

LEWISHAM SCHOOLS FORUM			
REPORT TITLE	Dedicated Schools Grant Budget Report 2017/18		
KEY DECISION	Yes	Item No.	10
CLASS	Part 1	Date	8 December 2016

1. Purpose of this Report

This report seeks agreement to the principles on which the Dedicated Schools Budget will be allocated. This will allow the precise calculations to be made when the funding settlement is known in December. The outcome of the settlement and the impact of the decisions made in this paper will be presented to the Forum on the 17 January for further consideration and final agreement

2. Recommendations

That the Schools Forum agree

- i) that funding available is used to offset the funding pressure on the High Needs block of £1.00m.
- ii) that the funding for PFI and BSF costs should be built into the schools budget on a lump sum increased annually by inflation (RPIX at February) and schools charged on a like for like basis.
- iii) that the Funding Task Group be asked to provide a report on the funding of playing fields with possible alternatives
- iv) to ask the Funding Task Group to provide a report on the possibility of introducing a PFI factor.

3 Approach to budget setting

- 3.1 The Dedicated Schools Grant (DSG) budget setting process needs to be completed by 20 January 2016 as the DFE requires Local Authorities to make a return stating all schools budgets by this date. With the deadline fast approaching and the fact that no notifications have been received of the overall allocation of the settlement at the time of writing this report, many assumptions will have to be built into the figures to set and finalise the DSG budget for next year now. The true picture will only be known once ministers have finalised the

settlement. This is expected to be a few days before Christmas and leaves little time for reports to be prepared and the papers to be published as well as the Forum to give considered opinion on the important decisions they have to make

- 3.2 There are some aspects of the budget that are known and worthy of discussions now that will set the scene for next year's budget and allow the necessary work to proceed to give a more considered approach to the final decisions that needs to be made in January. This is especially if the Forum consider they wish to consult schools on a matter

4 Financial overview

- 4.1 The DFE is likely to announce the provisional financial settlement for the Dedicated Schools Grant (DSG) around the middle/late December 2015.
- 4.2 Current indications are that the Schools block is likely to be set at the same level as last year but adjusted for pupil number increases and the Education Service Grant discussed earlier on in this agenda. The current DFE position following the autumn statement is it allows for the "protecting of the schools budget in real terms, enabling a per pupil protection for the dedicated schools grant and the pupil premium". There could be different interpretations of this especially in light of the growth in pupil population. It is assumed that the funding rate per pupil for Lewisham will stay at £5,966 but will be subject to the changes for the re-baslineing of the funding blocks that took place earlier in the year and the allocation of the £15 per pupil of the retained Education Services Grant.
- 4.3 The minimum funding guarantee has been confirmed by the DFE at minus 1.5% and the pupil premium is expected to stay at the same rate.

4.4 Post 16 funding

Final funding allocations for 16 to 19 students, high needs students aged 16 to 24 and bursary funding are expected to be sent direct to schools by the Education Funding Agency in either February or March.

- 4.5 The total increase in pupil numbers are as follows:

	Oct-15	Oct-16 (est)	Change
Primary	23,342	23,517	+175

Secondary	8,916	8,806	-110
Jan Uplift*1	39	57	+21

5 Early Years Block

- 5.1 The Early Years Block allocations published in December 2016 are expected to be based on January 2016 census counts. They will be adjusted in summer 2017 based on counts from the January 2017 School Census, Early Years Census and Alternative Provision Census.
- 5.2 These allocations will then be adjusted a further time in 2018. Pupil counts taken from the January 2017 censuses will be weighted with the counts taken from the January 2018 censuses in a 7:5 ratio.
- 5.3 The result will give the final Early Years Block allocations for financial year 2017-18. The position is complicated though by the funding consultation on early years and whether the settlement will have sufficient details. It will include the extra funding for 30 hours childcare though. The exact amounts will need to be confirmed but the consultation document indicates Lewisham will receive an extra £2.7m

6 High Needs block

This is being discussed under a separate item on the agenda. The forecast of the funding available has been set at this year's amount.

7 Capital Expenditure from Revenue (CERA)

- 7.1 At the meeting on the 30 June 2016 the Capital Expenditure from Revenue (CERA) budget was reviewed. It was noted that the treatment of the PFI and BSF costs was not in line with the DFE regulations and this should be built into schools budgets and then withdrawn on a like for like basis (in-out).
- 7.2 It was noted at the June meeting of the Forum that the budget for Capital Expenditure from Revenue (CERA) is made up of three elements.

Ref	Heading	£m
1	PFI scheme and BSF Contribution. This provides funding to cover the funding gap between the cost of the schemes and the grants received from central government and the contributions by schools.	2.4

2	Minor capital works This funding is used to support additional capital works for schools.	1.2
3	Support for Schools' Capital Projects Management support to schools undergoing major capital projects	0.3
Total		3.9

8. PFI scheme and BSF Contribution. - National Regulations

- 8.1 The national regulations stipulate “Expenditure commonly known as CERA (capital expenditure which an authority expects to charge to a revenue account of the authority within the meaning of section 22 of the Local Government Act 2003) and where the expenditure relating to the specific project had been approved prior to 1st April 2013. It does not count as a commitment to have identified a budget for different capital works each year”.
- 8.2 The DFE preferred approach is that the contribution to the PFI and BSF Schemes should be built into the ISB allocation for each school with a relevant scheme. The funding then has to be reclaimed from the school. In the past Lewisham has not done this as there is an administration burden. With more schools becoming academies this is not a sustainable position. In preparation for the national schools funding formula the DFE asked Local Authorities to complete a return on the use of CERA. This reiterated that all PFI / BSF should be in schools budgets and from April 2017.
- 8.3 Under the current national regulations local funding formula are allowed to include a PFI factor. The purpose of this factor is to either
- a) support schools which have unavoidable extra premises costs because they are a PFI school
- and/or
- b) cover situations where the PFI “affordability gap” is delegated and paid back to the local authority.
- 8.4 The funding in the CERA budget for PFI/BSF is the fund that is needed to address the affordability gap. All PFI schemes have what is termed a financial model. This model looks at both the income streams and costs over the period of the contract. The Income streams are mainly in two forms, Government grants and contributions from schools via the “Governors Agreement”. The expenditure is through payments to contracts. Models become complex as the life of the contract which is

generally 25 years and inflation assumptions have to be built in. Often there is a gap between the income and expenditure and this is known as the affordability gap. The DSG CERA budget is meeting the cost of this gap.

- 8.5 Traditionally in Lewisham there has not been a PFI factor to support schools which have unavoidable extra premises costs because they are a PFI school. This was last agreed for the 2013/14 financial year when the local Lewisham formula was implemented. The purpose of this paper is not to introduce one but to consider the affordability gap. However it is recommended that the Funding task group be asked to look at the introduction of PFI factor to support schools which have unavoidable extra premises costs because they are a PFI school.
- 8.6 In considering the affordability gap, the methodologies for funding PFI schools under the regulations must be objective and clear and capable of being replicated for academies. An acceptable methodology would generally contain some of the features set out below and these are intended to help local authorities formulate a clear process for funding. If a PFI factor is used, then all PFI schools must receive funding on an equivalent basis.
- 8.7 Examples of the way the factor could work are as follows:
- allocations are in accordance with an original governors' agreement
 - allocations reflect the difference between the PFI contractual cost and the grant received by the local authority, less any local authority contribution

Methodologies for calculating allocations could include:

- X% of the school's budget share
- £x per pupil
- £x per square metre of floor area
- historical lump sum previously agreed and indexed by x% per year
- Agreements may refer to proportions or elements of the school's budget share which, due to changes in funding arrangements, may have changed significantly. Where this situation occurs, we would expect schools and local authorities to work together to agree an alternative arrangement, so that neither party is significantly disadvantaged.

9. Proposal

The proposal is that each school will be given a lump sum that is increased in line with inflation rate this will then be withdrawn on a like for like basis.

If the formula factors of pupils or percentage of school budgets are used this will mean the amount withdrawn could vary. With pupil numbers increasing this could mean more funding than necessary is received by the Local Authority.

The Square metre basis would create a more stable base but would take more administrative work to agree the floor area

For these reason it is proposed to use the lump sum basis and annually inflation it in accordance with the contract (RPIX in February)

10. Support to minor capital works

10.1 As detailed in 7.2 above within the CERA budget there are two item

- Minor capital works - This funding is used to support additional capital works for schools £1.2m.
- Support for Schools' Capital Projects - Management support to schools undergoing major capital projects £0.3m

Under the School revenue funding guidance 2017 to 2018 it is no longer possible to hold this type of funding centrally and it should be delegated to school.

The High Needs sub group earlier on in the agenda asked the Forum to consider that a sum £1.0m from this be allocated to the high needs block to offset the spending pressure arising from the growth in numbers that is not likely to be recognised in next year's High Needs Block Grant Allocation

10.2 The cost of schools Business Rates will increase this year as a revaluation has taken place on all school properties this year and the changes will be implemented in April 2017. The valuation has increased the property values by 20% this does not equate to actual charges as there will be transitional arrangements that need to be agreed nationally. It is estimated that we will need £0.4m to cover this.

11. Growth Fund

More funding will be needed to support the growth fund this year, this was highlighted in the budget report last year. The sum involved is a further £0.1m.

11.1

	£'000	£'000
Funding Available		1,500
Reduced by		
Contribution to High Needs block	1,000	
Business Rates Increase	400	
Growth Fund	100	1,500
Balance		0

12. Playing Fields

In the current funding formula an allocation is made to two schools, Bonus Pastor and Forest Hill, to fund playing fields at Whitefoot lane and Elm Park respectively. This funding is then paid back to the Local Authority from the schools to allow the playing fields to be centrally managed. In some respects this means that there is not similar practice across all schools, some schools do have to fund the use of playing fields from delegated budgets and the arrangements are therefore not clear or transparent. There are a number alternative options but time does not permit sufficient investigation to make proposals for this budget meeting and implementation by April 2017 of any change. It is recommended that officers review the funding of the playing fields and report back to the Forum over the coming year to put arrangements onto a sustainable and transparent footing.

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