

Schools Forum			
REPORT TITLE	Financial Update and Budget Monitoring Report		
KEY DECISION	Yes	Item No.	9
CLASS	Part 1	Date	5 October 2017

1. Purpose of the Report

This report looks at the recent funding announcements regarding the National Funding Formula, the budget monitoring position of the Dedicated Schools Grant and considers the financial position of the mutual funds held by the Forum.

2. Recommendation

The Forum agree to note the report.

3. National Funding Formula

There have been a number of announcements during the summer.

- 3.1** The Department for Education issued on the 14 December 2016 its response to the national school funding reform consultation that took place in spring 2016. Sitting alongside the response is a further consultation which ran to the 22 March 2017. This gave greater details of the impact of the national funding formula for the Schools Block and the High Needs Block for both local authorities and schools.
- 3.2** While the response to the consultation remained outstanding, on the 17 July 2017, Justine Greening set out the future arrangements for school funding and confirmed the introduction of a national funding formula for schools and for pupils with high needs from the 2018 to 2019 financial year. The government is providing additional funding of £1.3 billion, on top of existing spending plans, in 2018 to 2019 and 2019 to 2020. This represents 3% of the Dedicated Schools Grant (DSG). The funding is to provide protection for schools against the impact of the introduction of the funding formula. All Lewisham schools will receive protection, so all schools will not lose from the formula funding changes, but schools will still experience a reduction in real terms.
- 3.3** With cost pressures of 8% over a three year period, the announcement of the small per pupil cash increase would reduce this to 7%.
- 3.4** The Government announced on the 14 September 2017, further details which largely reflected the above but also provided indicative figures

for schools. The final settlement is likely to be received in late December.

The baseline figures for Lewisham are as follows

NOTE		Schools Block	High Needs	Central	Total
		£'000	£'000	£'000	£'000
A	2017/18 Current	215,373	50,704		266,077
B	Baseline	211,029	49,673	5,375	266,077
C	2018/19 Indicative	212,066	50,647	5,410	268,123
D = B-C Change		1,037	974	35	2,046

Notes

A = the current DSG (excluding the early years block)

B = the DFE created a new funding block – the central block, they also moved funding from the high needs block to the schools block

C = Is the indicative amounts for next year's funding

D = the increase in funding

- 3.5** The increase is largely as expected and in accordance with the announcement – a 0.5% increase on the schools block and 0.5% of the high needs block. When taking into account inflation though, this is a real terms cut.

4. National Funding Formula Implementation

- 4.1** The proposed methodology for the national funding formula is for the Department of Education to run the national formula for each school, add up the sum generated for each local authority and then pass it to the LA for distribution amongst their schools. This does not need to be the same method as the national funding formula but can be distributed in line with the Local Authority's own current funding formula mechanism. This arrangement is currently planned to last for two years.

- 4.2** Lewisham schools are being protected under the national funding formula. This means that the only extra funding is the 0.5% although once the business rates increase and other adjustments are made their will be little difference between the calculations of the national funding formula and our own. A paper will be brought to the Forum in December considering whether it is advisable to adopt the national funding formula in Lewisham from April 2018.

5. Schools Support and Financial Strategies

- 5.1** The funding of schools still causes concern. While the Government have confirmed that no school will lose under the national funding formula next year, we still await further details. It is expected that inflation will need to be managed, as will the unexpected reduction in pupils in Lewisham. Currently there are 19 schools either forecasting to end 2017/18 with a deficit or whom are at risk of such a deficit. That is 1:4 of our schools. The forecasts indicate by 2019/20 if no management action is taken, it will be 1:2.
- 5.2** We are encouraging schools to plan their budgets much earlier than has traditionally been the case and suggesting schools should set draft budgets in the Autumn Term, with the Governing body finally confirming the budget in the spring. Planning the budget in the autumn allows enough time for a school, if there is a need to make reductions in staffing, to undertake the necessary consultations. This will allow any changes to be implemented the following September.
- 5.3** Our experience is that deficits are often not identified until the year end, which delays the implementation of recovery plans. In the first year of the recovery plan the deficit rises which increases the level of savings that the school needs to achieve. In other words, late identification of a deficit and/or delays in implementing a recovery plan will have a direct impact on the school.
- 5.4** Initial feedback from bursars indicates that they feel uncomfortable with early planning, more from a technical budgeting point of view than the concept. Medium term planning is different from setting an annual budget and a different approach is needed. This will include using sensitivity analysis to flex plans so we can see the best case, worst case and most likely scenarios. This will include predictions around pupil numbers, funding and inflation. In order to help schools and bursars with this we are planning Budget Setting training sessions. There are two sessions planned for the 9 and 19 October. These can be booked on the form contained in the September 20th schools' mailing.
- 5.5** While early planning is not mandatory under national regulations, the earliest a local authority can ask for a budget from a school is the 1 May, we are happy to review any budget plans if submitted by the end November.

6 Dedicated Schools Grant

- 6.1** The DSG for 2017/18 now stands at £289.6m. This is a reduction of £0.9m and is a result of an adjustment to replace the estimate of January 2017 early year numbers with actual numbers. There was also a retrospective adjustment for the 2016/17 the Dedicated Schools Grant, which was reduced by £0.6m. The 2017/18 adjustment is cost

neutral as the funding needed for early years providers will move in line with the revised numbers. For 2016/17, the accounts have already been closed and the cost will need to be met this year. With the changes to the early years block earlier in the year, there is funding available to meet the cost.

7 Schools

- 7.1** There are now 13 schools who are forecasting to be in deficit at the end of the financial year. There are another 6 schools who are at risk of going into deficit.

Of the 13 schools all but three have agreed budget plans and loan agreements, although some remain to be signed by the school's governors. Two of the three schools have new management structures since the start of term and officers are working with them regarding updating the budget plans. The third school is revising their plans as it is believed the deficit was going to be larger than original expected.

8. Schools Financial Support

As reported at the last meeting agreement had been reached about providing extra capacity within the Local Authority to support schools. On advertising the post it was disappointing to find the limited availability of people with the appropriate skills.

A different approach has been adopted and discussions have taken place with three of our own Lewisham bursars to provide additional capacity. These arrangements are such that the bursars will provide 10 days support each, four times a year. These four times are critical points of the year when we receive budgetary information from schools.

1	Budget plans	Received in May
2	Budget monitoring at the end of September	Received in December
3	Draft Budget*	Received in November
4	Budget Monitoring as at end December	Received in February

*This is a voluntary return unless a school is in deficit when it is a mandatory return.

This will provide sufficient capacity to check schools returns and challenge as appropriate within a reasonable timescale.

9. Mutual Funds

The Schools Forum has a number of mutual funds it manages on behalf of schools. At the end of the year any balances are returned to schools or rolled forward to the next year. The current position of the funds is described below:

	Growth Fund	Contingency	Non-Sickness Supply
	£	£	£
Brought Forward	-178,154	-1,326,547	503,606
Distributed To Schools	0	0	0
Offset	0	0	0
	-178,154	-1,326,547	503,606
De-Delegation Income	0	-650,000	-1,684,997
Budget	-1,192,000	0	0
Spend To Date	19,643	0	394,094
Projected Spend	817,045	1,400,000	630,579
	-355,312	750,000	-660,324
Cumulative Total	-533,466	-576,547	-156,718

9.1 Growth Fund

The budget for the year is £1,192k, but with the £178k brought forward surplus, the amount of funds available rises to £1,370k.

Previously notified allocations will be made to maintained schools and academies in September. The October census will be examined to verify the allocations/payments and identify any necessary adjustments.

At present a surplus of £533k is showing in the table above, but this projection does not include bulge class allocations for September 2017.

9.2 Contingency

The de-delegation charges for the year have provided £650k, but with the £1,327k brought forward surplus, the amount of funds available rises to £1,977k.

No charges have been actioned against the Contingency yet in

2017/18, but as discussed at previous Forum meetings, these funds will be called upon should a school with a deficit become an academy.

At present a surplus of £577k is forecast, but these funds may be called upon should additional academisation take place.

9.3 Non-Sickness Supply Fund

The de-delegation charges for the year have provided £1,685k, but with the £504k brought forward deficit, the amount of funds available falls to £1,181.

To date only summer term claims have been paid. These totalled £394k.

Forecasting future claims is difficult and previous years show little consistency, but as the summer term claims for this year are only down 10% on 2016/17 but are still up 80% on 2015/16, the decision to increase the de-delegation charge appears justified.

Assuming 10% reductions in the next two terms leads to the forecast of a surplus of £157k, but there is a large margin of error in projecting for this expenditure which the autumn term figures will help to reduce.

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