other sources of funding to pay for education services once the general funding rate has been removed” and will “allow local authorities to retain some of their schools block funding to cover the statutory

duties that they carry out for maintained schools which were previously funded through the ESG.” Schools agreed to a £20 per pupil deduction through the 2016 consultation and a similar deduction in 2018-19 would contribute around £0.23m to the £1.2m loss in grant. The deduction, if agreed, is taken after the calculation of final school budgets.

20 of the 28 respondents (71%) agreed that a £20 per pupil contribution should continue.

The school representatives on the Forum are therefore recommended to agree that the £20 per pupil contribution to education related statutory and regulatory duties continues.

6.18 **Question 7**

Do you agree that the council should seek agreement from the Secretary of State for Education for schools that amalgamate to form a new primary school, that any balances from the closing schools should be made available for use by the successor school rather than be retained by the council?

The council is seeking to make a discretionary change to the Scheme for Financing Schools in respect of the circumstances in which closing schools can retain any surplus balance, which at the moment, in accordance with DfE guidance, revert back to the LA. In considering the situation where schools may amalgamate, two schools close to open on the next day as one new primary school. In these circumstances, the council would want to pass any balance on to the successor school, which requires express permission of the secretary of state.

All 28 respondents supported the proposal.

The school representatives on the Forum are therefore recommended to agree that subject to agreement of the Secretary of State, that where schools amalgamate to form a new primary school, that any balances from the closing schools should be made available for use by the successor school rather than be retained by the council.

Initial budget position for 2018-19

Estimated Schools Block DSG income

- 6.19 The DfE is expected to publish verified October school census and other data that must be used to calculate 2018-19 school budgets in the middle of December. Therefore, at this stage, DSG income can only be estimated. In terms of the overall quantum available next year, as previously reported, the DfE has already announced the individual per pupil funding rates that will apply to each LA to ensure sufficient funding to meet the new minimum per pupil funding rates of £3,300 for primary aged pupils and £4,600 for secondary aged pupils. For BF these will be £3,616 and £4,849 respectively. Based on the 16,008 pupils¹ recorded on the provisional October 2017 school census data, an increase of 109, which will deliver £65.188m.
- 6.20 The DfE has also confirmed that there will be a separate funding allocation to LAs for non-pupil based school costs, to be set at the 2017-18 budget amount and intended to finance the cost of business rates, high pupil mobility and the Growth Fund. The

¹ 2018-19 is the first year that pupils in SEN Resource Units attached to schools will be included in the relevant school's per pupil funding. In previous years these pupils have been funded from the HN Block on a per place basis. This change increases BF pupil numbers by 47 compared to last year. In addition 21 pupils were funded for deferred admission to reception (due by age to start in September but deferred on parental preference). The DfE no longer include funding for deferred admissions.

allocations for business rates and high pupil mobility of £1.528m and £0.013m respectively will ultimately be included in delegated school budgets.

- 6.21 In terms of the Growth Fund, this amounts to £0.772m and is a centrally managed budget that is generally allocated in-year to relevant schools once eligibility criteria have been met. It comprises 3 elements that are allocated to schools after the start of the financial year, which total £0.454m and comprise; funding for significant in-year increases in pupil numbers at £0.312m; allocations to schools requiring additional financial support to meet Key Stage 1 Infant Class Size Regulations at £0.086m; and pre-opening costs for new schools at £0.056m.
- 6.22 There is a fourth element of the Growth Fund that is allocated to qualifying schools at the start of the financial year, and this relates to diseconomy funding for new schools that ensures sufficient budget is available to manage a new school as pupil numbers grow to a viable number. There is currently £0.318m of diseconomy funding being paid into the initial budget of the recently opened Warfield Woodhurst Primary School.
- 6.23 Therefore, at this stage, the overall income for the SB is estimated at £67.501m, with £0.454m retained by the council for in-year allocation to schools once eligibility criteria are met, and the remaining £67.047m included in delegated school budgets.

Current Schools Block base budget

- 6.24 At the previous meeting of the Schools Forum, it was reported that the current Schools Block base budget for amounts delegated to schools is £65.039m. The £67.501m delivered through the SNFF therefore provides an overall increase in funding for schools of £2.008m, which comprises £0.312m for the 83 additional pupils recorded on the provisional October 2017 school census and the previously reported £1.696m increase received through the general operation of the new SNFF. Budget allocations to schools for the 83 additional pupils on the school census will be through reference to the BF funding formula, and whilst this attempts to replicate the SNFF, there will always be differences in allocations due to the different factors permitted to be used in each formula, with £0.325m the amount actually expected to be allocated to schools.

Adjustments required to the Current Schools Services Block (CSSB) base budget

- 6.25 It has previously been reported that the new funding framework will result in the creation of the CSSB to fund and account for budgets that support schools which can be centrally managed by councils. Relevant funds are currently held within the SB and therefore need to transfer to the CSSB. The total amount involved is the 2017-18 base budget of £1.509m, with £1.055m transferring to the CSSB, and £0.454m remaining in the SB i.e. the centrally managed Growth Fund. Annex 2 sets out the budgets involved. Paragraphs 6.34 to 6.39 below provide more information on the CSSB.

Growth Fund - Impact from new / expanding schools

- 6.26 Current pupil forecasts indicate the need for six new schools over the medium to long term. This will create a significant revenue budget pressure for start-up and diseconomy funding. Due to the long term nature of the build programme, the reliance on external factors, such as the speed of house building that will be determined by developers and complexities around formulating accurate pupil forecasts down to individual school level, the cost forecast is subject to regular review and revision.
- 6.27 However, with Binfield Learning Village (BLV) scheduled to open to secondary aged pupils in September 2018 (part year financial effect in 2018-19), and Warfield Woodhurst Primary School continuing to require diseconomy top-up funding, it is

known that the cost of supporting new schools will increase from the £0.318m that the DfE will again provide for this purpose in 2018-19. A provisional estimate of the likely cost next year is £0.848m which results in a budget pressure of £0.512m. The outline forecast for 2019-20 shows a further increase of £0.191m and mainly reflects the estimated cost of BLV being open for a full year together with additional pupils from September 2019.

- 6.28 Start-up costs have also been reviewed in the light of experience and this indicates the need for a payment of £0.091m to BLV for the period April to August 2018. With the DfE providing £0.056m for this purpose, there is a resultant budget pressure of £0.035m. Table 1 below summarises the key data relating to new and expanded schools. A more detailed update on the current position is included on a separate agenda item.
- 6.29 As previously reported, the DfE are aware that historic spend on growth will not necessarily predict accurately the amount of funding that will be needed for growth in future. Alternative options for the longer term are being formulated, with a current preference to move to a formulaic approach. At this stage, it is unclear if this will result in more or less funding being received by BF.

Table 1: Additional financial support for new / expanding schools

Item	Warfield West / Woodhurst (Opened Sept 2016)	Binfield Learning Village (To open Sept 2018)
<u>Running costs (financial year basis):</u>		
Fixed lump sum	£165,000	£300,420
Business Rates	£20,000	£46,670
Funding 6 classes from April – August	£188,580	-
Funding 7 Classes from September - March	£308,000	-
Funding 4 classes from September - March	-	£287,680
Total	£681,580	£634,770
	£1,316,350	
Funding Formula allocation (October 2017 school census data)	£485,970	£0
Total cost of Diseconomies	£195,610	£634,770
	£830,380	
Total Funding	£318,000	
Pressure in 2018-19	£512,380	
<u>Start-up costs</u>		
April 2018 – August 2018	-	£91,000
Total Funding	£56,000	
Pressure in 2018-19	£35,000	

Growth Fund – impact from in-year increase in pupil numbers and KS1 class sizes

- 6.30 As set out above, as well as supporting new / expansion schools, in accordance with the Schools Forum approved policy, the Growth Fund is also used to provide additional resources to schools that experience large in-year cost increases in pupil numbers. The most significant cost increases will occur when schools need to open additional classes at the start of the September 2018 academic year but are funded on lower September 2017 numbers. Taking account of current pupil numbers on roll that are expected to leave at August 2018, and the new numbers expected to start, 7 new classes are forecast. As a number of schools are very close to the funding threshold, a provision for 4 further payments is also proposed. With each new class costing £0.026m, the total estimated cost is £0.286m. This is a forecast saving of £0.026m compared to the £0.312m funding allocation from the DfE. Funding top-ups for KS1 class sizes are very volatile and therefore difficult to predict with accuracy and therefore no change is proposed to the £0.086m funding allocation from the DfE.
- 6.31 The net cost of £0.009m proposed above on centrally managed Growth Fund items (pressure of £0.035m for start-up costs for new schools and saving of £0.026m on in-year growth allowances for schools experiencing significant increases in pupil numbers will need to be funded from within the overall SB.

Impact from business rates revaluation and academy conversions

- 6.32 Forum members will be aware that there was a business rates revaluation at April 2017 of which the outcome was a cost increase to most schools. However, the full financial impact is being phased in through a 5 year transitional protection scheme which in general will limit 2018-19 cost increases at schools to 17.5% of the March 2017 base position. However, final arrangements for the protection scheme, together with a forecast cost increase to the rate in the £ multiplier have yet to be taken by the government. Based on provisional information, a cost pressure of around £0.101m has been calculated and is proposed at this stage. The actual cost change is expected to be available for the January Forum meeting which may require a budget revision.
- 6.33 There is also a change in rates liabilities when a school converts to an academy, at which point they become charitable organisations and eligible to 80% mandatory business rates relief. The 2017-18 budget included full rates funding for schools that converted in-year. For 2018-19, there is expected to be a £0.203m cost reduction.

The Central School Services Block

- 6.34 The first stage of DfE consultation proposed the introduction of a central school services block within the DSG to reflect the ongoing local authority role in education. This is intended to ensure LAs can continue to carry out their important role in supporting the provision of excellent education for all children of compulsory school age.
- 6.35 The central school services block will be created from two existing funding streams: the DSG funding that is held centrally by the LA for central services, and the retained duties element of the ESG, which is funding for duties which LAs hold in respect of all schools. Funding covers two distinct elements which will be handled separately within the national funding formula: ongoing responsibilities and historic commitments.
- 6.36 Funding for ongoing responsibilities to LAs will be distributed 90% according to a per-pupil factor and 10% of funding according to a deprivation factor. Both elements are adjusted for area costs. The central school services block will also provide funding for historic commitments based on current actual budgets. No new commitments are allowed and over time the expectation is that these costs will reduce.

- 6.37 There are significant differences in LA spending on these duties and therefore the DfE are introducing transitional funding arrangements to balance the rate of change against the need to make progress towards the formula. A protection will be in place in 2018-19 and 2019-20 that limits reductions to 2.5% per-pupil a year for ongoing responsibilities i.e. historic commitments will continue to be funded at the current budget amount. The level of gains will be set annually and will depend on the precise composition of the central school services block in each year. In 2018-19, gains of up to 2.5% per pupil will be allowed with 2.1% expected in 2019-20.
- 6.38 The provisional impact of this change on BFC is very similar to what was reported to the Forum in December 2016. The illustrative funding figures for ongoing responsibilities anticipated compared to current spend shows a reduction in funding of £0.085m (13.1%) from the £0.649m 2017-18 budget. Transitional funding protection will limit the first year reduction to 2.5%, £0.014m. The proposal is to manage this reduction through the budget for boarding placements for vulnerable children, where costs are below the current budget. A more fundamental review of services will be required to move to a sustainable funding level as further reductions are applied going forward.
- 6.39 Annex 2 sets out the services proposed to be centrally managed by the council, showing the 2017-18 base budget and the division of the services between the Schools Block and the Central Schools Services Block.

Summary of proposed changes

- 6.40 Based on provisional budget data, a series of changes have been set out above that the council proposes are reflected in the 2018-19 Schools Block budget. The proposals draw from the national funding framework and the estimated level of resources. To aid budget planning, the Forum is recommended to agree this approach, with final figures for the 2018-19 budget to be presented to the Forum for consideration at the 18 January 2018 meeting. At this stage, additional funds of £1.264m are expected to be available for schools, which represents 75% of the expected increase in funds from the normal operation of the SNFF, and is in line with the amount anticipated in October. Table 2 below summarises the changes proposed at this stage.

Table 2: Summary initial budget proposals for 2018-19

Para Ref.	Item	Schools Block			Central Services Schools Block	Total
		Delegated school budgets	De-delegated budgets	Council Managed		
		1 £'000	2 £'000	3 £'000		
	2017-18 Schools Block budget	63,791	1,275	1,509	0	66,575
	As reported to 12 January 2017 Forum	65,066				
	<u>Changes required from DfE "base lining"</u>					
	Remove 2017-18 one-off funding	-179	0	0	0	-179
	Add cost of SEN Unit pupils	176	0	0	0	176
	Charitable rates relief - part year effect	-24	0	0	0	-24
6.25	New CSSB items	0	0	-1,055	1,055	0
	2017-18 on-going Schools Block budget	63,764	1,275	454	1,055	66,548
6.24	As reported to 10 October 2017 Forum	65,039				
6.23	Provisional 2018-19 DSG funding	67,047			454	1,041
	Change in funding	2,008			0	-14
	<u>Changes required for 2018-19:</u>					
6.24	Increase in pupils	325		0	0	325
6.27	Diseconomy funding; new / expanded schools	512		0	0	512
6.28	Start-up costs: new / expanded schools	0		35	0	35
6.30	Significant in-year increase in pupil numbers	0		-26	0	-26
6.32	Rates revaluation and inflation	101		0	0	101
6.33	Charitable rates relief - full year effect	-203		0	0	-203
6.38	Savings - boarding places	0		0	-14	-14
	Total changes required for 2018-19	735			9	-14
6.31	Internal Schools Block funding transfer	9			-9	
6.40	Additional funds to allocate to schools	1,264				
	Proposed budget for 2018-19	67,038			463	1,041
	<u>Memo item:</u>					
6.17	Part funding of 'general' statutory duties to be transferred to BFC	-230			230	

Conclusion and Next steps

- 6.41 The national education and school funding reforms have resulted in an overall increase in funding to schools in BF. However, as usual, a range of cost pressures will need to be financed, most notably pay and price inflation and pension cost which will continue to present challenges to a number of schools.
- 6.42 The recommendations presented in this report allow for some key budget decisions to be taken now that assists with the budget planning and allows the calculation and distribution of indicative 2018-19 to schools before the end of term, subject to the timely release by the DfE of the data that must be used for budget setting purposes. Final SB and CSSB budget proposals for 2018-19 will be presented to the Forum to consider on 18 January.

6.43 Further work is on-going relating to the High Needs and Early Years Block items where the level of funding to be received next year has yet to be finalised. Budget proposals on these areas of the Schools Budget will be presented to the Forum in March.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

7.1 The relevant legal implications are addressed within the main body of the report.

Borough Treasurer

7.2 Included within the supporting information.

Equalities Impact Assessment

7.3 A decision on the need for an EIA will be taken when the final budget proposals are confirmed.

Strategic Risk Management Issues

7.4 Whilst the funding reforms in general result in schools receiving additional funds, a number of strategic risks exist, most significantly:

1. Insufficient funding to cover anticipated pay and price inflation and changes in contributions to the Pension Funds for those schools receiving the lowest increases.
2. The ability of schools with loans to manage their repayments. Two secondary schools have significant loan advances that need to be managed during a period of financial change.
3. Ensuring sufficient resources are allocated into general school budgets to meet their SEN responsibilities, up to the £10,000 limit.
4. Managing the additional revenue costs arising from the new / expanded schools programme.
5. The ability of schools to achieve school improvement targets.

7.5 These risks will be managed through support and assistance to schools in the budget setting process which is a well established programme. It has ensured that schools develop medium term solutions to budget shortfalls and draws on funding retained to support schools in financial difficulty or through the allocation of short to medium term loans. Subject to the outcomes from the consultation with schools, there remains a de-delegated budget of £0.195m (after academy deduction) to support schools in financial difficulties that meet qualifying criteria.

7.6 The increase in school academisation is also likely to increase budget and general resource pressures on the council. These will need to be managed as they emerge.

8 CONSULTATION

Principal Groups Consulted

8.1 CYPL Departmental Management Team, schools and other interested parties.

Method of Consultation

8.2 Written report. To CYPL Management Team; formal consultation with schools.

Representations Received

8.3 Included in body of the report.

Background Papers

None:

Contact for further information

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Doc. Ref

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Summary responses to the financial consultation with schools

FINANCIAL CONSULTATION WITH SCHOOLS: NOVEMBER 2017		TOTALS				TOTAL	%
		PRIMARY	SECONDARY	SPECIAL	OTHERS		
1	In respect of allocating funds to schools, which Option do you prefer to use next year? Option 1: aim for a close fit to the indicative 2018-19 SNFF allocation for each school; Option 2: continue with the BF Funding Formula, increase all other units of resource in accordance with the budget strategy; Option 3: continue with the BF Funding Formula, increase all amounts allocated by other formula factors by the same percentage. Note the Schools Forum recommends Option 1: aim for a close fit to the indicative 2018-19 School National Funding Formula (SNFF) allocation						
	Option 1	21	6	1	1	29	97%
	Option 2	1	0	0	0	1	3%
	Option 3	0	0	0	0	0	0%
2	The Minimum Funding Guarantee (MFG) compares per pupil funding between years and where the change is below the minimum permitted amount, a funding top up is added. It is an important funding protection mechanism. The DfE will permit each local area to set a rate of between 0% and minus 1.5%. NB: a 0% rate maintains funding at 2017-18 rates and provides the highest degree of protection, minus figures will result in less per pupil funding for affected schools in 2018-19 compared to 2017-18.						
	0%	13	4	1	1	19	63%
	Minus 0.75%	3	0	0	0	3	10%
	Minus 1.5%	6	2	0	0	8	27%
3	Which of the following options do you prefer to use to finance the cost of the MFG, which is estimated at between £0.031m and £0.058m: -an equal proportionate deduction from all schools experiencing a funding gain e.g. 2% of the gain, or an equal pupil deduction from all schools experiencing a funding gain e.g. £3/pupil						
	Equal proportionate deduction from all schools experiencing a funding gain	11	5	0	1	17	57%
	Equal pupil deduction from all schools experiencing a funding gain	11	1	1	0	13	43%

FINANCIAL CONSULTATION WITH SCHOOLS: NOVEMBER 2017		TOTALS				TOTAL	%
		PRIMARY	SECONDARY	SPECIAL	OTHERS		
4	The SNFF will not allocate funding to schools based on the number of Looked After Children. To ensure schools supporting this priority group receive additional funding, the Pupil Premium Plus will be increased by £400 to £2,300. Do you agree that to avoid double funding, the £281 per looked after child funding currently paid to schools through the BF formula should be removed?						
	YES	22	6	1	1	30	100%
	NO	0	0	0	0	0	0%
5	To continue the strategic and cost effective approach in the use of the funds for contingencies (including schools in financial difficulties), support to underperforming ethnic groups, CLEAPSS licences / subscriptions, staff supply cover costs, premature retirement / dismissal cost, free school meal eligibility checking and Behaviour Support Services, do you agree that the Schools Forum should again agree to de-delegate all relevant funding for continued central management by the LA?						
	YES	20	3	1	1	25	93%
	NO	2	0	0	0	2	7%
6	In respect of making a financial contribution to the statutory and regulatory education related duties required of the council that will no longer be financed through DfE grant, do you agree that maintained schools should continue to make a £20 per pupil contribution?						
	YES	15	2	2	1	20	71%
	NO	7	1	0	0	8	29%
7	Do you agree that the council should seek agreement from the Secretary of State for Education for schools that amalgamate to form a new primary school, that any balances from the closing schools should be made available for use by the successor school rather than be retained by the council?						
	YES	22	3	2	1	28	100%
	NO	0	0	0	0	0	0%
Total responses		22 70.97%	6 100.00%	2 100.00%	1 100.00%	31 77.50%	
Maximum responses		31	6	2	1	40	

Services proposed to be centrally managed by the Council

Service area	2017-18 Base Budget	Schools Block	Central School Services Block
<u>Historic commitments:</u>			
Combined Services Budgets*:			
Family Intervention Project	£100,000		£100,000
Educational Attainment for Looked After Children	£133,590		£133,590
School Transport for Looked After Children	£42,890		£42,890
Young People in Sport	£18,050		£18,050
Common Assessment Framework Co-ordinator	£42,470		£42,470
Domestic Abuse	£6,000		£6,000
Education Health Partnerships	£30,000		£30,000
SEN Contract Monitoring	£32,680		£32,680
<u>Miscellaneous (up to 0.1% of Schools Budget):</u>			
Forestcare out of hours support service	£4,850		£4,850
Borough wide Initiatives	£27,270		£27,270
Support to Schools Recruitment & Retention	£7,470		£7,470
<u>Growth Fund:</u>			
Significant in-year growth in pupil numbers	£311,650	£311,650	
Key Stage 1 class sizes	£86,390	£86,390	
Start-up costs for new schools	£56,100	£56,100	
<u>Statutory and regulatory duties:</u>			
'Retained' elements	£260,000		£260,000
<u>Other expenditure:</u>			
School Admissions	£175,970		£175,970
Schools Forum	£21,440		£21,440
Boarding Placements for Vulnerable Children	£75,880		£75,880
Central copyright licensing	£76,000		£76,000
Total approved 2017-18 budget	£1,508,700	£454,140	£1,054,560
<u>Changes proposed for 2018-19:</u>			
Significant in-year growth in pupil numbers		-£103,650	
Start-up costs for new schools		£35,000	
Boarding Placements for Vulnerable Children			-£14,000
Total proposed 2018-19 budget		£385,490	£1,040,560

* Combined Service Budgets funded by the DSG generally support vulnerable children, have an educational benefit and link to other programmes funded by the Council which together result in better, more effective use of resources with improved outcomes for children than if provided and managed independently.