

**Decision Maker:**        **SCHOOLS' FORUM**

**Date:**                    **Thursday 23 November 2017**

**Decision Type:**        Non-Urgent                    Non-Executive                    Non-Key

**Title:**                    **2018/19 DEDICATED SCHOOLS GRANT CONSULTATION WITH SCHOOLS**

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**Chief Officer:**         Director: Education (ECHS)

**Ward:**                    Borough-wide

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1.    Reason for report

1.1   This report provides an update on recent consultation with schools regarding the 2018/19 Dedicated Schools Grant and outlines the proposals for further consultation regarding the introduction of the National Funding Formula

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**2.    RECOMMENDATIONS**

**2.1   The Schools Forum is asked to:**

- i)    Discuss and note this information**
- ii)   Give an opinion on the proposed Local Authority request to Dis-apply (EFA) Regulations**
- iii)  Agree the proposal to consult with schools regarding the introduction of the National Funding Formula**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: Funding for schools impacts education for children.
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### Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Children and Young People:
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### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Various DSG funded cost centres across ECHS
  4. Total current budget for this head: £265m gross
  5. Source of funding: DSG
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### Personnel

1. Number of staff (current and additional): Not Applicable
  2. If from existing staff resources, number of staff hours: Not Applicable
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### Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Not Applicable:
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### Procurement

1. Summary of Procurement Implications: Not Applicable
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): All pupils at Bromley schools
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

### 3. COMMENTARY

3.1 The Indicative Dedicated Schools Grant ( DSG ) funding has now been provided to all LAs – this is currently based on 2017/18 pupil numbers so will be uplifted in December to reflect the October 2017 census numbers. The DSG for 2018/19 will be divided into four blocks – High Needs, Early Years, Schools and Schools Central blocks. No information had been published to date regarding the Early Years Block however it is anticipated that as in previous years, this block will be balanced to ensure that the expenditure matches the expected income.#

3.2 The LA has therefore focussed on the other three blocks at this stage to estimate likely expenditure and to anticipate any potential shortfalls or budget pressures.

#### 3.3 Central Schools Block

Expected Funding	£1,926,600
Forecast Expenditure	£2,090,420
Potential shortfall	£163,820

Nb full details of all these calculations can be seen at **appendix 1**.

3.4 The expenditure in this block includes specific areas as defined in the DfE Operational guidance, including the cost of Access and Admissions services, schools central licensing costs, and other retained duties previously funded through the Education Services Grant. It is expected that the LA will need to identify savings of around £164k from within the block in order to achieve a balanced budget.

#### 3.5 High Needs Block

Expected HN Funding	£46,341,455
Less HN recoupment	-£7,003,000
Actual HN Funding	£39,338,455
Forecast Expenditure	£41,045,700
Potential shortfall	£1,707,245

3.6 There has been identified pressure on the HN block for the past few years, which is attributable in part to the government changes to extend the scope of the HN block to include pupils from 0 to 25, which was previously 5 to 19. This issue was highlighted as part of the 2017/18 budget setting process and the LA Officers worked with a working group from Schools Forum representatives to identify where savings could be made – some of these savings have not been achieved as expected, due in part to changes of personnel within the LA and also due to the fact that the LA is currently waiting for the outcomes of the full SEND review which is currently being undertaken by SEND4Change and funded by a specific DfE Grant.

3.7 It is hoped that this review will help the LA to re-focus some of the areas within the HN block and to affect some savings, however it is expected that any changes/savings will only be achieved in the medium to long term and will not have an impact of the 2018/19 budget.

It is unlikely that the LA would be able to identify £1.7m of savings for next year, particularly as any savings which are identified would possibly not be able to be implemented until September 2018 and therefore would only realise a part year effect.

### 3.8 Schools Block

Expected Funding	£201,363,279
Less Growth fund	-£2,800,000
Funding available to schools	£198,563,279

3.9 Funding for the Schools Block has been calculated using the NFF funding for each school plus an additional amount based on the LAs funding for growth and for rates which sit outside of the NFF. The LA has agreed with the Schools Forum that there will be a full consultation with all schools to decide which formula should be used to calculate schools funding for 2018/19 – ie should Bromley continue to use their existing local formula or should they move to the national funding formula. Each LA has the option of deciding the method of distribution locally for 2018/19 and 2019/20 prior to the introduction of the NFF in 2020/21.

3.10 The DfE Operational guidance states that the Schools block will be ring-fenced from 2018/19, but local authorities will retain limited flexibility to transfer up to 0.5% of their schools block into another block, with the approval of the Schools Forum. To make such a transfer, local authorities are required to consult with all maintained schools and academies, and it is recommended that the Schools Forum should take into account the views of the schools before giving their approval.

3.11 However, the LA can submit a disapplication request to the Secretary of State in cases where;

- The authority wishes to move more than 0.5% of the schools block; or
- The Schools Forum has turned down a proposal from the authority to move funding out of the schools block (either above or below the 0.55 limit) but the authority nevertheless wishes to proceed with the transfer.

3.12 The authority has considered these options very carefully in view of the predicted shortfall in the High Needs block and has concluded that they should consult with schools on the basis of requesting to move funding from the schools block to the High Needs block.

3.13 The potential shortfall of £1.7m would equate to 0.85% of the Schools Block and therefore would be outside of the recommended figure of 0.5%, which actually equates to £1,006,816. The local authority would like to request a disapplication for £1m which actually equates to 0.49% - the High Needs Block would then need to either find further savings of around £700k or the local authority would need to consider other options such as setting a deficit budget in the high needs block.

3.14 The impact on the Schools Block would be as follows:

Expected Funding	£201,363,279
Less Growth fund	-£2,800,000
Less Transfer to High Needs Block	-1,000,000
Funding available to schools	£197,563,279

- 3.15 Following the last SF meeting and a subsequent separate meeting with the Chair and Vice Chair of the Schools Forum, the LA issued a consultation document to all schools outlining the background to these proposals and asking schools to comment on the proposal to move £1m from the Schools Block as this is a specific requirement of the disapplication process.
- 3.16 An analysis of the consultation responses can be seen at **appendix 2**. Based on this information, the Schools Forum is asked to formally agree whether or not they support the LA's proposal to submit a disapplication request to the Secretary of State. The Disapplication request form can be seen at **appendix 3**.
- 3.17 Following on from the recommendation by the Schools Forum, the LA has committed to issue a second round of consultation with all schools regarding the decision to either move to the NFF in 2018/19 or to continue to use the Bromley Funding Formula. Depending on the outcome of the disapplication request it is assumed that there will be either £197.5m or £198.5m to be allocated.
- 3.18 The LA has looked at the two basic options ie either to move immediately to using the National Funding Formula or to continue to use the Bromley Formula with regard to affordability and is recommending that instead of adjusting the elements within the formula to manage the affordability, that this should be done by adjusting the capping and scaling factors and the minimum funding guarantee.
- 3.19 The capping and scaling factor will adjust the amount of additional funding that a school may gain through the move to the NFF whereas the MFG will adjust the amount that any school could lose. The capping factor can be set at any level below 3% whereas the MFG cannot go below -1.5%.
- 3.20 The LA has produced a number of models which are as follows:

	Funding Formula	Ceiling	MFG	Primary : secondary ratio	Cost £
DfE NFF	Baseline data	3%	+0.5%		£199.3m
Option 1	National FF	3%	0.0%	1 : 1.34	£199.6m
Option 2	National FF	3%	-1.5%	1 : 1.34	£198.0m
Option 3	National FF	2%	-1.5%	1 : 1.34	£197.3m
Option 4	National FF	1%	-1.0%	1 : 1.34	£197.0m
Option 5	National FF	1%	-0.5%	1 : 1.34	£197.5m
Option 6	Bromley FF	3%	0.0%	1 : 1.25	£197.2m
Option 7	Bromley FF	3%	-1.5%	1 : 1.25	£195.8m

Full details of the modelling data on a school by school basis can be seen at **appendix 4**.

- 3.21 It should be noted that although option 1 is effectively the model that DfE has used to calculate the funding for the DSG, it is not affordable for all schools to receive this level of funding as it does not take account of the impact of increases in rates, and the increase in the growth costs (both explicit and implicit). Explicit growth costs are deemed to be the funding that is allocated by the LA to growing schools outside of the funding formula and implicit growth is funding for new free schools within the funding formula.
- 3.22 Assuming that the transfer to the HN **does** take place and therefore there is £197.5m to allocate to schools then:

- Options 1 and 2 are not affordable
- Options 3, 4, 5 and 6 are affordable and “reasonable”
- Option 7 does not allocate enough funding and would require a lot of “tweaking”

Assuming that the HN transfer does **not take** place, then option 2 would also be affordable.

3.23 It is important to emphasise that these models are indicative only as they are based on 2016/17 pupil data so the actual allocations for 2018/19 are likely to change and therefore schools will be advised against using this information as part of their 2018/19 budget setting processes.

3.24 The Schools Forum is asked to consider these options and to agree the basis on which the LA should consult with schools – it is assumed that the consultation document would not include all seven options but that the SF would agree one option from the NFF and one from the Bromley FF to issue to schools. This consultation would then be issued immediately after the SF meeting to allow schools time to respond to this and for the LA Officers to assess the results in preparation for the next SF meeting on the 11<sup>th</sup> January.