

TO: SCHOOLS FORUM
DATE: 6 DECEMBER 2018

PROPOSALS FOR THE 2019-20
SCHOOLS BLOCK ELEMENT OF THE SCHOOLS BUDGET
Executive Director: People

1 PURPOSE OF REPORT

- 1.1 To provide an update to the Schools Forum on the matters that can now be dealt with in respect of the Schools Block and Central School Services Block elements of the Schools Budget in order for the timely preparation of the 2019-20 budget, including considering the views from schools as expressed in their responses to the recent financial consultation.
- 1.2 Whilst the Department for Education (DfE) has yet to provide the final data that must be used to calculate individual school budgets, decisions on some key matters are now being sought in order for a final budget to be presented to the DfE by the statutory deadline of 21 January 2019. As such, the Forum meeting on 17 January 2019 will present the final opportunity to take decisions on next year's budget for schools should there be any revisions to the budget setting data that is currently available.

2 EXECUTIVE SUMMARY

- 2.1 Responses from the financial consultation with schools show a clear direction for the development of school budgets. There is strong support from primary schools to continue the 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 all schools receive at least a +0.5% increase in per pupil funding. For secondaries, the preference is to meet the core objectives of the SNFF, but to also maintain a degree of funding stability with 2018-19 budgets. Therefore, different approaches to calculating individual school budgets are proposed for each phase.
- 2.2 Overall, per pupil funding for schools is forecast to increase by 2.3%, equivalent to £1.529m. However, this reduces to £1.005m after putting aside a share of the increase to part cover the impact of cost pressures not properly recognised in the DfE in the national funding settlement as well as adding in a further £0.345m income contribution from the council towards the costs arising from new schools.
- 2.3 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 statutory and regulatory duties that the DfE no longer provides LAs with grant funding to meet their responsibilities.
- 2.4 There is a tight timetable to meet, with the DfE setting the 21 January as the deadline for Local Authorities (LAs) to submit the Funding Formula for Schools they will use in 2019-20, 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. As the data that must be used for budget setting purposes has yet to be released by the DfE, there may be a need to make further recommendations at the 17 January meeting of the Forum, which will aim to be in line with the general approach to setting the budget as set out in the main body of the report.

3 RECOMMENDATIONS

Items for all Members

To NOTE:

- 3.1 The outcomes from the financial consultation with schools as summarised in the supporting information and Annex 2.**

To AGREE:

- 3.2 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 primary schools should be through Option 3, which aims for a close fit to the 2019-20 SNFF allocation for each school.**
 - 2. The allocation of additional funds to secondary schools should be through Option 2, which follows the core principles of the 2019-20 SNFF allocation, but also maintains funding stability with 2018-19 budgets.**
 - 3. In line with the principles for allocating funds to schools included in both Options 2 and 3, the Minimum Funding Guarantee should be set at +0.5% with any associated costs, as in previous years, being met by applying a cap to the schools receiving the highest per pupil gains.**
- 3.3 The budget changes for 2019-20, as set out in Table 3, with particular consideration given to:**
- 1. The medium term funding strategy for meeting the additional cost arising from the Growth Fund, as set out in paragraphs 6.26 to 6.31.**
 - 2. The request for additional funding from Warfield Primary School to finance the additional cost of operating across two separate sites as set out in paragraphs 6.34 to 6.36.**
- 3.4 That to meet the expected financing requirements of the medium term funding strategy arising from new schools, that funds in the New School Reserve are increased to £1m (paragraph 6.32)**
- 3.5 On-going central retention by the Council of Central School Services funding for the services and amounts set out in Annex 4.**
- 3.6 That in order to provide more accurate budget information, provisional 2019-20 individual school budgets should be released at the beginning of January 2019, rather than before the end of the autumn term.**

Item for Maintained Primary School representatives only:

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

Item for Maintained Secondary School representatives only:

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

Item for all Maintained School representatives (includes Special and PRU) only

- 3.7 To AGREE 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.

4 REASONS FOR RECOMMENDATIONS

- 4.1 To ensure that the Schools Block and Central Schools Services Block elements of the Schools Budget are developed in accordance with the views of the Schools Forum and governors, the anticipated level of resources and the statutory funding framework, including the requirement to submit summary details of individual school budgets to the DfE by 21 January 2019.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 These are set out in the supporting information.

6 SUPPORTING INFORMATION

Background

- 6.1 The Forum has been kept up to date with DfE proposals for reforming school and education funding, most notably through the introduction of a SNFF since they were first announced by the government in March 2016. Annex 1 provides a brief outline of the reforms. It is an extract from the Financial Consultation with schools document that has previously been distributed to Forum members.

School and Education Funding Arrangements

- 6.2 The Schools Budget is funded by a 100% ring fenced government grant called the Dedicated Schools Grant (DSG). The DSG comprises 4 funding Blocks, each with a separate calculation and funding allocation; the Schools Block (SB); the Central School Services Block (CSSB) 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 although the majority of funds are ultimately used to pay schools and other providers for services to children.
- 6.3 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 or from the SB to CSSB.
- 6.4 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 has previously been for the Schools Budget to be funded to the level of external funding, with the Executive Member authorised to agree the budget allocations.
- 6.5 Taking account of comments from the Schools Forum on the financial impact arising from the new school building programme, the Executive has agreed to support a 4 year funding strategy and will provide up to £1m from council balances over the period to help

finance this cost pressure. Further details on this policy change and associated funding strategy are set out below from paragraph 6.27.

- 6.6 In terms of approval by the Schools Forum of budget issues, when the impact is restricted to a particular group, the DfE requires that group only to make the decision, rather than all members. Therefore, for some decisions on this report, selective groups only are involved. The recommendations in section 3 of this report are set out to make clear which group of members has the decision making responsibility on each item.

The Schools Block

Overview

- 6.7 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. Initial HNB and EYB funding matters will be presented to the Forum for review in January.

Outcomes from the financial consultation with schools

- 6.8 Following agreement from the Schools Forum, on 16 October a 4 week financial consultation with schools was issued which sought views on key issues for the 2019-20 budget. There were 3 questions, with some more relevant to different school types than others e.g. some do not impact on academy schools.
- 6.9 By the 16 November response deadline, replies had been received from 25 out of 40 schools (63% response rate). A reply was received from 19 primary schools (61%), 5 secondary schools (83%) and Kennel Lane Special School. This represents a good response rate and gives confidence that decisions on key matters can be taken with the knowledge of the majority view of schools.
- 6.10 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 2.
- 6.11 Two primary schools made specific comments: firstly indicating that schools do not have the capacity to perform the de-delegated services and statutory duties, so have to support the proposals from the council; and secondly, it would have been useful if in addition to Table 2 of the consultation document – a written summary of the key features of the 3 different options proposed to allocate funds to schools - an analysis was provided that allowed the comparison of the relative impact of the different options across all BFC schools. The second comment will be considered for future consultations.
- 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. As the illustrative financial impact was calculated on the October 2017 school census data which will be subject to change once the DfE makes available the validated October 2018 school census data and provisional budget decisions, it was made clear on the consultation document that all figures are estimates and subject to change.

Responses from the 24 schools directly impacted by this question indicated that Option 3, aim for a close fit to the indicative 2019-20 SNFF allocation for each school was the most popular choice (11 schools, 46%). The next most popular response was from 7 schools (29%) which supported Option 2 which aims for stability of funding to the 2018-19 BF Formula. 6 schools (25%) preferred Option 1, use a more simplified approach to matching the SNFF that was more efficient to manage and easier to explain, but less sensitive than Option 3. The question was not relevant to Kennel Lane Special School which therefore did not make a response.

Looking at the breakdown of responses between primary and secondary schools there are different preferences with 58% of primary schools supporting Option 3 and 80% of secondary schools supporting Option 2. As there are clear differences in the preferences according to school phase, and the funding arrangements permit a different approach to be taken, the recommendations reflect this.

The Forum is recommended to agree the most popular response from each school phase to the consultation should be used for allocating additional funds, with Option 3, aim for a close fit to the indicative 2019-20 SNFF allocation used for primary schools and Option 2 which follows the key principles of the SNFF but also includes measures to ensure stability of funding to the 2018-19 BF Formula, for secondary schools.

6.13 **Question 2**

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?

All 19 responses from schools that this question directly impacted on agreed that de-delegation of services should continue.

The maintained primary and secondary 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.

6.14 **Question 3**

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 have always previously agreed to a £20 per pupil deduction which 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.

17 of the 20 respondents that this question impacted on (85%) agreed that a £20 per pupil contribution should continue.

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

Updated budget position for 2019-20

Estimated Schools Block DSG income to be paid to BFC

- 6.15 The DfE is expected to publish verified October 2018 school census and other data that must be used to calculate 2019-20 school budgets in the middle of December. Therefore, at this stage, DSG income continues to be an estimate. 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 +0.5% minimum increase in per pupil funding and the minimum per pupil funding rates of £3,500 for primary aged pupils and £4,800 for secondary aged pupils. A gains cap of a +3% increase in per pupil funding remains in place other than where a school is below the minimum per pupil funding rates which are excluded from the general gains cap.
- 6.16 For BFC, the rates will be £3,616 and £4,849 respectively and have been calculated from October 2017 data which means funding paid to LAs is lagged behind the data that must be used to fund individual schools. Based on there being no change in the 16,007 pupils recorded on the actual October 2017 school census data, this would deliver £66.710m, an increase of £1.529m which represents an average 2.3% increase in per pupil funding on a like for like basis to the 2018-19 BF average amount. This follows a 2.7% increase in 2018-19 and reflects the impact of the SNFF which is increasing the funding paid to the lowest funded LAs at a greater rate than the highest funded areas. With BFC receiving the 6th lowest funding rate on the previous funding system, increases from the SNFF are now being experienced.
- 6.17 The provisional October 2018 census data shows that pupil numbers have increased by 158 to 16,165 and this generates a further £0.964m DSG income. With this amount expected to closely match the extra funding needing to be allocated to schools as a result of the additional pupils on roll, no significant financial impact is anticipated in next year's budget as a result of changes in pupil numbers.
- 6.18 The DfE has also confirmed that there will be a separate funding allocation to LAs for non-pupil based school expenses which is intended to finance the cost of business rates, high pupil mobility and the Growth Fund. Funding for these costs are not subject to the same 2.3% increases being experienced in core per pupil funding detailed above.
- 6.19 There are lagged funding allocations for business rates and high pupil mobility which will be based on the 2018-19 actual funding allocations made to schools of £1.473m and £0.002m respectively. These represent reductions of £0.055m and £0.011m respectively.
- 6.20 In terms of the Growth Fund, which comprises 3 elements: funding for significant in-year increases in pupil numbers at existing schools; allocations to schools requiring additional financial support to meet Key Stage 1 Infant Class Size Regulations; and diseconomy and other costs for new schools, it was confirmed to the previous Forum meeting that for 2019-20 LAs would be funded on a new formula rather than the lagged funding approach used in 2018-19.
- 6.21 The new formula will use a measure of pupil growth by counting the increase in pupil numbers in each LA between the two most recent October censuses, so between

October 2017 and October 2018 which again represents a lagged approach to funding. The measure will be via small geographical areas used by the Office for National Statistics for various types of data analysis called middle super output areas (MSAO). These areas are considered small enough to detect pockets of growth. Only positive increases by MSAO will be counted. Reductions in other MSAO areas will not be deducted. Additional funding will also be provided in the year that a new school opens.

- 6.22 The DfE has recently released provisional data to assist LAs in calculating potential Growth Fund DSG income, which for BF, using provisional October 2018 pupil numbers, suggests around £0.800m, an increase of £0.300m from the original estimate and a £0.027m increase in the amount received in 2018-19.
- 6.23 Therefore, at this stage, the overall income for the SB is estimated at £69.949m, an overall increase from last year of £2.455m. Table 1 below sets out a summary.

Table 1: Forecast SB DSG for 2019-20

	Total £'000	Total £'000
Total DSG for 2018-19		67,494.3
<u>Forecast changes for 2019-20:</u>		
Effect of 2.3% increase in DSG funding rates	1,529.3	
Effect of 158 extra pupils	963.7	
Change in business rates funding	-54.7	
Change in high pupil mobility funding	-11.1	
Change in Growth Fund	27.5	
Total forecast change		2,454.7
Total forecast DSG for 2019-20		69,949.0

Current Schools Block base budget

- 6.24 The Schools Block base budget approved at the January 2018 meeting of the Schools Forum amounted to £67.888m, of which £67.494m was funded by DSG income and £0.394m from accumulated balances. Within the total, £67.425m was to be delegated to schools and £0.463m held centrally by the council in the Growth Fund to meet the cost of significant in-year increases in pupil numbers at existing schools and allocations to schools requiring additional financial support to meet Key Stage 1 Infant Class Size Regulations.

Proposed budget changes for 2019-20

Change in pupil numbers

- 6.25 Paragraph 6.17 above sets out that the provisional October 2018 census data which indicates that pupil numbers have increased by 158 and that this generates a further £0.964m DSG income based on the average per pupil funding allocation made to BF schools in 2018-19. This is therefore expected to closely represent the extra amount of funding allocated to schools this year and a budget pressure for this amount has been included in the proposals.

Growth Fund - Impact from new / expanding schools

- 6.26 Forum members will be aware that the most significant financial challenge facing the Schools Budget arises from the additional cost of new schools. A separate item on tonight's agenda seeks formal approval to the funding policy wording which has been updated to reflect changes agreed in principle by the Forum in June. The June meeting also requested that the council consider contributing resources to help finance the pressure in order to reduce the impact on existing schools.
- 6.27 This request has now been considered by the council's Executive, and despite the significant financial pressures being faced, including a forecast budget gap of £7m for 2020-21, it has been agreed to provide up to £1m of funding over the next 4 years from the council's reserves as part of a medium term budget strategy that also utilises the accumulated surplus balance in the Schools Budget and a proportion of the increase in funding from the SB DSG.

Annex 3 sets out a summary of the £4.3m cost anticipated over the next 4 years and the contribution from each funding stream. It represents the latest forecast and therefore is an update to the information presented to schools through the financial consultation.

- 6.28 The 2019-20 data column from Annex 3 indicates a £1.3m cost from new schools next year. Furthermore the budget provision for Growth Fund responsibilities managed by BFC in existing schools has been reviewed to reflect the medium term forecasts of likely need and this suggests an allocation of £0.325m for in-year growth allowances and £0.040m for KS1 classes which represents a reduction of £0.098m on the current £0.463m budget provision. For greater consistency, new school start-up costs are now included within the expenditure forecast for new schools rather than the funding held centrally by the council. With DSG Growth Fund income currently forecast at £0.800m, after funding the £0.365m anticipated cost at existing schools, there is £0.435m of DSG to contribute to the £1.3m cost of new schools, leaving £0.865m to finance.
- 6.29 Table 2 below summarises the funding strategy proposed by the council's Executive together with resultant budget requirements for 2019-20. The strategy comprises using the £0.435m DSG Growth Fund income not used to support existing schools, as detailed above in paragraph 6.28, for both the council and the increase in income from the SNFF element of DSG to each fund 0.5% of the pupil-led funding received by schools at £0.690m (i.e. 2 X £0.345m) with the £0.175m balance to be met from the accumulated surplus balance in the Schools Budget. For consistency and fairness, comparable funding elements in the new school funding policy have been reduced by 0.5% in the calculation of the £1.3m cost pressure amount to match the general hold back in funds from existing schools.

Table 2: Proposed financing and associated budget for the Growth Fund

	Primary £'000	Secondary £'000	Total £'000
<u>New schools:</u>			
Start-up costs	24.5	0.0	24.5
Diseconomy costs	386.5	814.4	1,200.9
Post opening costs	75.0	0.0	75.0
	486.0	814.4	1,300.4
<u>Existing Schools:</u>			
In-year pupil growth	166.2	138.4	304.6
KS1 classes	60.0	0.0	60.0
Total estimated costs	712.2	952.8	1,665.0
<u>By school:</u>			
Warfield Woodhurst	94.7	0.0	94.7
KGA Oaklands	241.5	0.0	241.5
KGA Binfield	149.8	814.4	964.2
Total estimated costs	486.0	814.4	1,300.4
<u>Financing:</u>			
BF council			345.0
DSG balances			175.4
2019-20 DSG income - balance on Growth Fund			435.0
2019-20 DSG income - from increase in SNFF			345.0
Total estimated costs			1,300.4

- 6.30 As the 2018-19 on-going DSG funded base budget includes £0.420m for new schools, the £0.780m of required DSG funding identified above in Table 1 (£0.435m and £0.345m) contains a net £0.360m increase in contribution.
- 6.31 In terms of the expected medium term 4 year funding requirements for new schools, Annex 3 details the estimated amount required from each funding stream at this stage. Due to the volatile nature of some of the data used in the calculations, the future cost estimate and associated funding requirement will be subject to annual review and revision.
- 6.32 Annex 3 indicates that £0.914m will be required from the general unused DSG balances over the next 4 years and the Forum is recommended to agree that the New School Reserve be increased from the £0.406m current balance to £1m. There is currently £1.334m of unallocated balances held in DSG funded Unallocated Schools Budget Reserve.

Impact from business rates revaluation

- 6.33 Forum members are 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. There is also an annual uplift to charges levied through the business rates scheme. Taking account of the latest available information, including the changing school estate, there is estimated to be a cost increase to school rates of £0.115m. The actual cost calculation is subject to change which may require a budget revision in January.

Split site schools

- 6.34 A further pressure has been raised by an individual school. In 2016, Warfield Primary school was expanded by a further 2 forms of entry to accommodate additional pupils that would require a school place as a result of house building. The new school is located on a different site and has a walking distance of 1.167 miles from the original school.
- 6.35 After two years experience of managing the split site school, the school has identified a number of additional costs that need to be incurred as a result of the site configuration for which there is no additional funding allocation. These mainly relate to staffing needing to maintain a presence on 2 sites which creates inefficiencies, and includes office staff, especially main reception, lunchtime controllers and site staff. The most significant non-staffing cost relates to the need for a mini-bus to enable sharing of curriculum and sporting activities across both sites. The cost impact has been calculated at £0.075m.
- 6.36 The DfE recognise there can be financial implications for schools operating on split site locations as they only receive 1 fixed lump sum funding allocation (currently £0.160m), which is partly intended to fund some of the extra costs that have been highlighted. The DfE school funding operational guidance sets out that “A local authority formula can include a factor to provide additional funding to schools that operate on more than one site on school budgets from split site operations”. The budget proposals include the £0.075m funding for this item.
- 6.37 The Forum is requested to consider the approach to be taken on this item.

Teachers’ Pay and Pensions

- 6.38 The last meeting of the Forum was updated on the cost of the 2018 Teachers’ Pay Award which was estimated to increase costs to BF schools by around 2.8% and that the DfE would be funding around 1.8% of the cost increase from a specific grant, which equates to £0.67m for BF schools in a full year. The part funding of the grant reflected the view of the DfE that schools would already have budgeted 1% for the pay award in advance of the confirmed settlement outcome.
- 6.39 Subsequent to this announcement, the DfE has indicated that the 2016 public sector pension scheme valuations have been reviewed by the Treasury and changes are proposed to ensure the cost of pension schemes remain sustainable in the future. They reflect updates to long-term and short term earnings growth, increases in actual pension payments and post-retirement mortality rates. There is likely to be a 7.12% increase in the Employers Contribution to the Teachers’ Pension Scheme (from 16.48% to 23.6%). The DfE intends to “fund fully the contribution increase for state funded schools and academies.” The full year cost of this change for BF schools is estimated at £2.6m.
- 6.40 To avoid a real terms cut in funding, these cost increases, for which temporary funding is being provided, will place financial pressure on the DfE to provide on-going funding to schools during the next spending review period, which commences from April 2020.

The Central School Services Block

- 6.41 The central school services block has been created 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. It covers pre-defined service budgets, with the local Schools Forum having this statutory decision making responsibility for agreeing the amount of funds that can be spent on each budget.
- 6.42 It covers two elements which are treated differently within the national funding formula: ongoing responsibilities and historic commitments. On-going responsibilities where an existing budget has previously been agreed by the BF Schools Forum comprise school admissions, servicing of the Schools Forum, places in independent schools for non-SEN pupils, contribution to responsibilities that local authorities hold for all schools and boroughwide initiatives (capped at up to 0.1% of the total Schools Budget).
- 6.43 Historic commitments 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. Amongst other things, the funding is used to support the Family Intervention Project, Educational Attainment for Looked After Children, Young People in Sport and Education Health Partnerships.
- 6.44 Funding for ongoing responsibilities to LAs is now 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 also provides 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. The DfE will be reducing funding allocations for historic commitments from April 2020 which will impact on the current £0.406m income. The amount of deduction has yet to be confirmed.
- 6.45 There are significant differences in LA spending on these duties and therefore the DfE has implemented transitional funding arrangements to balance the rate of change against the need to make progress towards the formula. The new formula will result in a 10.7% funding reduction through the per pupil funding element. Transitional funding protection limits the loss to 2.5%. Final funding will be confirmed in December, with £1.025m grant income estimated at this time, a £0.016m reduction.
- 6.46 Like most services, those held within the CSSB are facing significant financial pressures, in particular in respect of pay and pensions. There have been no inflationary increases to budgets in these areas for 7 years which is creating more significant financial difficulties each year and a funding increase of 3% to all budgets other than historic commitments is now proposed. The cost is estimated at £0.019m. No central services benefit from the teachers' pay and pensions grant income. Adding the £0.016m reduction in funding, these changes require a funding transfer of £0.035m from the Schools Block.
- 6.47 Annex 4 sets out the services proposed to be centrally managed by the council, showing the 2018-19 base budget and the funding proposed for 2019-20 which the Forum is recommended to agree.

Summary of proposed changes

- 6.48 Based on provisional budget data, a series of changes have been set out above that the council proposes are reflected in the 2019-20 Schools Block budget. The proposals draw from the national funding framework and the estimated level of resources.
- 6.49 To aid budget planning, the Forum is recommended to agree this approach, with final figures for the 2019-20 budget to be presented to the Forum for consideration at the 17 January 2019 meeting. At this stage, additional funds of £1.005m are expected to be available for schools, which represents around 70% of the expected increase in funds from the normal operation of the SNFF. Table 3 below summarises the changes proposed at this stage.

Table 3: Summary initial budget proposals for 2019-20

Para Ref.	Item	Schools Block		Central Services Schools Block	Total
		Delegated school budgets	Council Managed		
		1 £'000	2 £'000		
6.24	2018-19 Schools Block budget <i>As reported to 18 January 2018 Forum</i>	67,425	463	1,041	68,929
	Remove 2018-19 one-off funding	-394	0	0	-394
	2018-19 on-going Schools Block budget	67,031	463	1,041	68,535
6.23 / 6.45	Provisional 2019-20 DSG funding	69,949		1,025	70,974
	<u>One-off funding for new school costs:</u>				
	Draw down from DSG accumulated balances	175			175
	Contribution from BFC	345			345
	Change in funding	2,975		-16	2,959
	<u>Changes proposed for 2019-20:</u>				
6.25	Change in pupil numbers	964	0	0	964
	<u>Growth Fund:</u>				
6.28	BFC managed budgets	0	-98	0	-98
6.28	Growth Fund: New schools - 2019-20 cost	1,300	0	0	1,300
6.30	Growth Fund: New schools - 2018-19 cost	-420	0	0	-420
6.33	Rates revaluation and inflation	115	0	0	115
6.35	Split site schools - additional costs	75	0	0	75
6.46	Pay and pension pressure	0	0	19	19
	Total changes required for 2019-20	2,034	-98	19	1,955
6.49	Additional funds to allocate to schools	1,005			1,005
	Proposed budget for 2019-20	70,070	365	1,060	71,495
	<u>Memo items:</u>				
	Funding transfers between DSG Blocks	63	-98	35	
	Part funding of 'general' statutory duties to be transferred to BFC	-232	232		

- 6.50 After school budgets have been calculated, to ensure a degree of funding stability is maintained, the DfE requires the Minimum Funding Guarantee (MFG)¹ to be applied that sets a minimum change in per pupil funding that a school can experience between years. The DfE now permits LAs to set a rate locally that must be between +0.5% and minus 1.5%. With responses from schools to the financial consultation continuing to support a close match to the SNFF allocation where the minimum increase in per pupil funding is +0.5%, and it is therefore proposed to apply a MFG of +0.5%.
- 6.51 The cost of the MFG can be financed by applying a cap to the schools receiving the highest per pupil gains, which is the approach currently taken in BF and is proposed to continue into 2019-20. Schools receiving an increase in per pupil funding as a result of the new guaranteed minimum per pupil funding rates will not contribute to funding the cost of the MFG as this would reduce the total funding below the minimum permitted amount.

Issuing 2019-20 budgets to schools

- 6.52 In previous years, provisional budgets have been issued to schools before the end of the autumn term following agreement of the Schools Forum to the overall budget setting process. For 2019-20 a new approach is proposed, with provisional budgets issued to schools in the first week of the spring term. This change is being proposed because:
1. Provisional budgets have typically been issued on the last day of term with many schools then not having the opportunity to review them until the start of the spring term.
 2. As the DfE are not able to release the October 2018 census data that must be used for budget setting purposes until the middle of December, it is too late to incorporate into the individual school budgets which are therefore based on estimated data. Whilst pupil numbers can generally be estimated accurately from LA data, other measures, such as free school meal eligibility, and test scores are more difficult to accurately predict.
 3. With the introduction of universal credit, deprivation data is expected to be more volatile than in previous years, as is low prior attainment data for primary schools with the changes in the Early Years Foundations Stage assessments resulting in increases in pupils eligible for funding.

Therefore, issuing provisional budgets in early January will ensure the latest budget data is being used with reduced likelihood of significant changes when final, confirmed budgets can be issued towards the end of January.

Conclusion and Next steps

- 6.53 Due to the historic low funding levels, BF schools are in general gaining from the national funding reforms. However, there are local budget pressures that are not adequately resourced by the DfE that reduce the overall funding gain that can ultimately be passed on to schools. The council is providing £0.345m from its own resources in 2019-20 (up to £1m over 4 years) to ensure schools receive a larger increase than would otherwise be the case.

¹ The MFG compares per pupil funding allocations between years and where the change is below the minimum threshold, a funding top up is added to meet the minimum per pupil change requirement. The MFG calculation required by the DfE excludes funding for business rates and fixed lump sum allocations. The cost of top-up funding is financed by scaling back increases to schools experiencing funding gains. The SNFF calculation of per pupil funding only excludes business rates; fixed lump sum allocations are included. Therefore, the calculations are performed differently.

- 6.54 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 provisional 2019-20 budgets, 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 2019-20 will be presented to the Forum to consider on 17 January, when all relevant data used for budget setting purposes is expected to have been finalised.
- 6.55 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 January and 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.

Director of Finance

- 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. There remains a de-delegated budget of £0.195m (after academy deduction) to support schools in financial difficulties that meet qualifying criteria.
- 7.6 Any further school academy conversions are 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 People Directorate Management Team, school governors, head teachers, Schools Forum and other interested parties.

Method of Consultation

- 8.2 Written report to People Directorate Management Team and Schools Forum; formal consultation with schools.

Representations Received

- 8.3 Included in body of the report.

Background Papers

None:

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Overview of School Funding Reform

National changes

1. The DfE are in the process of implementing national funding reforms for schools and education. This includes the introduction of the School National Funding Formula (SNFF) which ensures a consistent approach to funding all schools, with units of resource paid at the same value for every school in the country, other than where an area cost adjustment is added to reflect specific, geographic costs – BF receives a 5.61% local area uplift.
2. To minimise the initial impact of the reforms on individual school budgets, the new framework is being introduced on a phased basis and is not expected to be fully implemented until April 2021. At this point all schools are expected to be funded directly by the SNFF and there will be a much more limited role for Local Authorities (LAs) in determining budget allocations for their local schools.
3. However, building on progress made by LAs during the first year of transition in 2018-19, the DfE has confirmed that LAs will retain responsibility for calculating budgets for the schools in their area for the next 2 years and will continue to be funded via the ring-fenced² Dedicated Schools Grant (DSG). The amount of funds each LA receives will equal the total funding their schools would have received if the SNFF had been fully implemented.
4. The reforms to the funding framework will be accompanied with additional funding. Initially this was announced at an extra £500m, but this was subsequently increased by a further £1.3bn for schools and high needs budgets across 2018-19 and 2019-20. Budgets beyond 2020 are not yet known and will be decided through the next government spending review which will take place in 2019.
5. The key elements of the new funding system used by the DfE to fund LAs are:
 1. the basic amount that every pupil will attract in 2018-19 and 2019-20 will increase from 2017-18 base levels.
 2. in calculating LA funding allocations through the aggregation of individual school budgets on the SNFF, there will be gains of up to +3% a year per pupil, with every school receiving at least a +0.5% a year per pupil cash increase.
 3. in addition, there will be minimum per pupil funding rates for primary and secondary schools. Meeting these minimum rates is outside the +3% cap set out above, meaning some schools will exceed the maximum +6% two year increase.
 4. until 2021, whilst each LA remains responsible for setting budgets in their area within outline parameters set by the DfE, they are **NOT** required to replicate the SNFF i.e. LAs do not have to implement the +0.5% minimum per pupil funding increase or the minimum per pupil funding rates if local circumstances require a different approach. For example, some LAs have agreed with their schools to divert some money to support pupils with high needs. This means they will not have enough money to fully replicate the SNFF.

² The DfE place a ring-fence on funding provided to LAs for schools and education through the DSG. This means it can only be used for the purposes defined by the DfE and cannot be diverted to fund other costs.

6. Even where a LA wants to duplicate the SNFF in budget allocations to their schools, this will not be possible. How LAs can then pass on funding to their schools is dictated by the School Funding Regulations issued by the DfE. These Regulations do not allow LAs to fully replicate the funding methods used in the SNFF, most notably in the calculation of the minimum +0.5% annual increase in pupil funding.
7. The anticipated financial impact on schools in BF over the 2 year funding period 2018-19 and 2019-20 is that per pupil funding will be 5.0% higher (£3.2m) than the amount received through the funding framework in place up to 2017-18. The 2018-19 schools budget received a £1.7m (2.7%) funding increase with a further £1.5m (2.3%) expected to be received in 2019-20.
8. Funding increases have arisen as most BF schools have historically been receiving relatively low per pupil funding rates compared to similar schools in other areas of the country, and one of the key aspects of the new SNFF is to introduce uniform funding rates to ensure schools with similar characteristics receive similar amounts of funding, irrespective of where they are located.
9. Separate arrangements are in place to fund LAs and schools for costs in respect of business rates, high pupil mobility and the “growth fund”³. These are treated differently as the DfE do not consider that need to spend on these items correlates closely to the number of pupils on roll at census date. At the moment, these costs are generally funded on a prior year actual cost basis and are not counted in per pupil funding calculations. The DfE has indicated that this is not the long term approach to funding and that alternative, preferably formulaic solutions will be considered. As set out below in paragraph 12 a new formula will be introduced next year for the growth fund.

Bracknell Forest approach to the reforms

10. Arrangements regarding education funding in BF have been well established on the basis of a partnership with schools and the Schools Forum⁴. Whilst most funding decisions on school budgets remain the responsibility of the council, they have always been taken on the basis of recommendations from the Schools Forum, which follows consideration of the views gathered from schools on key budget matters through these annual financial consultations.
11. In setting the 2018-19 budget, 97% of the 30 school respondents to the 2017 financial consultation agreed that the strategy should be to aim for a close fit to the indicative SNFF allocation for each school. This recognised that all schools would move to the SNFF within 2 years and that there should be a smooth transition to the new arrangements. It also ensured that all schools would receive at least a 0.5% increase in per pupil funding. The Schools Forum supports continuing with this approach for 2019-20.

³ The growth fund covers diseconomy funding and other allocations to new schools such as pre-opening costs, and for existing schools, significant in-year increases in pupil numbers and Key Stage 1 funding top ups to limit classes to 30 pupils.

⁴ Each LA is required to establish and maintain a Schools Forum to represent Education providers and partners on key financial matters. The membership of the BF Forum has been drawn from head teachers, including academies, governors and representatives of the teacher associations, diocesan boards, Early Years providers and Bracknell and Wokingham College.

New changes from the DfE for 2019-20

12. The DfE will be making a small number of further changes for 2019-20, in particular the introduction of a new formula to calculate funding allocations to each LA for their growth fund responsibilities. This will now be determined by counting the increase in pupil numbers between the two most recent October censuses, so between October 2017 and October 2018. The measure will be via small geographical areas used by the Office for National Statistics called middle super output areas (MSAO). These areas are considered small enough to detect pockets of growth. Only positive increases by MSAO will be counted. Reductions in other MSAO areas will not be deducted. Additional funding will also be provided to an LA when a new school opens.
13. The funding allocation for growth is the key issue for the 2019-20 BF Schools Budget.
14. Other changes being made are:
 1. confirming increases in SNFF minimum per pupil funding rates to £3,500 for primary aged pupils and £4,800 for those of secondary age.
 2. the per pupil funding floor in the SNFF will again be set at a +0.5% increase from last year's SNFF allocation, with gains also continuing to be capped at +3%.
 3. to fairly fund new schools, those opening for the first time in 2019-20 will also have a funding floor applied. Their 2019-20 funding will be compared to a baseline calculated from average baseline budgets for all schools in the relevant LA. Details of how these calculations will be made have yet to be published.
 4. changes to the Early Years Foundation Stage Profile have gradually increased the cohort of pupils which is used for funding schools for low prior attainment (LPA), which is a proxy for SEN pupils. To account for a change arising from "the assessment, rather than changes to the underlying level of need", the DfE will maintain the proportion of funding allocated on primary LPA by balancing the increase in the eligible cohort with a reduction in the factor value from £1,050 to £1,022. This is the only SNFF factor value change. Annex 4 shows the SNFF values and also those used in the BF funding formula in 2017-18 and 2018-19.
 5. setting individual LA funding for premises and mobility factors on actual budget allocations made by LAs in 2018-19. LA funding amounts for 2018-19 were based on 2017-18 actual budget allocations to schools.
15. Items 1 to 3 above in paragraph 14 set out how the DfE will fund each LA for their 2019-20 Schools Budget. LAs are **NOT** required to replicate the SNFF in individual budget allocations to their schools. Flexibility remains to set budgets in accordance with local priorities.

Summary responses to the November 2018 financial consultation with schools

QUESTION	TOTALS				TOTAL	%
	PRIMARY	SECONDARY	ALL THROUGH	SPECIAL		
1 In respect of allocating funds to schools, which Option do you prefer to use next year? Option 1: Meets key objectives of SNFF. 2019-20 SNFF factor values all scaled down by the same percentage reduction to available funds; Option 2: Meets key objectives of SNFF together with funding stability with 2018-19. 2018-19 BF age weighted pupil unit funding increased. All other factor values unchanged; Option 3: Meets key objectives of SNFF together. Uses 2019-20 SNFF factor values scaled down to available funds, but different reductions in each factor to move to a relatively close match to SNFF						
Option 1	5	1	0	0	6	25%
Option 2	3	4	0	0	7	29%
Option 3	11	0	0	0	11	46%
NO REPLY AS NOT RELEVANT TO RESPONDENT	0	0	0	1	1	
2 To continue the strategic and cost effective approach in the use of the funds for contingencies (including schools in financial difficulties including those in or in danger of entering an Ofsted category), support to underperforming ethnic groups, CLEAPSS licence fees, 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	17	2	0	0	19	100%
NO	0	0	0	0	0	0%
NO REPLY AS NOT RELEVANT TO RESPONDENT	2	3	0	1	6	

QUESTION	TOTALS				TOTAL	%
	PRIMARY	SECONDARY	ALL THROUGH	SPECIAL		
3 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 / place contribution?						
YES	14	2	0	1	17	85%
NO	3	0	0	0	3	15%
NO REPLY AS NOT RELEVANT TO RESPONDENT	2	3	0	0	5	
Total responses	19 61%	5 83%	0 0.00%	1 50.00%	25 63%	
Maximum responses	31	6	1	2	40	

Medium Term funding plan for meeting the cost of new schools

		2015-16 to 2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	4 year total £m	Share
	<u>New schools:</u>							
1	Start-up costs	0.250	0.025	0.000	0.000	0.014	0.039	
2	Diseconomy costs	1.404	1.201	1.311	1.151	0.983	4.647	
3	Post opening costs	0.000	0.075	0.038	0.030	0.023	0.165	
		1.654	1.300	1.349	1.181	1.020	4.851	
	<u>Existing Schools:</u>							
4	In-year pupil growth / KS1 classes	0.818	0.365	0.400	0.400	0.400	1.565	
5	Total estimated costs	2.472	1.665	1.749	1.581	1.420	6.416	
6	Estimated funding from DfE	-0.773	-0.800	-0.440	-0.440	-0.440	-2.120	
7	Funding gap	1.699	0.865	1.309	1.141	0.980	4.296	
	<u>Proposed funding sources:</u>							
8	Use of Schools Budget balances	0.787	0.175	0.549	0.175	0.014	0.914	21%
9	Contribution from BFC	0.000	0.345	0.208	0.207	0.207	0.967	24%
	SNFF allocation (DSG):							
10	<i>In year change</i>	-	0.345	0.208	0.207	0.000		
11	Cumulative	0.912	0.345	0.552	0.759	0.759	2.415	55%
12	Total funding	1.699	0.865	1.309	1.141	0.980	4.296	
13	4 year cost estimate		4.296					
14	<i>In year % contribution from existing schools</i>		0.50%	0.30%	0.30%	0.00%		
15	<i>Cumulative % contribution from existing schools</i>		0.50%	0.80%	1.10%	1.10%		

Services proposed to be centrally managed by the Council

Budget item	Schools Block Centrally Managed		
	Budget 2018-19 £	Proposed Changes £	Draft Budget 2019-20 £
<u>Historic commitments</u>			
<u>Combined Services Budgets</u> *:			
Family Intervention Project	£100,000	£0	£100,000
Educational Attainment for Looked After Children	£133,590	£0	£133,590
School Transport for Looked After Children	£42,890	£0	£42,890
Young People in Sport	£18,050	£0	£18,050
Common Assessment Framework Co-ordinator	£42,470	£0	£42,470
Domestic Abuse	£6,000	£0	£6,000
Education Health Partnerships	£30,000	£0	£30,000
SEN Contract Monitoring	£32,680	£0	£32,680
<u>Miscellaneous (up to 0.1% of Schools Budget):</u>			
Forestcare out of hours support service	£4,850	£150	£5,000
Borough wide Initiatives	£27,270	£820	£28,090
Support to Schools Recruitment & Retention	£7,470	£220	£7,690
<u>Statutory and regulatory duties</u>			
'Retained' elements	£260,000	£7,800	£267,800
<u>Other expenditure</u>			
School Admissions	£175,970	£5,280	£181,250
Schools Forum	£21,440	£640	£22,080
Boarding Placements for Vulnerable Children	£58,880	£1,770	£60,650
Central copyright licensing	£79,000	£2,370	£81,370
Total	£1,040,560	£19,050	£1,059,610

* 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.