

**Bristol Schools Forum**  
**DSG Overview - Monitoring 2017/18 and Budget Setting 2018/19**

<b>Date of meeting:</b>	16 <sup>th</sup> January 2018
<b>Time of meeting:</b>	6.15 pm
<b>Venue:</b>	The Writing Room, City Hall

## **1 Purpose of report**

- 1.1 This report provides an update on the forecast financial position for the DSG overall as at Period 8 (to end November 2017) and sets out proposals for consideration by Cabinet at its meeting on 23<sup>rd</sup> January 2018 on how the budget will be set for 2018/19.

## **2 Recommendation**

### **2.1 Schools Forum is invited to:**

- a) note the in-year 2017/18 position for the overall DSG in Section 4;
- b) note and comment on the proposals for implementing the agreed strategy for Schools Budget for 2018/19;
- c) Indicate whether it supports the proposal to allocate £0.7m of the £4.1m (for additional PFI costs) to the High Needs Block for 2018/19.

## **3 Background**

- 3.1 At Schools Forum on 22<sup>nd</sup> November 2017, it was reported that there was a forecast £6.2m deficit on the Dedicated Schools Budget for 2017/18.
- 3.2 The meeting also considered the dilemmas facing the Schools Budget in addressing three immediate strategic financial issues:
- **Individual schools:** many individual schools and early years settings are experiencing financial difficulties and deficit budgets;
  - **High Needs Budget:** The High Needs budget is working to reduce an in-year £5m overspend in 2017/18, with the cumulative position forecast to be £7.3m by year-end, which would rise to £12.1m if no action were taken;
  - **Schools PFI:** The affordability gap on the two PFI contracts is greater than the amount of the PFI Factor in the mainstream formula by an amount in the region of £4.5m each year at today's prices.
- 3.3 Schools Forum agreed that £2m funding from the Schools Block allocation for 2018/19 could be transferred to the High Needs Block to assist either with slippage in implementing savings or to contribute to the historic deficit.

This was on the basis that the Authority would fund mainstream schools at the headline rate of increase per pupil (provisional DSG figures from ESFA had indicated +1.5%) and that the Minimum Funding Guarantee for mainstream schools would be 0% (ie per pupil funding would be no lower than the rate in 2017/18).

### 3.4 Officers outlined two options:

- a) **Plan A.** To include £4m more for PFI Factor in the mainstream formula, supported by an equivalent contribution from the Council's budget, on the basis that Department for Education would embed the extra PFI cost into the National Funding Formula (and therefore the Dedicated Schools Grant) in future years.
- b) **Plan B.** The Council would continue to meet the PFI Affordability Gap from its own budget (rather than from the DSG) in circumstances where the Department for Education indicated there was no possibility of the extra PFI costs being embedded within the National Funding Formula.

3.5 This paper confirms that the Authority will be pursuing Plan A in setting the Schools Budget for 2018/19 and it incorporates the school finance settlement information provided by the ESFA in late December 2017. Schools Forum were content to support Plan A when it was considered in November 2017.

## 4 Budget monitoring 2017/18

4.1 At Schools Forum on 22<sup>nd</sup> November 2017, it was reported that there was a forecast £6.2m deficit on the Dedicated Schools Budget for 2017/18 at Period 4.

4.2 This position has improved by -£1.1m to a £5.1m overspend. The Period 8 position is set out in **Table 1** with more detail set out in **Appendix 1**.

**Table 1: Forecast position on overall DSG for 2017/18 (Period 8)**

	Brought forward 1.4.17	Funding 2017/18	Forecast Outturn 2017/18	In-year movement	Carry forward 31.3.17	Previous forecast (Period 6)	Change
	£,000	£,000	£,000	£,000	£,000	£'000	£'000
Maintained Schools	0	(97,411)	97,411	0	0	0	0
Academy Recoupment	0	(147,014)	147,014	0	0	0	0
Early Years Block	(440)	(34,881)	35,268	387	(53)	37	(90)
High Needs Block	2,365	(44,007)	47,913	3,906	6,271	7,323	(1,052)
Schools Block (Central)	(295)	(6,279)	5,444	(835)	(1,130)	(1,140)	10
<b>Total</b>	<b>1,630</b>	<b>(329,592)</b>	<b>333,050</b>	<b>3,458</b>	<b>5,088</b>	<b>6,220</b>	<b>(1,132)</b>

- 4.3 The main overspend overall (£6.3m) is in the High Needs budget, which is explained in a separate report on this agenda. The changes in the High Needs Budget forecast include renegotiated top-up rates and numbers for Further Education students from the new academic year, lower mainstream top-up spend (following the November top-up panel) than was provided for. The Early Years underspend relates to vacancies in the central team.

## 5 School Funding Arrangements 2018/19

- 5.1 Schools Forum agreed to the strategy for setting the Schools Budget for 2018/19, including some decisions which must be referred to the Secretary of State for Education and other decisions which rest with Cabinet and Council. This included transferring £2m from the Schools Block to the High Needs Block on the basis that this was funding available after providing mainstream schools with sufficient funding for rates, lump sums and a 1.5% per pupil increase on the other factors in the formula and leaving a reduced amount of £2m for the Growth Fund.
- 5.2 The Education and Skills Funding Agency has confirmed final DSG allocations for 2018/19 which reflect the greater number of pupils in Bristol schools. The updated allocations are set out in **Table 2**.

**Table 2: Final DSG Allocations (as per ESFA 19<sup>th</sup> December 2017)**

<b>DSG Revised Blocks</b>	<b>2017/18 DSG £m</b>	<b>Adjustment for HN places in mainstream £m</b>	<b>Change in funding notified 15.9.17 £m</b>	<b>Final funding notified 19.12.17 £m</b>	<b>DSG 2018/19 £m</b>
Schools block	241.37	1.00	+3.54	+6.11	<b>252.02</b>
Central school services block	2.75	0.00	+0.04	+0.03	<b>2.82</b>
High needs block	50.67	-1.00	+1.07	+0.14	<b>50.88</b>
Early Years baseline (provisional)	33.48	0.00	0.00	+2.06	<b>35.54</b>
<b>Total</b>	<b>328.27</b>	<b>0.00</b>	<b>+4.65</b>	<b>+8.34</b>	<b>341.26</b>

- 5.3 Between 2017/18 and 2018/19 the Schools Block DSG has increased by 1,511 pupils (including the technical SEN adjustment with the High Needs Block) and the unit value has increased by 1.5%. The final increases in the Central Services and High Needs Blocks are also a reflection of the updated general pupil numbers. The Early Years Block is provisional because the precise amount of funding is determined by participation levels in the January 2018 and the January 2019 pupil censuses.

- 5.4 There are separate papers dealing with the issues in each of the Schools Block, Early Years Block, High Needs Block and Central Services Block, elsewhere on the agenda.

## **6 Development of the overall Financial Strategy for 2018/19 and beyond**

- 6.1 Schools Forum will be familiar with the three competing Schools Budget financial priorities explained at the September 2017 meeting and explored further with 90 school representatives at a Schools Financial Strategy Workshop at Parkview on 13<sup>th</sup> November 2017. The slides from that event have been circulated to all schools. These three priorities are:
- **Individual mainstream schools and early years settings**, experiencing difficulties in setting a balanced budget and reducing their reserves to a very low level.
  - **High Needs budgets**, which are now forecast to be £7.3m overspent and which will overspend more if further action is not taken
  - **The 2 multi-school Private Finance Initiative contracts** where the affordability gap of around £4.5m at current prices each year for the next 18 years somehow needs to be closed.
- 6.2 The paper at the previous meeting talked about two alternative strategies, dependent on how the DfE intended to deal with the proposed additional £4m PFI factor in the future National Funding Formula. This was set out as Plan A (if the PFI Factor would be embedded within the NFF and, therefore, the DSG in future years) or Plan B (if the PFI Factor would not be recognized in the NFF and the Council would revert the PFI Affordability Gap to the Council's budget).
- 6.3 The DfE has confirmed to officers that it is their intention to do a complete review of the arrangements for PFI Factors in time for the 2019/20 financial year. This would aim to ensure that there was a fair approach to recognizing the circumstances of individual authorities with respect to PFI. While they could not guarantee the outcomes of that review, they advised that it would be necessary for the additional PFI Factor to be included in the mainstream formula before they could consider recognizing it within the NFF.
- 6.4 On this basis, officers believe that the PFI Affordability Gap discussed at the previous meeting should be added to mainstream formula budgets for the 8 PFI schools and that the DSG support for the Schools Budget be supplemented by a matching contribution from the Council's General Fund. It would be the expectation that the Council contribution could be withdrawn at a future point when the NFF reflects the higher amount of PFI Factor.

- 6.5 The proposal is, therefore, to pursue Plan A. A reminder of the key points in Plan A is in **Table 3a** and a summary of the financial impact of Plan A based on the information that was available in November is in **Table 3b**. this reflects the clear steer from Schools Forum that Schools Block headroom should be used for the High Needs Block.

**Table 3a: Key points in Plan A**

<b>Plan A</b>
<ul style="list-style-type: none"> <li>• <b>PFI Factor.</b> DfE confirm extra PFI would be embedded in future NFF / DSG. £4m added to PFI Factor in mainstream schools formula.</li> <li>• <b>Mainstream schools formula</b> increased by equivalent of headline increase per pupil (Provisional DSG includes +1.5% currently)</li> <li>• <b>Schools Block Headroom.</b> Budgeting for lower Growth Fund and removing provision for rates, which were never delegated to schools, creates headroom of £2m, which Schools Forum agreed should be transferred to the High Needs Block.</li> <li>• <b>General Fund contribution.</b> GF would provide £4m to Schools Block to match the PFI increase.</li> <li>• <b>Future position.</b> When the DSG reflected the higher PFI funding, the GF could be withdrawn.</li> </ul>

**Table 3b: Previous calculations for Plan A approach to schools funding 2018/19 (November 2018 version)**

<b>Cost</b>	<b>£'000</b>	<b>Funding</b>	<b>£'000</b>
Minimum Funding Guarantee (0%)	£219.1m	Indicative DSG 2018/19	£245.9m
Rates / Lump sums	£18.5m	From General Fund	£4.0m
Shift of SEN places to Schools Block	£1.0m	To High Needs Block	-£2.0m
Extra PFI Factor	£4.0m		
Paying +1.5% per pupil	£3.3m		
Growth Fund	£2.0m		
<b>Schools Block Total</b>	<b>£247.9m</b>	<b>Schools Block Total</b>	<b>£247.9m</b>
Expected High Needs commitments 2018/19 (See High Needs paper Item ?)	£55.5m	Provisional DSG 2018/19	-£50.7m
Savings measures	-£4.9m	From Schools Block	-£2.0m
Slippage on savings	+£2.1m		
<b>High Needs Block Total</b>	<b>£52.7m</b>	<b>High Needs Block Total</b>	<b>-£52.7m</b>

- 6.6 The updated DSG information allows the strategy for Plan A to be implemented, but the extra 1,511 pupils funded through the DSG for 2018/19 are not matched by an identical increase in the formula pupil numbers 1,477 funded through the mainstream formula (Authority Proforma Tool). That discrepancy, plus differences in the characteristics of schools and the fact that the strategy is based on inflating the main formula only (ie around 90% of the total Schools Block), this explains why there is around £0.7m remaining after implementing the plan that was agreed.
- 6.7 Members are considering whether this amount should be made available to the High Needs Budget for 2018/19. It is too late to reapply for a transfer from the Schools Block to the Secretary of State, but it is still possible to allocate some of the contribution from the Council's General Fund budget to the High Needs Block instead of to the Schools Block.
- 6.8 Schools Forum are aware of the context of the High Needs budget and its impact on the overall financial position of the DSG. At the end of 2016/17, individual school balances amounted to £5m, but the DSG was overspent by £1.6m, leaving a positive balance of £3.4m. The forecast for 2017/18 is that net maintained school balances will have dropped to £3m and the DSG centrally will be £5m overspent, giving a negative balance of £2m. This arrangement is not sustainable. Clearing the historic deficit on the High Needs budget swiftly through a package of savings measures and through use of any available additional funding is viewed as necessary.
- 6.9 Schools Forum will have a view on this and this can be conveyed to Members before Cabinet takes a final decision on the Schools Budget on 23<sup>rd</sup> January 2018.

**Table 4: Proposed Implementation of Plan A Strategy with final DSG figures**

<b>Cost</b>	<b>£'000</b>	<b>Funding</b>	<b>£'000</b>
Minimum Funding Guarantee (0%)	£224.7m	Final DSG 2018/19	-£252.0m
Rates / Lump sums	£18.2m	From General Fund	-£3.4m
Shift of SEN places to Schools Block	£1.0m	Transfer £2m to High Needs Block	+£2.0m
Extra PFI Factor	£4.1m		
Paying +1.5% per pupil	£3.4m		
Growth Fund	£2.0m		
<b>Schools Block Total</b>	<b>£253.4m</b>	<b>Schools Block Total</b>	<b>-£253.4m</b>
Expected High Needs commitments 2018/19	£55.8m	Provisional DSG 2018/19	-£50.8m
Savings measures	-£5.0m	From Schools Block	-£2.0m

Slippage on savings / contribution to historic deficit	+£2.7m	From General Fund	-£0.7m
<b>High Needs Block Total</b>	<b>£53.5m</b>	<b>High Needs Block Total</b>	<b>-£53.5m</b>

6.10 Table 4 above sets out the outline of the proposed financial strategy as it affects the Schools Block and the High Needs Block for 2018/19. More detail about the workings of the mainstream formula and the High Needs Block are in separate papers on this agenda.

## 7 Glossary of Terms

**CABINET REPORT ON DSG  
APPENDIX A.1.1**

**Forecast position for Overall DSG 2017/18 as at Period 8**

	<b>Brought forward 1.4.17 £000</b>	<b>Funding 2017/18 £000</b>	<b>Forecast Outturn (as at Nov 2017) 2017/18 £000</b>	<b>In-year movement £000</b>	<b>Carry forward 31.3.17 £000</b>
Admissions		(461)	461	0	0
Centrally Retained	(295)	(5,818)	4,983	(835)	(1,130)
Formula		(97,411)	97,411	0	0
<b>Schools Block</b>	<b>(295)</b>	<b>(103,690)</b>	<b>102,855</b>	<b>(835)</b>	<b>(1,130)</b>
<b>Academy Recoupment</b>	<b>0</b>	<b>(147,014)</b>	<b>147,014</b>	<b>0</b>	<b>0</b>
National Formula		(26,041)	26,041	0	0
Contingency		(292)	292	0	0
2 Year Old Funding		(4,601)	4,601	0	0
Pupil Premium (EYPP)		(366)	366	0	0
Additional Support Services		(1,026)	1,030	4	4
SEN Top up		(667)	667	0	0
Staffing		(1,777)	1,720	(57)	(57)
Disability Access Fund		(111)	111	0	0
Committed reserve	(440)	0	440	440	0
<b>Early Years Block</b>	<b>(440)</b>	<b>(34,881)</b>	<b>35,268</b>	<b>387</b>	<b>(53)</b>
Commissioned Services		(2,723)	3,026	303	303
Core Place Funding		(11,848)	11,375	(473)	(473)
Staffing		(895)	855	(40)	(40)
Top Up		(20,221)	22,223	2,002	2,002
Placements		(6,455)	8,528	2,073	2,073
Pupil Support		(504)	349	(155)	(155)
Schools in Financial Difficulty		(300)	309	9	9
HOPE Virtual School		(435)	433	(2)	(2)
16/17 Overspend carried forward	3,180	(626)	0	(626)	2,554
Committed reserve	(815)	0	815	815	0
<b>High Needs Block</b>	<b>2,365</b>	<b>(44,007)</b>	<b>47,913</b>	<b>3,906</b>	<b>6,271</b>
<b>Total</b>	<b>1,630</b>	<b>(329,592)</b>	<b>333,050</b>	<b>3,458</b>	<b>5,088</b>



**CABINET REPORT ON DSG  
APPENDIX A.1.2**

**DfE / EFSA Indicative Timetable for 2018/19 Schools Budget Setting**

Date	DfE/ESFA	Local authorities
August 2017	Operational guidance published setting out arrangements for 5-16 mainstream schools implementation for 2018 to 2019.  Local authority level baselines published	
August 2017	Example APT issued to local authorities	
September 2017	Allocations issued for schools, central school services and high needs blocks	
Autumn 2017	High needs funding guide for 2018 to 2019 issued to local authorities	
5 October 2017	School census day	
October / November 2017	DfE and local authorities check and validate school census	
30 November 2017	School census database closed	Deadline for submitting requests for: <ul style="list-style-type: none"> <li>• MFG exclusions</li> <li>• exceptional premises factors</li> <li>• sparsity factors</li> <li>• lump sum variations for amalgamating schools</li> <li>• pupil number reductions</li> <li>• movement of funding out of the schools block above the limit of 0.5% and/or which the schools forum has not approved</li> </ul>
Mid-December 2017	APT issued to local authorities, containing October 2017 census-based pupil data and factors  Publication of DSG schools block and high needs block allocations for 2018 to 2019 (prior to academy recoupment)  Publication of provisional early years block allocations	
Mid-January		Schools forum consultation /

Date	DfE/ESFA	Local authorities
2018		political approval required for final 2018 to 2019 funding formula
19 January 2018		Deadline for submission of final 2018 to 2019 APT to ESFA
28 February 2018		Deadline for confirmation of schools budget shares to mainstream maintained schools
February/March 2018	2018 to 2019 allocations to post-16 institutions, academies and NMSS to be issued	
February 2018	Publication of 2018 to 2019 high needs place numbers at institution level	
30 March 2018	Confirmation of 2018 to 2019 general annual grant for academies open by 9 January 2018	
April 2018	First DSG payments to local authorities based on 2018 to 2019 allocations, net of academies recoupment (DSG allocations updated termly for in year academy conversions), FE high needs place funding deductions and other adjustments	
Summer 2018	Early years block updated for January 2018 early years pupil numbers	
Summer 2019	Early years block updated for January 2019 early years pupil numbers (pro rata 7/12ths as this relates only to the period September 2018- March 2019)	

**CABINET REPORT ON DSG  
APPENDIX A.1.3**

**Decision making around DSG for 2018/19**

Approval required	Services covered (and funding block)	Indicative amount (mostly 2017/18 unless otherwise indicated)
Authority proposes and decides, but it must consult the Schools Forum	Funding Formula, amounts distributed and arrangements for Minimum Funding Guarantee	The baseline Schools Block for 2018/19 starts at £242.37m, including £3m for growth fund and £0.4m for falling rolls which are considered separately.
Schools forum approval is not required (although they should be consulted)	High needs block provision Central licences negotiated by the Secretary of State	Baseline is £49.67m for 2018/19  approval not required
Schools forum approval is required on a line-by-line basis	Funding to enable all schools to meet the infant class size requirement Back-pay for equal pay claims Remission of boarding fees at maintained schools and academies Places in independent schools for non-SEN pupils Admissions Servicing of schools forum Contribution to responsibilities that local authorities hold for all schools Contribution to responsibilities that local authorities hold for maintained schools (voted on by relevant maintained school members of the forum only) De-delegated services from the schools block (voted on by the relevant maintained school members of the forum only)	Part of Growth fund - £3m  No provision  No provision  No provision  £0.461m £23k in 2017/18 £843k (former ESG core) 2017/18  None  Schedule of services amounting to £2.145m 2017/18
Schools forum approval is required	Central early years block provision Any movement of funding out of the schools block Any deficit from the previous funding period that reduces the amount of the schools budget	5% of the estimated 3 & 4 year old funding  To be determined  To be determined

Approval required	Services covered (and funding block)	Indicative amount (mostly 2017/18 unless otherwise indicated)
	Any brought forward deficit on de-delegated services which is to be met by the overall schools budget	none
<p>Schools forum approval is required on a line-by-line basis. The budget cannot exceed the value agreed in the previous funding period and no new commitments can be entered into.</p> <p><a href="#">Read establishing local authority DSG baselines for more information</a></p>	Capital expenditure funded from revenue – projects must have been planned and decided on prior to April 2013 so no new projects can be charged. Details of the remaining costs should be presented	none
	Contribution to combined budgets – this is where the schools forum agreed prior to April 2013 a contribution from the schools budget to services which would otherwise be funded from other sources	£0.599m
	Existing termination of employment costs (costs for specific individuals must have been approved prior to April 2013 so no new redundancy costs can be charged)	£0
	Prudential borrowing costs – the commitment must have been approved prior to April 2013. Details of the remaining costs should be presented	£0.566m, but will reduce in 2018/19.
Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools	<p>Funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy</p> <p>Funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years</p>	<p>part of £3m growth fund</p> <p>£0.400m will be included within the Schools Block for 2018/19, but unlikely to be needed for falling rolls.</p>