

LEWISHAM SCHOOLS FORUM			
REPORT TITLE	Dedicated Schools Grant Budget Report 2017/18		
KEY DECISION	Yes	Item No.	6
CLASS	Part 1	Date	17 January 2017

1. Purpose of this Report

The purpose of this report is to agree the Dedicated Schools Grant budget for 2017/18.

2. Recommendations

That the Forum agree:

- i) To allocate an extra £0.342m to schools on the basis of pupil numbers
- ii) That the £0.3m of the amount in recommendation (i) above be de-delegated to support borough wide school-led school improvement
- iii) That a PFI formula factor be introduced for secondary schools
- iv) That the PFI factor funds any annual school cost of a PFI scheme which equates to more than 10% of the school's individual formula budget
- v) That the extra £0.5m allocated to the High Needs block be held in the High Needs Block
- vi) That school members by voting phase, agree the following budget for 2016/17 that will be de-delegated

Ref	Heading	Primary £'000	Secondary £'000
A	De-delegation for mainstream schools for Contingencies	460	190
B	Administration of free school meals	44	22
C	Staff costs – Supply Cover	1,195	490
D	School Improvement Fund	191	72

- vii) That School members agree that the total direct spend on the admissions team should be £489k in 2017/18, an increase of £40k.
- viii) That the minimum funding guarantee is applied to all through schools in such a way that primary and secondary pupils are protected at their appropriate rates
- ix) To agree the terms of reference for the mutual funds
 - a. Supply
 - b. Contingency
 - c. Growth fund
- x) To discontinue the Balance Control Mechanism
- xi) To note
 - the reduction to the Trade Union support budget
 - the cost pressures on schools
 - that work will be undertaken to review the overheads charged to the Dedicated Schools Grant
 - the position on additional hours for 3 and 4 year old
 - the position on the application of the MFG disapplication for special schools
 - that work will be undertaken to review the support services charged to the Dedicated Schools Grant
 - that a further report will be brought to the Forum on New Woodlands in March

3. Settlement

3.1 Funding Announcement

- 3.1 The DSG for 2017/18 has provisionally been set by the Department for Education (DfE) at £290.7m, although this will change during the year to reflect updated pupil numbers.
- 3.2 In comparison with last year, there is a £6.0m increase (1.5%) in the DSG. This is due to the following:

- An increase of £0.4m driven by the estimated increase in pupil numbers, largely in the primary age group, while the amount per pupil has been frozen in cash terms.
- Nationally an extra amount of £130m has been added to the High Needs Block. Lewisham will receive an extra £0.5m or 1.7% of this extra amount.
- There has been a transfer from the Education Services Grant for retained duties of £0.6m
- Extra funding of £2.8m has been built into the settlement to provide 30 hours of childcare for working parents. This is effective from 1 September 2017 and sits in the Early Years Block.
- There is a transfer of £1.7m from the Education Funding Agency for the funding of High Needs pupils in FE institutions which will need to be met from the DSG in the future.

3.3 Individual Schools' Budgets (ISBs) vary year on year mainly due to changes to pupil numbers. The DfE's schools' Minimum Funding Guarantee (MFG) has been set at minus 1.5%, which relates to the funding level per pupil (i.e. the per-pupil funding in a school cannot fall by more than 1.5%).

3.4 Lewisham will receive £ 5,875 per pupil for the schools block element of the Dedicated Schools Grant. The total number of pupils funded is 36,660. This equates to total funding of £215.4m. The funding formula allocates this to schools based on a number of funding factors. On average £5,092 is allocated to Primary schools and £6,871 is allocated to secondary schools.

3.5 The total Dedicated Schools Grant for 2017/18 is (subject to an adjustment for early years pupils actual numbers)

Spending block	£m
Schools	215.370
Early Years	24.620
High Needs	50.700
	290.690

3.6 The spending blocks have been base lined this year in preparation for the national funding formula. There have been a number of technical adjustments. This has meant the schools block has reduced while the high needs block has increased. This is largely due to the transfer of the place led funding for pupils with high needs being transferred into the high needs block from the schools block. This has meant that for 2017/18 on a per pupil basis Lewisham is the 12th highest funded authority in the country.

3.7 Pupil Premium

- 3.7.1 In addition to the DSG, schools will continue to receive the pupil premium. The majority of pupil premium is allocated to schools on the basis of the number of children who were entitled to a free school meal in the past six years to January 2017.
- 3.7.2 In 2017/18 the rate of funding is set at the same level as 2016/17. This is £1,320 per primary child, £935 per secondary child and £1,900 per child in Looked After Care. The DfE does not provide forecasts of the total pupil premium. Officer's calculations are for £16m for 2017/18, which is now the expected level for 2016/17.

4 Calculation of Individual Schools Budget via Lewisham's Funding Formula

- 4.1 The funding Lewisham receives for the schools block within the DSG is based on pupil numbers only. Lewisham receives £5,875 per pupil. The changes in the data such as free meals ever 6 and IDACI does not influence the funding we receive. It does however alter the funding a school receives in its funding allocation through the formula. If the number of free meals decreases, the amount the funding formula allocates to schools decreases but the level of the DSG stays the same. There has been a significant drop in the number of pupil with free meal entitlements and an improvement in the attainment scores of our pupils. This means the funding formula will allocate £0.7m less to schools than in 2016/17. This then sits alongside the increase in overall funding we have received in the settlement of £0.4m. Which leaves a total of £1.1m to be distributed back in the formula.
- 4.2 The full analysis of the £0.7m reduction can be seen in Appendix A. Broadly this relates all to the secondary sector.
- 4.3 On a school by school basis the position varies and the £0.7m is not spread evenly amongst the secondary schools. One secondary school loses £0.7m while some gain.
- 4.4 It is proposed to allocate the funding of £1.1m in two ways. The first way is by pupil numbers and secondly by introducing a PFI factor.

4.4.1 All schools

To allocate a sum of £0.342m to all schools and it is recommended that is allocated on the basis of pupil numbers (basic entitlement). This would see the following types of schools receive

See section 5.7 relating to a second de-delegation proposal relating to this amount.

	£
Large Secondary	7,822
Small Secondary	4,600
Large Primary	4,800
Medium Primary	3,450
Small Primary	1,725

4.4.2 PFI Factor

- 4.4.3 At the last meeting of the Forum it was agreed to ask the funding task group to consider introducing a PFI factor into Lewisham' funding formula to support schools which have unavoidable extra premises costs because they are a PFI school (At the meeting it was agreed to introduce a formula factor to cover the affordability gap on PFI schemes which is a separate matter). The Forum asked the group to consider this over the coming year.
- 4.4.4 Since that meeting the second consultation on the national funding formula has been released. This throws up a number of important issues: firstly, as expected and discussed in the first item of this agenda, all Lewisham schools will lose funding and sit on the minimum funding guarantee next year. This means that there will be no funding to allocate to a PFI factor as all schools reach the lowest level of funding allowed under the national minimum funding guarantee. Even if the funding existed and was built into the funding formula for 2018/19, when the national funding formula was introduced in April 2019 the proposed cash floor of -3% per pupil would be based on the so called baseline for each school from the 2017/18 budget. Again, as with the MFG, all our schools sit on the cash floor meaning that if a PFI factor was not introduced for this coming year, there would be no possibility to introduce one later on.
- 4.4.5 To have any impact the PFI factor would have to be introduced this year.
- 4.4.6 Under the national regulations, any PFI factor 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
- 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, the DFE expect schools and local authorities to work together to agree an alternative arrangement, so that neither party is significantly disadvantaged.

4.4.7 Each PFI scheme is different and as a consequence the costs the schools contribute in each scheme are different. Generally (but not always) the earlier the PFI scheme, the more costly it is. It is also more costly proportionally if the school is not full. Consequently allocating funding out on a per pupil basis, floor area or via a lump sum may not reflect the need a school is facing.

It is therefore proposed to allocate this additional funding on the percentage of school's budget that their PFI spend represents.

The Lewisham PFI schools spend is shown as a percentage of their budget in Appendix B and it is proposed to provide additional funding to schools where the spend is greater than 10% of the school's ISB share. The consequence of this is also shown in this Appendix.

4.4.8 Special schools are slightly different as they do not operate under a formula. When the data is analysed however, both special schools with a PFI scheme fall below the 10% cap.

4.4.9 The decision making process on formula factors is that the Mayor decides but has to consult the Schools Forum.

4.4.10 If the funding was applied to all schools instead, via either the basic entitlement or lump sum, the impact would be as follows

	Pupil Numbers basis £	Lump Sum basis
Large Secondary	18,200	8,861
Small Secondary	10,700	8,861
Large Primary	11,200	8,861
Medium Primary	8,000	8,861
Small Primary	4,000	8,861

5 Budgets Requiring Schools Forum Approval

5.1 Members will recall that as part of the introduction of past national funding reforms there were changes to the rules governing the voting procedures. These particularly concerned the voting on the budget report.

- 5.2 The main change related to de-delegation of budgets where the voting was split between the primary and secondary phases of schools' members (these being Headteachers and Governors). Academy and Special School representatives are not part of this vote as de-delegation is not permitted for these school types.
- 5.3 The powers of the Forum also changed and it is now the role of the Forum to decide some budget levels rather than advise the Local Authority. Some of these budgets have to be decided individually.
- 5.4 It is proposed to keep the budgets the same, apart from two - the admissions teams and non-sickness supply budget - and the introduction of a School Improvement de-delegation.

5.5 Non-Sickness Supply Fund

Trade Union Activities

The funds to be de-delegated have been reduced in the budget for 2017/18 to £113k (this compares with £124k in 2016/17). This follows the decision of the Forum at meeting on the 6 October 2016 where it was agreed that financial support for the two teacher union branch secretaries who sit on their National Executive Committees and receive one day per week paid time off in term time would not continue.

It was agreed that support for this was a heavy burden on Lewisham's resources. While time off should be granted for this purpose, it was to be unpaid as it is considered a 'trade union activity' rather than a 'trade union duty' which does attract paid time off. This will be effective from Sept 2017.

Recouping Overspends

As a mutual fund, the non-sickness supply scheme needs to collect sufficient funds to cover its pay-outs. In 2014/15 the pay-outs were less than the amounts that schools contributed and the excess was returned to schools in 2015/16. However, in 2015/16 the scheme paid out £176k more than schools paid in and for 2016/17 it is anticipated that pay-outs will exceed contributions by £363k.

For 2017/18 it will be necessary to increase the contributions by £363k to cover anticipated costs for the 2017/18 financial year (less the TOFTUA reduction) and by a further once off figure of £539k to cover the previous years' overspends. This gives a 2017/18 de-delegation total of £1,685,000. Should next year's claims prove to be less than the amount contributed, then Forum would have the option to return any balance to schools or carry it forward for the following year.

5.6. Admissions

At the Forum meeting on the 6 October 2016 it was noted that there was a growing pressure on officers' time in the admissions team, partly as a

result of the overall increase in pupil numbers and partly due to the increasing complexity of case work. The team's responsibilities cover the following.

- Counsel and advise parents on the admissions process.
- Process an increasing number of applications.
- Respond to growing numbers of enquiries; telephone, emails, complaints, MP enquiries etc.:
- Present and defend admission appeals – in a year the local authority was unable to meet demand for reception class places the team presented and defended 120 admissions appeals.
- Meet groups of parents – when the council cannot meet demand in a particular area, Councillors agree to meet with groups of parents which requires Officer presence.
- Have a lead on customer services and communications to manage the relationships with schools.
- Respond to customer enquiries including emails. So far this academic year (autumn term only) the team has processed 1777 in year applications; 1346 requests for primary school places and 431 requests for secondary school places
- Lewisham has purchased Enrol, an on line system to enable parents to make their in year application and it is proposed that a new post be created to supervise in year offers and to lead on the implementation and testing of this new system.

The Forum proposed that the budget be increased to reflect this and £40k has been added to this to support one post. In preparation of additional resources a job description has been drafted and evaluated by HR. This will increase the 2016/17 budget of £449k to £489k for 2017/18

5.7. School Improvement De-Delegation Fund

Under the national school funding regulations that are coming into force for 2017 to 2018, school improvement support offered to maintained schools is now included in the list of de-delegated services. This is in addition to the cost of the meeting the LA's statutory duties covered by a new school improvement grant.

In order for an item to be de-delegated the Schools Forum approval is required. The process provides that the funding is added to the schools individual budget and then a charge is made to the school for the same amount.

School Improvement has been added to the list of de-delegated list of services as the Education Services Grant that previously funded the service has been stopped. The loss of funding to Lewisham is £2.9m, of which roughly £0.8m was spent on school improvement.

Central government will provide a transitional arrangement up to end of the summer term of £0.7m for all the services met from the grant. It is likely that only £0.2m of this will be available to spend on school improvement. After this time there will no longer be any funds to provide school improvement other than the element of funding in the DSG for statutory school improvement work

It is proposed the extra funding of £0.3m allocated to schools in paragraph 4.4.1 is de-delegated to support borough wide school-led school improvement using the same basis as will be used to calculate the allocation. The use of this funding will then be reported back to the Forum as part of the monitoring reports.

6 Principles agreed by the schools Forum on 8 December 2016

It was noted at the last meeting of the Schools Forum that the forecast future growth in the pupils with Education, Health and Care plans would create a spending pressure of £1.7m in 2017/18. It was agreed to make savings of to cover the £1.7m by

- A reduction in Special Schools' (excludes New Woodlands) budgets of £0.5m
- That £1.0m of the capital expenditure from Revenue (CERA) budget in the Schools Block of the DSG is used to offset the pressure
- the saving agreed last year on Alternative Provision of £0.2m covering both Abbey Manor college and New Woodlands

7. Special Schools

7.1 Outcome of banding review

The revised banding numbers after the appeals are as follows

Pupil Numbers	Brent Knoll	Drumbeat	Greenvale	Watergate	Total
Band E	32	19	21	0	72
Band F	78	102	30	21	231
Band G	35	37	60	79	211
Total	145	158	111	100	514
Percentage					
Band E	22%	12%	19%	0%	14%
Band F	54%	65%	27%	21%	45%
Band G	24%	23%	54%	79%	41%

7.2 The financial impact is shown below:

	Before £0.5m Reduction	After £0.5m Reduction
Band E	£ 6,200.00	£ 5,859.00
Band F	£ 15,200.00	£ 14,742.00
Band G	£ 27,900.00	£ 26,365.00

Funding Variance from Old Banding Structure

	Before £0.5m Reduction	After £0.5m Reduction
Brent Knoll	£ 170,155.00	£ 69,794.00
Drumbeat	-£ 399,500.00	-£ 509,490.00
Watergate	-£ 92,284.00	-£ 223,167.00
Greenvale	£ 255,592.00	£ 142,591.00
Total Change	-£ 66,037.00	-£ 520,272.00

7.3 Application To Disapply The Minimum Funding Guarantee (MFG)

An application was submitted to the DFE to disapply the MFG in order to allow the changes agreed to the special school banding review to be introduced. The minister has agreed the application *subject to the individual schools' agreement*. This will be sought shortly.

The extra funding received in the high needs block of £0.5m is proposed to be held in the high needs block and will be used either as a contingency to use in case of the schools not agreeing the disapplication or to meet the inflationary cost pressures within the high needs block.

8. Alternative Provision

It is planned to fund children on roll at New Woodlands on the new universal high needs banding system in line with the other Special Schools. This will be implemented from the 1 April 2017. The new funding rates for a place at New Woodlands School will be based on the principal that money should follow the pupil. A detailed report will be brought to the Forum in March but a verbal update will be given at the meeting on the impact on schools.

Details of the outreach service will also be brought to the March meeting. The budget at the moment has been set at last year's level.

9. Minimum Funding Guarantee - All through Schools

The Minimum Funding Guarantee (MFG) protects schools' per pupil funding levels. For former secondary schools that are still expanding into the primary phase, this would lead to new primary pupils being funded inappropriately at secondary funding levels. The DfE stipulates an adjustment to the operation of the MFG in such cases which protects the two age groups at the appropriate levels.

10 Cost Pressures

10.1 The overall cost pressure through inflation excluding business rates is expected to average 1.7%. Pay awards are assumed to be 1% next year and general inflation around 2.5%.

10.2 Pension

There is no planned increase in either the Teacher Pension Scheme (TPS) or the Local Government Pension Scheme from April 2017. The Treasury are proposing though to increase the TPS contribution rate that employers pay from 2019-20. Nationally this is expected to be £4.2 billion. On the assumption that the Treasury estimates are right and there are no other changes in the valuation, this implies an extra cost for TPS employers (state schools, private schools, colleges and new universities) of about £430 million. Or, to put it another way, the employer contribution rate can be expected to rise from its current level at 16.48% to just over 18%.

10.3 Apprenticeship Levy and Maintained Schools

This comes into effect next year and represents a charge of 0.5% of the pay bill. However the regulations are not as straight forward as that. The liability for the levy depends on the type of maintained school.

There are two categories of maintained school:

a) Community and Voluntary Controlled (VC) schools. In these schools the local authority is the employer and therefore all staff in community/VC schools are added on to the pay bill of the council, with the levy equivalent to 0.5% of the overall pay bill for the local authority (LA). All community/VC schools pay bills will need to be included in the LA's calculation, regardless of whether the school uses the council for payroll services.

b) Voluntary Aided (VA) and Foundation schools. In these schools (as in academies) the governing body is considered to be the employer, rather than the LA. Therefore each VA/foundation school's liability for the levy will be based on its own pay bill. Therefore if a VA/foundation employer has a pay bill of over £3 million a charge of 0.5% will apply. The school will however receive a £15,000 rebate to cover costs.

All Community/VC schools will have to make provision for the relevant cost of the levy in their individual budgets for 2017/18 onwards, in the same way as other payroll costs e.g. National Insurance etc.

VA/foundation schools with pay bills over £3m will similarly need to ensure they have taken account of this additional cost when they set their budgets for 2017/18 onwards.

The impact will vary for each school but if the school is a community or Voluntary Controlled school broadly the cost will be

	£
Large Secondary	30,000
Small Secondary	15,000
Large Primary	9,000
Medium Primary	7,000
Small Primary	4,000

The Levy money will be paid into a HMRC digital account for each employer who can then access this funding to support investment in apprenticeships. In addition to this the government will top those funds up by a further 10%.

Schools will be able to access the funding to pay for apprenticeships and professional development for staff. The funding can only cover the cost of training and assessment and it cannot be used to cover the actual salary of the apprentices.

The term apprenticeship can cover professional development up to level 7 (Masters level) and this is not restricted to young staff. It will be key for academies and schools to identify eligible programmes that they can deliver to use the funds. School leaders will need to consider that there will be a 24 months period for any funding to 'use it or lose it'. Currently further clarification is being sought from central government on how the system will work and schools will be notified and sent guidance as soon as possible.

11 Mutual Fund Terms of Reference

The Schools Forum holds two mutual funds for schools with terms of reference which require annual approval; the Contingency Fund and the Growth Fund.

The 2017/18 Growth Fund terms of reference are attached at Appendix C for formal approval in order that this can be minuted and provided to the DfE.

The 2017/18 terms of reference for the Contingency Funds are also attached as Appendix D. The document is unchanged from previous years.

The Growth Fund terms of reference have been amended (with changes highlighted) such that re-cycled bulge classes are not funded. That is where a previous bulge class has moved on to Secondary and a new reception class is formed. The rationale for this is that the class that leaves for secondary will be on the October census and will then provide the funding for the reception class who are not on the census. The Forum is also asked to formally agree these.

12. Support Services Charges

As the implementation of the National Funding Formula gathers pace ahead of its introduction from April 2018 and with the DFE having already re-aligned the funding block and plans to create a further funding block for central services, it is appropriate to review the support service charges made to the DSG by the Council for services provided to schools. The removal of the Education Services Grant (ESG) in 2017/18, except for the introduction of a small element of the ESG into the DSG, has further complicated the matter of overheads. It is therefore opportune that as all these changes come together, that the charges paid by schools to the Council for services rendered are reviewed to make sure they are appropriate and fully costed if not how they are re-aligned. At the next meeting of the Forum further information will be provided.

13. Balance Control Mechanism (BCM)

For some years the Forum has operated a Balance Control Mechanism (BCM) which allows for the removal of excess balances from schools where there is no plan for these amounts that has been validated by the authority. At its meeting on the 10 December 2016 the Forum agreed to suspend the Balance Control Mechanism with a review on continuation in a year's time, as schools budgets were starting to come under pressure.

With schools' budget pressures continuing with likely reductions of 10% for all schools over the next three years it is proposed that the Balance Control Mechanism is discontinued.

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