

LEWISHAM SCHOOLS FORUM			
REPORT TITLE	Dedicated Schools Grant Budget Report 2018/19		
KEY DECISION	Yes	Item No.	7
CLASS	Part 1	Date	7 December 2017

1. Purpose of this Report

This report seeks agreement to the principles on which the Dedicated Schools Grant will be allocated for 2018/19. 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 11 January for further consideration and final agreement.

2. Recommendations

That the Schools Forum agrees

- i) That schools should be consulted on the principal to use the national funding formula to calculate schools budgets from April 2018.
- ii) To change the PFI factor so it is allowed to be based on forecast data.
- iii) The following year the PFI forecasts to be adjusted to actual data.
- iv) That the Minimum Funding Guarantee will be set as close as possible to 0.5% once the final settlement is known.
- v) There will be no transfer of funds from the schools block to the high needs block
- vi) That school members by voting phase, agree the following de-delegated amounts.

Ref	Heading	Primary £'000	Secondary £'000
A	De-delegation for mainstream schools for Contingencies	470	180
B	Administration of free school meals	44	22
C	Staff costs – Supply Cover	800	300
D	School Improvement Fund	220	80

- vii) The Forum are asked to give their view on the loan from the Innovation Fund

3 Approach to budget setting

- 3.1 The Dedicated Schools Grant (DSG) budget setting process needs to be completed by 19 January 2017 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.

4 Financial overview

- 4.1 The Department for Education has confirmed the introduction of a national funding formula for schools and for pupils with high needs from the 2018 to 2019 financial year. For the next two years the Department will run the national funding formula, add up the total of all schools for a local authority area and pass it to that local authority for distribution to the schools in their area. The local authority can then use their own funding formula.

- 4.2 Under the national funding, all our schools will lose funding and will be protected to their current funding level, this is on a per pupil basis and excludes premises factors. The government has also announced that there will be sufficient funding in the system to allow for a 0.5% percent increase in all schools budgets on pupil related factors.

For Lewisham this means there is an £1m available. For both 2018/19 and 2019/20. This is demonstrated in the table below

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
<i>D = B-C</i>	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

- 4.3 This is not as good as it may appear on the surface, some costs will need to be met before any money can be distributed, for example the increase in business rates.
- 4.4 Further, with cost pressures of 8% over a three year period, the announcement of the small, per pupil cash increase would reduce this to 7%.

4.5 The total increase in pupil numbers are as follows:

	Oct-16	Oct-17	Change
Primary	25,286	25,371	+85
Secondary	11,532	11,326	-206

5. The National Funding Formula versus the Lewisham Funding Formula

- 5.1 As all our schools are being protected under the new national funding formula and given that the DfE will run the new national funding model and pass us the funds, then in theory if there were no changes to the funding levels the figures each school receives should be virtually the same although for technical reasons there is not exact match in all schools.
- 5.2 The modelling of the National Funding Formula and the Lewisham funding formula has been undertaken by using the same data. This has proved the theory above. However when we move to calculate the budget for next year we will be using different data and this may have an impact.
- 5.3 The Department for Education requires us to consult all schools on this change. This will need to be completed before the end of term to ensure that the final decision can be taken at the Forum meeting on 11 January 2018. To complete the consultation by the end of term is not ideal. The time constraints are almost impossibly tight as the fully calculated school budgets have to be returned to DfE by the 19 January 2018.
- 5.4 The approach of introducing the national funding formula is not unique and some Local Authorities are proposing to move to the national funding formula, some are considering splitting the distribution of the funding 50:50 between the national funding formula and their own formula (these are authorities where there is an increase in funding). Our objective should be to minimise change and turbulence for schools through this process.

6 Minimum Funding Guarantee (MFG)

- 6.1. Schools Forums are now allowed to set a pre-16 minimum funding guarantee (MFG) in their local formulae, to protect schools from excessive year-on-year changes, and to allow changes in pupil characteristics (for example, reducing levels of deprivation in a school) to flow through. This is a new power this year and the MFG has in the past be set by the Department for Education.
- 6.2. There is not complete freedom for Schools Forums', for 2018 to 2019 the MFG has to be set between 0.5% and minus 1.5% per pupil.
- 6.3. The Government has already specified that within the settlement there will be an overall guaranteed 0.5% increase per pupil. This is reflected in the schools block baseline figures shown in the table 4.2. The overall sum for Lewisham is £1m.
- 6.4. However there are elements of the formula that fall outside the per pupil guarantee such as business rates and PFI costs which will need to be funded first and this will limit the amount that can be distributed.
- 6.5. It is recommended that once the final figures are calculated, the minimum funding guarantee is increased to near as possible to the 0.5%. The figure will then be reported back to the Forum in January.

7 PFI and BSF costs

For the 2017/18 financial year the Forum agreed to introduce a PFI factor within our own funding formula.

- 7.1 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.

7.2 The basis of the factor that was to fund the PFI costs that were greater than 10% of the school's budget.

This was calculated on the basis of the previous year's actuals. At the time this seemed sensible as it avoids retrospective adjustment at a later date. As the pupil numbers were expected to rise and hence the school budget share increase. The percentage of PFI costs to the budget would then decrease, it was a marginal benefit to those schools with PFI scheme.

7.3 Unexpectedly there have been significant falls in the pupil numbers at some of the PFI schools, making their budget deficit situation significantly worse. The current PFI funding formula delays the compensating increase in their budget, a double whammy. It is therefore proposed to move the PFI factor to an estimate of current year costs and only adjust the funding where an increase is required once the actual costs are known. This funding would come from the schools contingency.

7.4 The calculations are shown below

School Name	2018/19 Hard & Soft FM Plus Utilities Estimate	As A Percentage Of I01 To I04	Allocation	Movement Compared To Last Year
Deptford Green School	890,441	12.2%	163,180	(9,097)
Conisborough College	637,741	9.0%	-	-
SEDGEHILL SCHOOL	1,186,922	15.8%	437,835	314,367
Forest Hill School	936,914	10.5%	44,649	27,895
Prendergast Ladywell School	1,042,399	14.2%	306,673	(48,222)
Trinity Church of England, School	475,082	7.6%	-	-
Bonus Pastor Catholic College	548,526	9.9%	-	(10,081)

Prendergast Vale College	636,513	11.6%	88,679	34,312
	6,354,538	11.5%	1,041,016	309,173

- 7.5 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.

8 Other spending blocks

With the introduction of the new national funding formula for both schools and high needs, the national regulations have changed to limit the scope that one block can subsidise another. However this is still possible and if the Schools Forum agree, up to 0.5% of the schools block can be transferred to the other blocks. It is not proposed that any transfer will be undertaken in 2018/19.

9 Budgets Requiring Schools Forum Approval

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 The primary/secondary splits shown in the recommendations of this report are exemplifications as the actual split will be determined by the school level data provided by the DfE in late December.

10 Non-Sickness Supply Fund

This fund mostly provides cover for school for maternity cases. It is also used for other types of cover such as jury service and trade union activities.

Trade Union Activities

This year (2017/18) the funds to be de-delegated were reduced 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. The part year effect of this decision will mean that in 2018/19 the budget will be reduced by a further £10k to £103k.

Recouping Overspends

As a mutual fund, the non-sickness supply scheme needs to collect sufficient funds to cover its pay-outs.

In 2017/18 it was necessary to increase the contributions by £363K to cover anticipated costs for the 2017/18 financial year and by a further once off figure of £539K to cover previous years' overspends. This gave a 2017/18 de-delegation total of £1,685,000. The once off nature of the previous year's write off means that the de-delegation for 2018/19 can be reduced to £1,100K

11 School Improvement De-Delegation Fund

Under the national school funding regulations that came into force for 2017/2018, school improvement support offered to maintained schools is included in the list of de-delegated services.

The Forum agreed to de-delegate the sum of £300k for 2017/18. This funding was allocated to fund the work of the Lewisham Learning Partnership. It is proposed to keep the de-delegation funding for 2018/19 at the same level and to allocate it again to fund the work of the Lewisham Learning Partnership.

12 Contingency

It is recommended that the schools de-delegation be kept at the same level. This makes sense given the risk of deficit write-off should a school move to an academy sponsor through the 'forced' route.

13 Free Meals administration

It is proposed to keep this at the same level at 2017/18 but undertake a review of this spend and the activity associated with it.

14 Innovation Fund

The Innovation Loan Fund was introduced to change how major projects are implemented by allowing schools to incur the expenditure when a need is identified, then paying for the asset created over time.

The loan fund covers the following

- Purchase or replacement of equipment including computer equipment;
- Full or part funding of premises projects;
- Energy and environmental improvements;

One of our secondary schools has approached us for a loan of £250k to cover computer equipment. One of the issues that has emerged in the school's unpicking of its financial situation over the last year has been the recognition that no funds were put aside to ensure the IT system in the school could be replaced and upgrading and improvement of systems had not been happening in a scheduled and timely way. The IT system is now so outdated that it threatens to cause serious problems with the curriculum delivery and safeguarding in the school.

Loans between £100,000 and £500,000 can be approved by the Executive Director, Children and Young People and she is minded to approve but the Schools Forum needs to be consulted.

The Forum are asked for their views

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