

Bristol Schools Forum
DSG Overview - Budget 2018/19 and beyond

Date of meeting:	10 th July 2018 (Cancelled)
Time of meeting:	N/A
Venue:	N/A

1 Purpose of report

- 1.1 This report provides an update on the financial position for the DSG in 2018/19.
- 1.2 It also provides a commentary on the latest DfE thinking on the likely policy developments in the DSG for 2019/20 and beyond.

2 Recommendation

- a) As there is no meeting to consider this report, there are no recommendations. This report is for information only.

3 Background

- 3.1 At Schools Forum on 22nd May 2018, it was reported that there was a carry forward deficit of £1.0m on the Dedicated Schools Budget for 2017/18. The brought forward amount recognized underspends amounting to -£1.0m in de-delegated budgets, early help and early years, all offset by a +£2.0m deficit on the high needs budget.
- 3.2 The meeting also considered the position on individual schools balances at 31st March 2018.
- 3.3 Finally, the meeting considered the Trading with Schools financial position for 2017/18.

4 Schools Budget 2018/19

- 4.1 Council agreed the budget allocations totaling £342.177m in February 2018. When the outturn position was known, this updated the assumptions about brought forward balances and this increased the overall budget to £343.216m. The DSG has increased by an additional £0.141m in the High Needs Block for a technical calculation about import / export of pupil numbers in specialist provision. Finally, officers have assessed the level of Early Years DSG due, based on the underlying assumptions about participation levels in the January 2019 early years census. This has increased the DSG expected by £1.059m.

4.2 A feature of the budget setting for 2018/19 is that not all of the available funding has been allocated and there is more funding available than just the DSG. Table 1 summarizes the budget position. The elements of unallocated funding are:

Table 1: Summary of Schools Budget allocations and funding assumptions 2018/19

DSG Blocks	Schools Budget 2018/19 (May 2018) £m	Schools Budget 2018/19 (June 2018) £m	Movement £m
Schools block	253.780	253.780	0.000
Central school services block	2.262	2.262	0.000
High needs block	51.133	51.133	0.000
Early Years block	36.041	36.041	0.000
Total	343.216	343.216	0.000
Funded from			
Brought forward DSG deficit from 2017/18	+1.016	+1.016	0.000
DSG advised by ESFA June 2018 (1)	-341.274	-341.415	-0.141
Calculated additional DSG for EY (estimated) (1)	0	-1.059	-1.059
General Fund (vired from capital financing) (1)	-4.100	-4.100	0.000
Resulting carry-forward at end of 2018/19 (2)	+1.142	+2.342	+1.200
Total	-343.216	-343.216	0.000

Note 1: The forecast 2018/19 income of **£346,574** is the sum of the DSG advised by the DfE, plus the calculated estimate for Early Years DSG and the contribution from the General Fund.

Note 2: Forecast 2018/19 carry-forward of **£2.342m** surplus comprised of: £0.566m unallocated School Central Services Block funding, £0.717m surplus on High Needs Block (if all savings delivered) and forecast additional Early Years income of £1.059m.

4.3 **Table 2** aligns the funding to the relevant spending components with the Period 2 forecast to identify the overall position for each block. Table 2 suggests that the overall deficit at the end of 2018/19 would have improved by £0.8m, with overspends forecast in High Needs and underspends in Early Years, Central Services and De-delegated services.

Table 2: Forecast position on overall DSG for 2018/19 (Period 2)

	Brought forward 1.4.18 £,000	Funding 2018/19 £,000	P2		Carry forward 31.3.19 £,000	Previous forecast £,000	Change £'000
			Forecast Outturn 2018/19 £,000	In-year movement £,000			
Schools Block		253,423	253,423				
De-delegation	-357		305	305	-52		
Schools Central Block		2,828	2,262	-566	-566		
Early Years	-500	36,600	36,203	-397	-897		
High Needs Block	1,873	53,723	53,607	-116	1,757		
Funding		-346,574	-346,574				
Total	1,016		-775	-775	242		

- 4.4 **De-delegated resources** are mostly expected to be used this year, with only a modest underspend on trade union activities being forecast at this early stage.
- 4.5 **School Central Services Block** is forecasting a planned underspend of £0.566m because the historic allocation for prudential borrowing is no longer required. Other components of that budget will be fully spent.
- 4.6 **Early Years** budgets are forecasting an underspend of -£0.9m, but extreme care should be taken in concluding that this is the certain outcome for this financial year. In 2017/18 there was too much emphasis on taking a prudent approach which erred on the side of forecasting to budget in the absence of a robust analysis of the underlying position. For 2018/19, officers have attempted to align the income and expenditure forecasts to the expected underlying data (ie there are estimates of pupil numbers for each of the three censuses in this financial year for all maintained settings and there is verified data about the January 2018 census for all settings).
- 4.7 The DSG income is based 5/12ths on the January 2018 census. We have that information so we can be sure about how much that will provide us. It is also based on 7/12ths of the January 2019 census. We do not have that information. All we have is what happened in January 2018 and the rates that apply for 2018/19 financial year. So, an income estimate has been done on that basis.
- 4.8 The DSG expenditure is largely driven by the numbers of pupils in the May 2018, October 2018 and January 2019 termly censuses. None of that information was available at the time of the Period 2 forecast. For maintained settings, illustrative budgets have been used for the purposes of monthly payments using the 2017/18 financial year census data as a proxy for the 2018/19 data, at 2018/19 rates. For PVI settings, we have used the

January 2018 census as a proxy for the average position across 2018/19 financial year. So, an expenditure estimate has been done on this basis.

- 4.9 This is a more considered approach than 2017/18's monitoring process. Nonetheless, it is difficult to draw too many hard conclusions from it. This is because we only have proper data on 5/12ths of the income side of the equation and no data on the expenditure side. As the year goes on we will get more information, but the January 2019 census still accounts for a large part of the income and expenditure.
- 4.10 A discussion about this situation at a meeting in the autumn term would be helpful.
- 4.11 **High Needs** budget has a headline in-year underspend of £0.1m. Schools Forum will recall that this includes planned underspends of £2.6m, to address the historic deficit position. Of the allocated budgets for 2018/19, there is a forecast to overspend by £2.5m.
- 4.12 There is a £1.3m overspend on top ups, this includes a contingency of £1.1m for the top up panels. The May top up panel is not reflected in these figures however the additional cost will be approx. £170k. Core place funding is overspent by £0.7m which is due to additional places required following the budget setting process. There continues to be pressures on alternative provision and placements in independent schools particularly for pre 16 and also specialist placements for post 16. These areas are being closely monitored by officers during the fortnightly High Needs Budget review meetings.

5 National Funding Formula – DSG 2019/20 and beyond

- 5.1 **Introduction.** The Department for Education has shared some of its thinking on the policy development at a meeting with local authority officers. Officers have been advised that the information is firm, but was billed as for stakeholder engagement only. As such the session was not intended as a formal release and the information is not yet ready for public dissemination. Schools Forum colleagues should, therefore, be aware that the information provided is not yet public and conceivably could change before it is finalised. Nonetheless, it does give a clear steer about the likely direction of travel for 2019/20 and beyond.
- 5.2 The following paragraphs provide a Bristol-focused commentary on the information provided by the DfE in June 2018.
- 5.3 **Schools Block funding overview.** The NFF settlement is as previously announced in 2017-18, being that the funding floor will be +1% against 2017-18. For Bristol this means a Schools Block funding floor of £246.558m. The 2018/19 Schools Block allocation is £252m, so we are already £5.5m above the floor.

- 5.4 The gains cap again is as previously announced being and is +6.09% against 2017-18 (ie 3% cumulative gains in 2018-19 and again in 2019-20). For Bristol this results in a ceiling of £260.961m. The increase on the £252m 2018/19 Schools Block DSG would need to be £9m more for our allocation to be affected by this.
- 5.5 The minimum per pupil funding into the LA will be Primary will be at £3,500. Secondary will be at £4,800.
- 5.6 A new announcement is that movement between blocks will be permitted in 2019-20. This is a change to previously released information, whereby the blocks would be ring-fenced after 2018-19.
- 5.7 **Growth overview** . The ESFA wants a new approach to assigning the growth funding element of the Schools Block into LA's DSG allocations. The ESFA is particularly anxious not to repeat the historic funding basis, which was used in 2018-19 and gave LAs what they actually spent in the previous year. This is seen to reward big-spending LAs and does not fit with the NFF ethos. In 2018-19 Bristol received £3.0m on that basis.
- 5.8 As a move away from this the ESFA will calculate the value of the growth funding element of the Schools Block for 2019-20.
- 5.9 The total value of growth funding the ESFA is willing to distribute in 2019-20 is the sum total of LA growth spending in England in 2017-18. Distribution of this fund will be on the basis of lagged pupil growth data, measured at the middle super output areas, and only count positive growth. There are 53 middle super output areas in Bristol, with an average of around 1,000 pupils in each one.
- 5.10 The overall fund will be apportioned according to the total amount of growth in each LA area.
- 5.11 Once the amount of growth is determined, the ESFA will multiply the observed positive growth by £1,370 per primary age pupil and £2,050 for every secondary age pupil to derive the award to each LA. There is some uncertainty as to whether these values represent a full-year equivalent cost or they represent the 7/12ths allocation which would normally apply for growth between September and March.
- 5.12 These rates per pupil are significantly lower than what many LAs offer as growth to schools. Bristol paid to schools between £3,129 and £5,025 per-pupil in 2017-18 (NB these are full-year equivalent values). However as only positive growth will be counted the ESFA expects this method to overestimate actual growth in each LA area, and so the lower rate is intended to compensate for the overestimation caused by the positive count.

- 5.13 Nevertheless some LAs will see large changes in growth funding received. The ESFA is offering some protections. There will be a system of floors to protect LAs from losing significant year-on-year funding, similarly there will be a system of ceilings to make the floors affordable and reduce significant year-on-year gains in LAs.
- 5.14 Additionally the ESFA has confirmed that LAs can top-slice the schools block to supplement the growth funding allocation, as long as Schools Forum consent to this, and the award will be subject to the Area Cost Adjustment (for Bristol this is 1.0145)
- 5.15 There are two significant problems with this approach though, for which the ESFA is still developing solutions. These are that the lagged approach will underfund LAs experiencing high levels of growth, and that this methodology is not compatible with “hard” NFF.
- 5.16 **Other premises factors and other changes.** In the absence of any better solutions the ESFA is to fund all other premises factors (Mobility, Sparsity, PFI, NNDR) at 2018-19 spend levels.
- 5.17 For Bristol this means the plan (referred to as **Plan A** during the budget setting process) to shift the PFI strain of £4.1m from the General Fund into the DSG appears to have worked, with the DSG allocation in 2019-20 recognising the higher PFI spend in 2018-19.
- 5.18 The historic basis though also means the NNDR commitment will be underfunded, where schools face higher bills in 2019-20 than in 2018-19. The ESFA will not bear this risk of in-year adjustment and so this funding lag will have to be passed onto schools to manage, as is the case already in 2018-19.
- 5.19 Again this historic basis means that this methodology is not compatible with “hard” NFF and the ESFA is seeking other solutions longer term.
- 5.20 For affordability reasons the ESFA is reducing the NFF unit value assigned to Primary Low Attainment. The rate is expected to reduce by £20 per pupil in 2019-20. The NFF was awarded to Bristol at £1,050 in 2018-19, so will be received at approximately £1,030 per primary pupil in 2019-20. Bristol paid out at £706.67 in 2018-19.
- 5.21 **High Needs.** Less information was provided on High Needs for 2019-20.
- 5.22 The NFF settlement is as previously announced in 2017-18, being that the funding floor will be +1% against 2017-18. For Bristol this means a funding floor of £51.174m. This is higher than the current HN DSG of £51.023m.
- 5.23 The gains cap again is as previously announced being and is +6.09% against 2017-18 (i.e 3% cumulative gains in 2018-19 and again in 2019-

- 20). For Bristol this results in a ceiling of £53.753m. This would be £2.7m more than currently.
- 5.24 Most significantly Special Free schools are to be brought in the DSG regime, and treated in the same manner as Special Academy Schools for the purposes of funding and place planning
- 5.25 Hospital Education arrangements are not finalised, but LAs should expect to receive 2017-18 spend levels plus 1% in 2019-20
- 5.26 There is also an expected change to the administration of the Sixth form grant. It's proposed to move this funding into the HNB and be managed as with the rest of the DSG for High Needs.
- 5.27 **Central School Services Block** . The final allocations are to be published in December 2018, and are expected to be similar to 2018-19 allocations (Bristol £2.828m). This looks as though it will include again the £0.566m for lapsed contributions for prudential borrowing.
- 5.28 Gains will be capped at 2.14%, whilst reductions limited to 2.5%
- 5.29 The historic commitments element will be expected to unwind over time, reductions to begin in 2020-21 at a rate not yet decided.
- 5.30 **School resource management self-assessment tool (currently the SFVS)**. The ESFA has announced intentions to replace the current SFVS (School Financial Value Standard) process.
- 5.31 The new process will be mandatory from April 2019 and schools will be completing a more rigorous checklist, and will be benchmarked against statistically similar schools.
- 5.32 The LA remains the responsible and co-ordinating authority for maintained schools whilst academy schools will still be responsible to the ESFA.
- 5.33 **Disapplication processes**. The ESFA announced some changes to the disapplication process in the session. These changes are driven by the volume of disapplication requests received for 2018-19 and ESFA capacity to manage the process.
- 5.34 There will now be three windows for local formula disapplication of the regulation applications: September (technical), November (all other), January (late applications, appeals)
- 5.35 LAs will be permitted to move the same amounts between blocks in 2019-20 as they received approval for in 2018-19, provided Schools Forum also consent. For Bristol this means up to 0.8% of the Schools Block can be moved out into High Needs block without a new disapplication request

being submitted, provided Schools Forum agrees. If we wish to move more than 0.8% then a new disapplication request needs to be submitted.

5.36 The ESFA intends to allow all disapplication requests approved for 2018-19 to remain standing for 2019-20, detailed guidance on this and any limitations will be to follow.

5.37 **Hard National Funding Formula.** The ESFA told LAs to expect an announcement on 2020-21 funding arrangements in July 2018

5.38 Again the ESFA repeated that hard NFF requires change to primary legislation that has not yet been tabled to Parliament.

5.39 Another difficulty is that much of the current funding methodology is incompatible with a hard NFF, and the ESFA does not yet have preferred solutions to this

5.40 **Early Years.** The ESFA had no information on Early Years at the session.

5.41 LAs stressed the difficulties nursery schools are facing, and nursery settings are making decisions now in the absence of any reassurances from LAs, to the detriment of provision, which the ESFA acknowledged.

5.42 **Timetable of next steps**

July 2018

- Actual PUFs and SUFs will be published
- Growth funding methodology (but not allocations) published
- APT for initial modelling released
- ESFA announcement of NFF

September 2018

- Growth fund allocations published
- Window for technical disapplication requests open

November 2018

- Window for all other disapplication requests open

December 2018

- Final DSG Block allocations published

January 2019

- APT to be submitted to ESFA
- Closure of all disapplication windows

6 School Central Services Block

6.1 Work is still being done on the Education Services Review. Once it is ready, it will be reported to Schools Forum. This will include the arrangements for Trading with Schools, which was discussed briefly at the last meeting.

6.2 Appendix 1

Outturn position for Overall DSG 2018/19 as at Period P2

	Brought forward 1.4.18 £'000	Funding 2018/19 £'000	Outturn (as at Mar 19) 2018/19 £'000	In-year movement £'000	Carry forward 31.3.19 £'000
Maintained Schools		(94,082)	94,082	0	0
Academy Recoupment		(156,755)	156,755	0	0
Growth Fund		(2,586)	2,586	0	0
Schools Block	0	(253,423)	253,423	0	0
De-delegation Services	(358)	0	305	305	(52)
Admissions		(461)	461	0	0
Centrally Retained		(2,366)	1,800	(566)	(566)
Schools Central Services	0	(2,828)	2,262	(566)	(566)
National Formula		(26,900)	28,280	1,380	1,380
Funding Accrued		(1,060)	0	(1,060)	(1,060)
2 Year Old Funding		(4,576)	3,988	(588)	(588)
Pupil Premium (EYPP)		(366)	366	0	0
Additional Support Services		(1,081)	1,082	0	0
SEN Top up		(913)	913	0	0
Staffing		(1,607)	1,477	(130)	(130)
Disability Access Fund		(97)	97	0	0
Committed reserve	(500)	0	0	0	(500)
Early Years Block	(500)	(36,600)	36,203	(397)	(897)
Commissioned Services		(2,440)	2,550	110	110
Core Place Funding		(7,653)	8,389	736	736
Staffing		(895)	895	0	0
Top Up		(21,640)	22,965	1,325	1,325
Placements		(8,556)	8,843	288	288
Pupil Support		(314)	328	14	14
Schools in Financial Difficulty		(307)	307	0	0
HOPE Virtual School		(236)	236	0	0
Committed reserve	1,874	0	0	0	1,874
Planned funding for historic deficit		(2,590)	0	(2,590)	(2,590)
Academy Recoupment		(9,095)	9,095	0	0
High Needs Block	1,874	(53,724)	53,607	(117)	1,757
Total	1,016	(346,575)	345,800	(775)	241